

FROM: Manager, International Tax
LOCATION: TAX/58/323
EXTENSION: 6860
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SUBJECT: NAMIBIