

# Trade and Investment Incentives

## **Investment Climate**

### **Openness to Foreign Investment**

---

The government is actively seeking foreign investment as a way to develop the economy, generate employment and boost foreign exchange earnings. In this regard, the government has taken a number of positive steps to establish a system and environment conducive to foreign investment.

### **Right to Private Ownership and Establishment**

---

There are no restrictions on the establishment of private businesses. However, under the commercial agricultural land reform legislation there are certain restrictions concerning the foreign ownership of agricultural farmland.

### **Protection of Property Rights**

---

The legal system protects and facilitates acquisition and disposition of property rights. The Namibian Constitution guarantees against expropriation without compensation. Registration of patents, trademarks and designs is administered by the Registrar of Companies, Patents and Trademarks in Windhoek . IPR infringement is not a major problem in Namibia .

### **Foreign Trade Zones/Free Ports**

---

Foreign firms enjoy the same investment opportunities as local companies. There are no free ports in Namibia .

---

## **Export Processing Zones**

---

The government has been encouraging overseas investment through the establishment of export processing zones (EPZ's). While the Foreign Investment Act is not applicable in the EPZ's, special incentives for investment exist in these zones. The port of Walvis Bay has been designated as Namibia 's first, full-scale export processing zone. EPZ incentives for investors include:

- exemption from customs, import and export duties and any tax on equipment and goods;
- exemption from income, profit and sales taxes; no taxes on corporate profit;
- and no labour strikes and lockouts permitted in the EPZ.

Further EPZ sites are being considered in other major towns. In addition companies can apply for single status EPZ treatment anywhere in Namibia . The single status EPZ program enables companies to be close to raw material sites without geographical restrictions on their exporting policies.

## **Performance Requirements**

---

Namibia imposes no performance requirements on foreign investors, but in certain industries, local content requirements must be met in order to exempt final products from duties under the SACU.

## **Transparency of the Regulatory System**

---

The regulatory system is transparent. Labour regulations are equally applicable to all employers, local and foreign, except as noted in the EPZ.

## **Labour**

---

The Namibian Constitution allows for the formation of independent trade unions to protect workers' rights and to promote sound labour relations and fair employment practices. Businesses operating within the EPZ are required to adhere to the Labour Act. In terms of EPZ legislation, however, strikes and lockouts are prohibited within the zone.

While there is a large pool of qualified workers in varying professions in Namibia , a shortage does exist in the highly skilled labour force. The government offers special tax deductions of up to 25 percent to manufacturing companies that provide technical training to employees. Government will also reimburse companies for costs directly related to employee training under approved conditions.

---

## **Efficient Capital Markets and Portfolio Investment**

---

There is a free flow of financial resources within Namibia and throughout the Common Monetary Area (CMA). Capital flows with the rest of the world are relatively free, subject to South African exchange controls (discussed below under Conversion and Transfer Policies). The Ministry of Finance registers portfolio managers and supervises actions of the Namibian Stock Exchange (NSE) through the Director of Financial Institutions.

The NSE currently lists over 30 companies and continues to grow. It provides an alternative means of raising cash to Namibian companies. The government has also introduced investment incentives to attract the kind of mutual funds and foreign portfolio investors that have energized emerging stock markets elsewhere in the developing world. The NSE is the second largest African stock market in the total value of shares listed, although this distinction is largely due to the double listing of huge South African firms.

## **Conversion and Transfer Policies**

---

The Foreign Investment Act offers investors the opportunity to apply for a Status Investment Certificate (SIC).

The award of a SIC entitles the holder to:

- preferential access to foreign exchange in order to repay foreign debt, pay royalty and similar charges remit branch profits and dividends;
- preferential access to foreign currency in order to repatriate proceeds arising on the sale of the enterprise to a Namibian resident; exemption for a certified investor from regulations in terms of Section 3(4) of the Foreign Investment Act, according to which the Minister may reserve certain business or categories of business for Namibians (provided that the SIC was issued prior to any such reservation being declared);
- and the right to international arbitration in the event of a dispute with the government.

Non-status investors are subject to the exchange controls under South African regulations applicable to the CMA. In general, the Namibian banking system is modern and efficient, and local commercial banks are fully capable of handling international financial transactions and trade financing.

---

## **Expropriation and Compensation and Dispute Settlement**

---

The Foreign Investment Act protects the investor from expropriation. It also guarantees settlement of any disputes by international arbitration. The local court system provides an effective means to enforce property and contractual rights.

## **Political Violence**

---

Namibia enjoys a relatively stable political system under a multi-party democratic constitution. Thus, political risk in the country is low.

## **OPIC and other Investment Insurance Programs**

---

Namibia is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA), which performs a similar function.

## **Capital Outflow Policy**

---

No restrictions exist regarding capital outflows.

## **Major Foreign Investors**

---

The five major foreign investor countries in Namibia are South Africa , Germany , Britain , the United States and Malaysia .

# Financial Environment

## Financial Environment

---

Namibia has a well-established banking system, which is controlled by legislation and by state agencies working through the Bank of Namibia. The new Banking Institutions Act passed into law in 1998 provides the legal framework for banking operations in Namibia and is designed to ensure international acceptability. To deepen the range of financial services in Namibia, an Offshore Banking Act as well as legislations governing the conduct of other offshore financial services has been put in place.

As a member of the Rand Common Monetary Area (CMA), however, Namibia continues to be subjected to CMA foreign exchange regulations as are South Africa, Lesotho and Swaziland.

## Commercial Banks

---

Commercial banks in Namibia operate through a nationwide network of branches and offer a comprehensive range of banking services, including current account and overdraft facilities, term deposits, discounting of bills, foreign exchange and a variety of loan products. General banking facilities such as hire purchase and leasing packages are also available and most of the commercial banks are capable of providing specialised merchant banking facilities. Branches of banks can be found in most towns in Namibia with agencies in the smaller centres. International services are available through interbank arrangements while electronic banking and teller services are available in all major centres.

***Namibia has four major commercial banks:***

**Bank Windhoek Limited**  
**First National Bank of Namibia Ltd**  
**Standard Bank of Namibia**  
**Nedbank**

## Foreign Exchange Control

---

Foreign currency transactions in Namibia have to conform to operating Exchange Control requirements. In an effort to demonstrate the Government's commitment towards the free flow of currency, people and goods, recent changes have been effected to the rules governing foreign exchange transactions to allow dividends, profits and disinvestment proceeds to be transferred by an authorised dealer without Bank of Namibia involvement. Transfers in excess of the established limits under Exchange Control Rules require authorised dealers to lodge an application on behalf of their client with the Bank of Namibia giving full details of the purpose for the remittance.

## Remittance of Dividends

---

The remittance of dividends to non-resident shareholders is allowed without Bank of Namibia approval, except in the case of a company availing itself of local loans.

## Repatriation of Capital

---

The local sale or redemption proceeds on non-resident owned assets in Namibia may be regarded as freely remittable or be used freely by non-residents for investment purposes within the CMA.

## Export Processing Zone (EPZ) Enterprises

---

EPZ enterprises operate outside the normal foreign exchange regime in Namibia . To address their foreign exchange and operational requirements, two types of banking accounts have been tailor-made to the needs of enterprises operating in the Namibia EPZ.

***These are:***

### **EPZ Customer Foreign Currency Account**

To facilitate the foreign currency disbursements of EPZ enterprises. This account is kept in foreign currency in a local bank.

### **EPZ Non-resident Account**

This is a Namibia dollar account funded with foreign currency and used for the normal operational requirements / expenditure of EPZ enterprises. Balances on this account are freely convertible.

## Other Benefits of Liberalisation

---

- Freedom of movement for capital transactions of non-residents.
- Free repatriation of income/dividends earned on such investments.
- Institutional investors, i.e. pension funds, insurance companies and unit trusts may engage in asset swap transactions.
- Corporations may invest directly abroad.
- Virtually all quantitative limits on current account transactions in line with Article VIII of the IMF have been abolished.

# Import/Export Procedures

There are specific groups of products requiring import permits, of which the following are not automatically granted:

- **Medicine and related substances**
- **Chemicals**
- **Frozen, chilled fish and meat, including game**
- **Live animals and genetic materials**
- **Pornographic materials**
- **Controlled agronomic products (maize, wheat and dairy products)**
- **Controlled petroleum products**
- **Firearms, explosives, etc**
- **Diamond, gold and other minerals**
- **Coins**
- **All second hand and used goods such as used clothes and vehicles**

The following specific groups of products require export permits, and are also not automatically granted:

- **Medicine and related substances**
- **Live animals and genetic materials**
- **All ostrich breeding materials (eggs, chicks, birds)**
- **Meat and game products**
- **Protected species (fauna/flora) in terms of the Convention on International Trade in Endangered Species (CITES)**
- **Plants, plant products, and propagating materials**
- **Firearms, explosives, etc**
- **Diamond, gold and other minerals**
- **Coins and bank notes**
- **Works of art which have been in Namibia for more than 50 years**
- **National monuments, archaeological findings, etc.**

Namibia is party to the WTO Agreement on Import Licensing, and as such, its import and export management regime has to be gradually made compatible with the WTO parameters on import controls. Unlike imports, exports are not so much an issue of concern within the WTO rules.

Namibia is also a signatory to the following:

- **Convention on International Trade in Endangered Species (CITES)**
- **Montreal Convention on the Emission of Ozone Depleting Substances**
- **International Atomic Energy Agency (IAEA)**
- **International Organisation for Epizootic (IOE)**
- **World Intellectual Property Organisation (WIPO)**
- **International Standards Organisation (ISO)**

All these international commitments require certain, specified interventions in the trade of species, substances, materials and goods.

# Better Trade, Bigger Markets

## The Gateway

---

Whether it is entry into sub-Saharan African markets or a fast and cheap interaction with players in the international marketplace,

## Trade Arrangements

---

By virtue of various trade arrangements, Namibia enjoys easy access to a regional market of over 350 million consumers as well as access to lucrative markets in the rest of the world.

## Enabling Infrastructure

### *Road Network*

---

Namibia has a well-established road infrastructure. The majority of towns and communities can be reached by a network of quality gravel trunk, main and district road networks totalling a distance of 48,117 km, including 4,500 km of tarred roads.

The country is linked by road to Angola , Zambia , Zimbabwe , Botswana and South Africa . The Trans-Kalahari and the Trans-Caprivi Highways provide a fast and comfortable road link between Namibia's port of Walvis Bay on the Atlantic coast, and landlocked neighbouring countries. In particular, the Trans-Kalahari Highway links the port to Botswana , and the Gauteng province, the industrial heart of South Africa . The Trans-Caprivi Highway links Namibia 's landlocked neighbouring countries of Botswana , Zambia , Zimbabwe and the Democratic Republic of Congo to the port of Walvis Bay .

The Highways provide a regional transport corridor, intended to reduce the time-span for movement of imports and exports from the neighbouring countries to the markets of Western Europe and the Americas by at least five days compared to traditional routes in Southern Africa . The Trans-Kalahari Highway has turned Namibia into a gateway location and has led to the evolution of the western corridor concept and the development it portends for the whole SADC region.

### *Walvis Bay Port Facilities*

---

While only a few years ago some voices talked of the port of Walvis Bay competing for cargo with the East African ports, current talk is about complementing each other via the Walvis Bay-Maputo corridor. The Trans-Kalahari Highway is seen as an integral part of the Walvis Bay-Botswana-Gauteng-Maputo Development Corridor.



The Port of Walvis Bay , as a key element of this corridor, is now viewed as an emerging transit point for commercial traffic bound to or from landlocked countries in the region. Once the transport corridor is fully developed, the Southern Africa region can benefit from channelling its exports and imports via the Port of Walvis Bay . In particular, business in South Africa 's Gauteng province will save up to seven days in shipping time via Walvis Bay as opposed to the use of traditional routes. This is particularly attractive for the transport of time-sensitive cargo, such as fresh produce, fruit or just-in-time deliverables. Equally, the highway provides SADC countries north of South Africa a very economical route for their exports and imports through the port of Walvis Bay . In non-fiscal terms, the port offers moderate climate all year round. Winds, though often fresh to strong, do not stop cargo work.

In terms of capacity, the port of Walvis Bay handles some two million tonnes of cargo annually. This mainly consists of dry bulk, break bulk, petroleum products and containerised cargo. Over the last 15 years, the Walvis Bay port has served its clients without record of a single loss of cargo. Cargo throughput could be increased to five million tonnes per annum or more by introducing additional shifts and equipment to meet growing demand.

*Lines with International links calling at Walvis Bay :*

- Unicorn Lines: Sailing bi-weekly between Durban/Cape Town and Walvis Bay
- Maersk Line: Sailing weekly from Europe
- MACS Line: sailing bi-weekly from north-western Europe

## ***Port Development***

---

The ultimate objective of NamPort is to develop the port of Walvis Bay as the gateway to Southern Africa . The geographical location of the port of Walvis Bay provides strategic benefits to shipping lines. It links them to the nearest, safest and most developed port to Europe and the Americas . This provides not only an opportunity to Namibia itself, but also to our neighbouring landlocked countries like Botswana , the Democratic Republic of Congo, Zambia and Zimbabwe .

The port of Walvis Bay was deepened in July 2000. The total length of the quay is about 1.5 kilometres divided into eight berths, with berths 1-3 deepened to 12.8 M CD and berths 4-8 deepened to 10.6 M CD. The container terminal has a current capacity of 392 ground slots for normal containers and 192 ground slots for reefer containers.

---

## ***Air Travel***

---

Namibia has direct air links to major cities of sub-Saharan Africa, such as Cape Town , Johannesburg , Gaborone , Lusaka and Harare . International flights from Frankfurt and London land in and depart from Namibia regularly. The country's three international airports are Hosea Kutako International Airport , Walvis Bay Airport and Keetmanshoop airport. There are numerous smaller aerodromes as well as private landing strips throughout the country. The Hosea Kutako International Airport services Air Namibia and other major airlines on a daily basis. The international airport is situated 48 kilometres from the centre of town. Smaller aircraft can land at Eros Airport on the outskirts of the city.

## ***Telecommunications***

---

Namibia has invested heavily in the modernisation and expansion of telecommunications. With 6.2 telephone lines per 100 inhabitants (September 1999 figures), Namibia has a high teledensity in comparison with regional and African averages. This number is already increasing. An international satellite service links Namibia to worldwide telecommunication services. Telecom Namibia has seven primary exchanges countrywide, at present, including an international exchange. These primary exchanges control a total of 79 digital exchange sites countrywide. A fully digital backbone transmission system has been implemented with approximately 6,000 kilometres of optic fibre cable. The northern border is connected to the southern border and the eastern border is connected to the coast via optical fibre cable. The network covers all major routes and towns of the country. The copper open wire route stretches over a distance of 60,000 kilometres.

The development of the Windhoek network, the country's capital, is a priority. This includes preparing for services like Asynchronous Digital Subscriber Lines (ADSL) and other high-speed services to the premises of customers. The objective is to extend the optical fibre ring networks in Windhoek to implement the concept of Fibre-To-The-Curb (FTTC) which shortens the distance of copper infrastructure, This by no means deteriorates the need for copper infrastructure since that is still the most flexible medium to provide future high-speed services.

A new wireless system has been introduced to provide residential and business customers with immediate services up to ISDN. The existing DECT system is primarily for the cost-effective provision of POTS services. The new system is based on Code-Division-Multiple-Access (CDMA) techniques and is capable of providing up to ISDN speed over a radial distance of 15-20 kilometres from the base station. Integrated Services Digital Network (ISDN) services are available to customers in urban areas on the digital network. Basic Rate as well as Primary Rate ISDN is available. Value added services like teleconferencing, call forwarding, and call barring are currently available.

---

## ***Mobile Telecommunications***

---

*MTC* and *Cell One* are two of Namibia 's cellular operators. *MTC* has been operational since 1995, when it was established in a joint venture with Talia Overseas AB , Swefund International AB and Namibia Post and Telecommunications Holdings Ltd.

*MTC* has coverage in all major towns of Namibia and road coverage on all major routes. *MTC* has roaming agreements with 30 countries and 50 different networks throughout the world. *Cell One* started operations in 2007.

In addition to mobile communications and roaming, *MTC* and *Cell One* also offer other value-added services, such as voicemail, fax and data and short message services.

# Trade Preference Schemes

## Africa Growth and

---

The Africa Growth and Opportunities Act (AGOA), which was signed into law in May 2000, provides reforming African countries with the most liberal access to the US market. It makes provision for duty-free and quota-free access of essentially all products originating from eligible beneficiary Sub-Saharan African (SSA) countries, into the US market. However, an exception is made for the textile and apparel industry, which is regarded as sensitive in the US market. For an eligible SSA country to enjoy duty free benefits provided for under this sector, it is required to put into place an effective visa system that would ensure that illegal transshipment of textile and apparel products into the US market does not occur. Namibia is one of the countries that was designated as eligible for the AGOA benefits and has been certified as eligible for the textile and apparel benefits, after establishing the required visa system.

## Namibia/Zimbabwe Preferential Trade Agreement

---

This preferential trade agreement entered into force on 17 August 1992. The provision of preferential market access is governed by rules of origin. For goods to qualify, the following rules of wholly obtained or value-added origin would apply:

Goods grown, produced or manufactured in Namibia may be imported into Zimbabwe free of customs duty, and vice-versa if they are wholly produced/obtained. The following categories of goods shall be considered as wholly obtained:

- **Mineral products extracted from its soil**
- **Vegetable products harvested or gathered therein**
- **Live animals born and raised therein**
- **Products obtained therein from live animals**
- **Forest products harvested therein**
- **Fish and other marine products gathered therein or from its marine economic zone, and**
- **Products obtained therein exclusively from products specified above.**

Goods shall be regarded as having been manufactured in Namibia , if at least 25% of the manufacturing costs (local content) are represented by materials produced and direct labour performed in Namibia . The last process in the manufacture of such goods must have taken place in Namibia .

For Namibian exports to qualify for such preferential treatment, registration with the Ministry of Finance is required. A certificate of origin issued by the Ministry of Finance shall accompany the goods. Goods exported from each territory should be transported directly without entering a third country's commerce.

## **Southern African Customs Union (SACU)**

---

Namibia became a member of SACU in 1990, after having been a de facto member during the time the country was under South African rule. SACU membership comprises Botswana , Lesotho , Namibia , Swaziland and South Africa . In terms of the SACU Agreement, there is free movement of goods among the members. Article 2 of the Agreement prevents members to impose duties or quantitative restrictions on goods grown, produced or manufactured in the common customs area. Duties are levied on goods once they enter the common customs area but when inside the area, no further duties are charged.

## **World Trade Organisation (WTO)**

---

Namibia is a member of the World Trade Organisation (WTO). The WTO also serves as a forum for trade negotiations and settlement of trade disputes among nations. WTO rules on international trade are contained in three main legal instruments:

- **General Agreement on Tariffs and Trade (GATT) and its associate agreements, applying to trade in goods;**
- **General Agreement on Trade in Services (GATS) which applies to trade in services; and**
- **Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS).**

WTO rules applicable to exports. GATT rules permit an export product to be relieved of all indirect taxes borne by it in the exporting country. Unless the exported product is either relieved or exempted from indirect taxes, it becomes subject to double taxation in both the exporting and importing country. Namibia has concluded double taxation treaty with the following countries: United Kingdom , South Africa , Sweden , Germany , France , Mauritius , Romania , Russia and India .

Namibia like many other countries has incentive schemes as elaborated in the earlier sections of this brochure. These schemes make it possible for exporters to claim exemption from, or drawback of customs duties paid on inputs used in the manufacture of export products and the reimbursement of indirect taxes borne by such products. These are allowed under GATT rules.

## **Southern Africa Development Community (SADC)**

---

Namibia is a member of the Southern African Development Community (SADC), whose ultimate objective is a creation of an integrated regional economic block. Member States are: Angola , Botswana , Democratic Republic of Congo (DRC), Lesotho , Malawi , Mauritius , Mozambique , Namibia , Seychelles , South Africa , Swaziland , Tanzania , Zambia and Zimbabwe . Each Member State has responsibility to co-ordinate a sector or sectors on behalf of others. Namibia is

responsible for marine fisheries and resources as well as the legal sector.

In August 1996, member States adopted a Trade Protocol, which aims to establish a Free Trade Area (FTA) in the SADC region. Elimination of barriers to trade shall be achieved within a time frame of eight years from entry into force of the Trade Protocol. The Protocol came into force on 25 January 2000. However, its implementation as far as the reduction of duties is concerned will commence during the latter half of 2000.

## Origin Criteria

---

Goods shall be accepted as originating in a SADC country if they have been wholly produced in a member State . Alternatively, goods must have been produced in the member State partially from materials imported from outside the member States or of undetermined origin by a process of production which effects a substantial transformation of those materials such that:

- **The c.i.f. value of those materials does not exceed 60% of the total cost of materials used in the production of the goods; or**
- **The value added resulting from the process of production accounts for at least 35% of the ex-factory cost of the goods (the value of the total inputs required to produce a given product); or**
- **A change in the tariff heading of a product arising from a processing carried out on the non-originating materials should be effected.**

A list of processes that will confer origin for each and every product will be adopted as a checklist for exporters.

## Documentary Evidence

---

For goods to be accepted as originating from a Member State , they have to be accompanied by a certificate of origin. The certificate shall be authenticated with a seal by an authority designated for the purpose by each Member State . Implementation of this process commences in the latter half of 2000.

## Cotonou Agreement

---

Namibia is part of the ACP-EU trade agreement, which grants non-reciprocal preferential access to some of the ACP products into the EU market. The current preferential market access provisions succeeded the Lome agreement which ended at the end of February 2000.

Besides tariff preferences, there are specific arrangements, such as the protocols for beef and veal, rum and bananas, whereby ACP countries are granted preferential treatment based on quotas. This generally consists of an agreement to guarantee a

minimum import volume of the respective product at a reduced tariff rate, or duty-free treatment for a specified volume.

From the Namibian perspective, this concerns principally the export of beef, for which there is a minimum levy. Namibia has been granted an annual quota for boneless beef and veal of about 13,000 tonnes. This is subject to stipulated health regulations.

## **Origin criteria**

---

For products to enter the EU market duty-free or at a reduced rate of duty, they must meet certain conditions. Firstly, only goods originating in a beneficiary ACP country are eligible for preferential treatment. Secondly, value addition on imports of materials originating in either one of the ACP or EU countries is allowed, provided that considerable value addition has been effected to the products in the ACP countries. Processes conferring origin in the case of value addition are spelt out in the agreement.

Secondly, such goods must be transported directly from the exporting country to the EU.

## **Documentary evidence**

---

The evidence of origin must be submitted to the EU Customs by means of a Certificate of Origin 'EUR I'. The Ministry of Finance (Customs & Excise) issues this document in Namibia .

## **Generalised System of Preferences (GSP)**

---

Namibia , as a developing country, receives preferential market access for some of its products in certain developed countries' markets, under various GSP schemes. These are mainly manufactured/processed goods and agricultural products. Eligible products can enter these markets duty-free or at reduced duty rates.

The following countries grant GSP treatment to some products originating from Namibia :

Australia, Canada, European Union, Hungary, Japan, New Zealand, Norway, Switzerland, USA, Poland, Czech and Slovak Republics, Russia, and Bulgaria.  
Origin criteria

GSP-granting countries have different requirements. Generally, goods must either be wholly obtained in Namibia , or manufactured in Namibia from imported materials, parts or components. Goods must meet the processing criteria mostly referred to as 'sufficient working or processing' in Namibia . With few exceptions, goods must be transported direct from Namibia to the preference-giving country.

Claim for preferential treatment must be supported by appropriate documentary

evidence, mostly by means of a Certificate of Origin (Form A). In Namibia , the Ministry of Finance administers this arrangement.

## How to export under a GSP scheme

---

Although GSP schemes may have many elements in common, they differ in content and application. It is therefore necessary to proceed step by step in ascertaining the eligibility of a product under the GSP scheme of a particular preference-giving country.

GSP schemes are non-contractual, and can be unilaterally terminated by any preference-giving country at any time. Any exporter should on a regular basis seek confirmation as

to the existence of such schemes in a particular country. Generally, the following steps are to be undertaken when exporting under a particular GSP scheme:

- **Establish the tariff classification: products eligible for preferential tariffs are defined in terms of their tariff classification in the Tariff Schedule of each country**
- **Check the product coverage: not all products are eligible for preferential treatment under GSP. You must ascertain whether your product qualifies for preference in the target market.**
- **Assess the preferential margin: this is needed to be able to quote the price for the importer. Preferential margin is the difference between the general rate of duty, which normally applies to the product and the GSP duty granted on it.**
- **Check for quotas/ceilings, competitive needs limits and graduation list: Under certain schemes, annual quotas are set and being administered, and there are also certain limits, restrictions, graduation or exclusion from entitlement to preferential treatment.**
- **Comply with Origin Criteria.**
- **Check consignment conditions.**
- **Prepare the required documentary evidence.**



# Incentives Regime

## Introduction

---

Namibia's economic growth largely depends on its ability to engineer export-led industrialisation by taking advantage of its strategic location and superb economic infrastructure.

The Ministry of Trade and Industry concentrates on creating a conducive environment for foreign and local investment.

It has also made considerable effort to put competitive tax and non-tax incentives in place in order to attract foreign investment to the Export Processing Zones and to encourage both foreigners and locals to invest in the manufacturing sector.

Namibia's incentive regimes include the Foreign Investment Act and its provisions for a Certificate of Status Investment, the Special Incentives for Manufacturers and Exporters as well as the Export Processing Zone Incentives.

## Export Processing Zone Regime

---

As a far-reaching incentive for manufacturers, the Namibian Government adopted a policy for the establishment of an Export Processing Zone (EPZ) regime to serve as a tax haven for export-oriented manufacturing enterprises in the country, in exchange for technology transfer, capital inflow, skills development and job creation. This policy decision was translated into law through the passage in Parliament of the Export Processing Zone Act (Act No. 9 of 1995). The implementation of this initiative started in 1996.

## Export Processing Zone (EPZ) Incentives

---

Enterprises which undertake manufacturing, assembly, re-packaging and break-bulk operation and gear all or almost all of their production for export, earn foreign exchange and employ Namibians, will be eligible for EPZ status, which confers an attractive range of both tax and non-tax benefits. Tax incentives for EPZ enterprises

Enterprises with EPZ status do not pay:

- corporate tax;
- import tax;
- sales tax, stamp and transfer duties on goods and services required for EPZ activities.

These benefits are of unlimited duration.

## **Other incentives for EPZ enterprises**

---

Because Government recognises the considerable costs of establishing new operations and training a new workforce, EPZ enterprises investing in upgrading the skills and productivity of Namibian workers will receive a grant to cover a substantial part of the direct costs of on-the-job and institutional training. The grant is paid by the Government on the basis of pre-approved training plans, once training is complete.

EPZ enterprises are allowed to hold foreign currency accounts in local banks. They also enjoy industrial calm as no strikes or lock-out is allowed in the EPZ-regime. Companies operating under the regime are free to locate their operations anywhere in Namibia .

Through the Offshore Development Company, EPZ enterprises also have access to factory facilities rented at economical rates.

## **Special Incentives for Manufacturers and Exporters**

---

The Government of the Republic of Namibia is committed to stimulate economic growth and employment and to establish Namibia as a gateway location in the Southern African region. Incentives are largely concentrated on stimulating manufacturing in Namibia and promoting exports into the region and to the rest of the world. Incentive regimes in place are designed to give Namibia-based entrepreneurs who invest in manufacturing and re-export trade a competitive edge. These tax and no-tax incentives are accessible to both existing and new manufacturers.

Manufacturing activities in all sectors, including local value-added processing of Namibia 's minerals, fish and agricultural products currently exported largely in raw form, stand to benefit from these incentives.

These incentives are designed for entrepreneurs whose main target market is the Southern African Customs Union (SACU). Namibia-based entrepreneurs exporting their products outside the SACU market are still entitled to benefits under the scheme. Manufacturers receive greater benefits than mere exporters of finished goods. To benefit from the scheme, an investor must register with the Ministry of Finance as a manufacturer or an exporter of manufactured goods. The Namibia Investment Centre assists investors with the registration process.

The following tax general regulations are indicative of Government commitments:

- Non-resident Shareholders' Tax is only 10 percent;
- Dividends accruing to Namibian companies or resident shareholders are tax exempt;
- Plant, machinery and equipment can be fully written off over a period of three years;
- Buildings of non-manufacturing operations can be written off, 20 percent in the first year and the balance at 4 percent over the ensuing 20 years (manufacturers operations have even more generous allowances);

- Import or purchase of manufacturing machinery and equipment is exempted from value added tax (VAT);
- Preferential market access to the EU, USA and other markets for manufacturers and exporters is provided.

To make manufacturing in Namibia more competitive, Government has introduced a further package of tax and non-tax incentives, applicable to both existing and new manufacturing enterprises.

## **Tax Incentives for Manufacturers**

---

### *Tax abatement*

The Government has allowed an 18 per cent special tax deduction on the taxable income derived from manufacturing enterprises for a period of 10 years. This abatement is applicable to all operations approved and registered as manufacturers by the Ministry of Finance in consultation with the Ministry of Trade and Industry.

### *Establishment tax package for new investments*

Where companies wish to establish a new manufacturing venture in Namibia , or relocate an existing operation to Namibia , a special tax package may be negotiated through the Ministry of Trade and Industry, which then makes appropriate recommendations to the Ministry of Finance.

The Minister of Finance is empowered to grant, in consultation with the Minister of any line Ministry, special conditions to certain manufacturing enterprises on:

- The rate of tax payable, and
- The terms under which this rate shall apply.
- To be considered for an establishment tax package, a full feasibility study must be presented showing that:
  - Existing industry will not be unfairly disadvantaged, and
  - The enterprise will contribute positively to Namibia 's long term economic growth.

The conditions, as negotiated, will be published in the Government Gazette as soon as they have been approved by the Ministry of Finance.

### *Special building allowance*

Buildings erected by manufacturing enterprises for manufacturing purposes (i.e. not including office buildings), can be written off at the rate of 20 percent in the first year and the balance at 8 percent per year over the ensuing 10 years.

### *Tax incentives for export promotion activities*

The following expenditure, which is already fully deductible for tax purposes, will be allowed as an additional deduction from income according to the percentages

prescribed below:

- Research on the marketing of goods in a foreign country;
- Advertising and soliciting of orders in a foreign country, including attendance of approved foreign trade exhibitions and outward trade missions, economy air fare, local travel and accommodation and exhibition costs;
- Provision of samples or technical information to prospective customers in a foreign country;
- Bringing prospective buyers from a foreign country to Namibia , including economy air fares and accommodation;
- Preparation or submission of tenders or quotations in respect of goods to be exported to a foreign country;
- Expenditure incurred to finalise contractual agreements;
- The appointment of agents in foreign countries.

The additional deduction in prospect of the above expenses is as follows:

- 25 percent if the current export turnover exceeds the basic export turnover (defined as the average export turnover of the preceding three years, as supported by an audit certificate) by 10 percent or less;
- 50 percent if the current export turnover exceeds the basic export turnover by more than 10 percent, but less than 25 percent; or
- 75 percent if the current export turnover exceeds the basic export turnover by 25 percent or more.

These export promotion incentives will only be granted on approval of the programme, stating details of the envisaged export promotion venture and the expected resultant exports.

#### *Additional deductions for production line wages and training*

An additional deduction of 25 percent will be allowed for registered manufacturing enterprises in respect of wages paid to production line workers and training costs.

#### *Production line wages*

As an encouragement to manufacturing enterprises to utilise more labour intensive processes, an additional deduction from income of 25 percent will be allowed in respect of wages paid to Namibian workers directly involved in the manufacturing process. For example if an enterprise has an approved remuneration package of N\$100,000 to such workers, N\$125,000 will be allowed as a deduction from taxable income.

### *Training expenses*

The Government believes that efficiency in the manufacturing sector can be increased dramatically through the professional training of technical personnel. An additional deduction of 25 percent from income will be allowed on approved technical training expenses. The content, duration and costs of training programmes and a list of candidates must be forwarded to and approved by the Ministry of Finance, in consultation with the Ministry of Trade and Industry and the Ministry of Labour and Human Resource Development.

## **Non-Tax Incentives for Manufacturers**

---

### *Grants and loans for exporters*

To further assist exporters in securing new markets, export promotion funding of efforts as detailed above, will be considered, up to a maximum of 50 percent of direct costs. Such export promotion activities must be pre-approved by the Investment Centre and can, on the basis of substantive quotations and/or invoices, be paid in advance, subject to full verification of expenditure within 30 days.

### *Industrial studies*

Studies undertaken by Government, whether on its own initiative or on request of private sector enterprises can be made available at 50 percent of their production cost to companies that wish to develop investment opportunities. Executive summaries will be made available for perusal free of charge. Requests by the private sector for commissioning of such studies will only be considered where full project proposals and pre-feasibility studies are submitted.

## **Incentives for Exporters of Manufactured Goods**

---

Tax allowance on income derived from the export of manufactured goods  
Government intends to promote Namibia as a trading centre within Southern Africa .  
Taxable income derived from the export of manufacture goods, with the exception of fish and meat products, whether they have been produced in Namibia or not, shall be reduced by an allowance equal to 80 percent of the amount.

## **Registration and Implementation**

---

All manufacturing concerns claiming incentives must first register with the Ministry of Trade and Industry, and, in respect of Taxation Incentives, must also be registered with the Ministry of Finance. The Minister of Finance is empowered to prescribe accounting procedures and regulations for manufacturing enterprises qualifying for Taxation Incentives. To promote, control and prevent the misuse of Taxation Incentives, enterprises qualifying for such incentives will not be relieved on the duty to submit fully substantiated annual tax returns.

## Taxation

---

The following direct and indirect taxes are levied in Namibia :

- Corporation tax (applicable to Companies, Close Corporations and External Companies)
- Personal income tax
- Withholding tax
- General sales tax
- Additional sales levy
- Other taxes include: transfer tax, stamp duty, customs duty and municipal rates.

Namibia has no capital gains tax, estate duty, inheritance tax or donation tax. Partnerships are not treated as separate taxable entities and partners are taxed on their share of net partnership income.

The Income Tax and VAT are administered by the Minister of Finance via the office of the Commissioner for Inland Revenue in Windhoek , who is also responsible for the administration of Stamp and Transfer Duties.

Double Taxation Agreements have been concluded with numerous countries including France , Germany , India , Mauritius , Romania , the Russian Federation , South Africa and Sweden .

### Special incentives for manufacturers, exporters and EPZ enterprises

	<b>Registered manufacturers</b>	<b>Exporters of manufactured goods</b>	<b>Export Processing Zone Enterprise</b>
<b>Eligibility and Registration</b>	Enterprises engaged in manufacturing. Application to the Ministry of Trade and Industry and approval by the Ministry of Finance	Enterprises that export manufactured goods whether produced in Namibia or not. Application and approval by the Ministry of Finance	Enterprises engaged in manufacturing, assembly, packing or break-build and exporting mainly outside of SACU markets. Application to the EPZ Committee through the ODC or EPZMC
<b>Corporate Tax</b>	Set at a rate of 18% for a period of 10 years, whereafter it will revert to the prevailing general rate	80% allowance on income derived from exporting manufactured goods.	Exempt
<b>VAT</b>	Exemption on purchase and import of manufacturing machinery and equipment	Normal treatment	Exempt
<b>Stamps &amp; Transfer Duty</b>	Normal treatment	Normal treatment	Exempt
<b>Establishment Tax Packages</b>	Negotiable rates and terms by special tax packages	Not eligible	Not eligible
<b>Special Building Allowance</b>	Factory buildings written off at 20% in first year and balance at 8% for 10 years	Not eligible	Not eligible
<b>Transport Allowance</b>	Allowance for land-based transportation by road or rail of 25% (deduction from total cost)	Not eligible	Not eligible
<b>Export Promotion Allowance</b>	Additional deduction from taxable income of 25%	Not eligible	Not eligible
<b>Incentive for Training</b>	Additional deduction from taxable income of between 25% and 75%	Not eligible	Substantial, issued by government on implementation of approved training programme
<b>Industrial Studies</b>	Available at 50% of cost	Not eligible	Not eligible
<b>Cash Grants</b>	50% of direct costs of approved export promotion activities	Not eligible	Not eligible

# Export Products

## Exports

---

A land known for its variety, Completion of major regional road networks, the Trans-Kalahari and Trans-Caprivi Highways, has transformed the port of Walvis Bay into a major player in international trade. Namibia is now the logical choice for importing and exporting goods into and out of the southern African region.

Chances are that you have probably sampled some of Namibia 's wide range of export products such as our meat or fish or you have invested in a Namibian diamond without even knowing it.

## Mineral Products

---

Namibia has one of the largest selections of precious stones and other mineral products in the world, ranging from diamonds, gold, uranium, lead and copper to natural gas and industrial minerals.

Namibian diamonds are unrivalled in both size and quality, making these stones highly prized in the world market. Other quality gemstones found in abundance include such favourites as amethysts, topaz, rose quartz and especially tourmaline, which are particularly sought after by jewellers for its versatility, brilliance and myriad of colours. Garnets, diopside and the more common but extremely variable agate are also fashioned into a wide range of stylish and contemporary jewellery, including necklaces, rings, pendants and brooches.

The local jewellery industry is well established and is supported by a high-tech cutting and polishing industry, producing jewellers and goldsmiths that are renowned for their unique and creative craftsmanship.

The skill and creativity used to combine indigenous gems and metals result in jewellery that is distinctly Namibian. The pieces produced are artistic, lively and masterly crafted. Namibia 's marble is renowned world-wide and is quarried to supply spectacular cladding and interior materials for the local and international building industry. Some 250,000 tons of patterned and coloured stone is quarried annually using sophisticated machinery and extracting techniques. The much sought-after blue sodalite, found only in the Kunene region of Namibia , and nowhere else in the world, is employed to sophisticated effect by architects and decorators globally.

---



## Leather

---

Namibia's leather is of the highest quality due to the grazing habits of the free-range and hardy cattle, sheep, game and ostriches, seasoned by a harsh land and toughened by an unrelenting climate.

Karakul pelts are in demand by top designers due to its satiny sheen and markings which resemble watered silk and are a natural side-effect of the sheep roaming through the Namibian veld. Raw pelts are exported and used by international furriers for the production of high-fashion items such as coats, jackets and waistcoats. Hides processed into Wet Blue are also in large demand for making furniture upholstery.

A burgeoning leather design industry also exists in Namibia itself, producing garments and accessories such as handbags, belts and other gift items that compete in style and quality with the best in the world. For the most part, cattle leather is used, but there is also a budding industry involved with the production of the more exotic leather products, like ostrich leather with its distinctive lumpy texture, or crocodile and leguan leather that can be used to make a variety of products that range from wallets to boots.

## Woodcarving

---

Namibians have raised traditional woodcarving to the heights of fine art. Hauntingly beautiful sculptures are carved from the roots of indigenous trees, capturing the spirit of Namibia and its wildlife. Other products include traditional drums, intricate tables and hand-carved animal statues with a unique Namibian motif.

## Weaving

---

Internationally, Namibia has gained a growing reputation for its hand-woven Karakul-wool carpets with their distinctive designs, colours and softness. These exquisite export items are another testimony to the artistry of the Namibian people, incorporating the essence of their land into masterful designs, worthy of international acclaim.

## Needlecraft

---

Embroidery work done in Namibia has, like the other local crafts, a distinct flavour recognisable anywhere in the world. The fabric used for items such as tablecloths, cushions, bags and blankets is 100% cotton and the design themes centre, for the most part, around the fauna and flora of the vast and varied landscapes of the country.

Other speciality hand-crafted items are dolls clothed in full traditional Herero dress, a style developed from 19th century costume which continues to find full expression in modern-day Namibia .

## **Basketry**

---

Basketry is a traditional craft that has found its niche in a modern market. Considered by many as a true art form, Namibian hand-made baskets are unique in terms of design and beautifully serve both practical and decorative purposes.

## **Fish and Fish Products**

---

Namibia's fishing industry ranks among the world's top 10 – in the same league as Spain, Canada and Norway. This is due to the rich fishing grounds that abound along the country's 1,500 kilometre-long coastline, whose marine produce is harvested by a flourishing fishing and fish-processing industry.

Some of the more common fish available in quantity for export are horse mackerel and hake. Namibian horse mackerel contains only three to eight percent body fat, making it both healthy and highly nutritional as well as a vital staple food source for many nations. Hake products are of superb quality and increasingly in demand for the catering, and retail markets.

The orange roughy is another of Namibia's marine delights. This fish, often referred to as the 'diamond of the sea', is an extremely rare, high-priced addition to Namibia's exports in this sector. Only commercially exploited in 1994, Namibia has become the world's second largest supplier of this delicacy.

Other marine exports include rock lobster; crab; oysters; kabeljou; monk; tuna; pilchards and seaweed.

## **Meat and Meat Products**

---

The quality of Namibian meat is globally unrivalled. Cattle are free-ranging and naturally fed. Namibian beef is free of hormonal or other additives and thus fit to grace any table. The country's meat exports already enjoy preferential access to the European Union market.

To promote and increase the continued acceptance of Namibian meat on world markets, the Farm Assured Namibian Meat Scheme (FAN-Meat) has been developed to give consumers the assurance that any meat bearing the FAN-Meat logo is naturally produced conforms to the highest standards and is safe and healthy.

---

## Beer and Beverages

---

A total of nine beer brands are brewed in Namibia, using old traditions combined with modern brewing technology. Each brand has its distinctive characteristics, ensuring that all the demands of the industry's consumer base are met.

Technology has, over the years, improved brewing skills, but a commitment to traditional purity has remained. Over the past 78 years, Namibian beers have been brewed according to the requirements of the German Purity Law "Reinheitsgebot", using imported raw materials. This, the oldest food law, is still in existence today, and it stipulates that only barley, malt, hops and water may be used in the brewing of high quality beers. Namibian beers are therefore free of additives, colourants and preservatives.

Among the export brands, Namibia's best-known beer, Windhoek Premium Lager, is low in alcohol, with a refreshing taste. Windhoek Export is slightly stronger with distinct hops bitterness as well as a full, rounded flavour. The alcohol content in Windhoek Special is somewhat higher, while Windhoek Light -which is approved by the Heart Foundation of South Africa -has a balanced flavour of malt and fine hops, and an alcohol content of approximately 2% by volume.

Tafel Lager appeals to a broad spectrum of beer drinkers. Also produced are draught beer and Urbock, which is a traditional bock beer. Holsten Premium Beer is brewed under licence from Holsten Brauerei in Hamburg, Germany.

In recent years the schnapps range has been expanded to include the "fruity elite" with brand names such as Stoertebeker Pflaume, Feige, Pumpelmuse, Apfel, Waldbeere, as well as Stoertebeker Klarer, Weizenkorn and the well-known "Rittmeister".

## Fruit and Vegetables

---

Namibia is gaining a growing reputation as a supplier of quality fresh fruit and vegetables. Asparagus, grapes, dates and melons are commercially produced on an expanding scale. Namibian table grapes reach the European markets four weeks ahead of traditional suppliers, and asparagus can be harvested all year round.

## Chocolates

---

The handcrafted chocolates produced in Namibia originated with the Springer family in Germany, who passed on their secret chocolate recipes from father to son. This perfected the chocolatier's skill as well as the quality of the products. Superior quality Namibian chocolates have already found a niche in the premium sub-regional chocolate market.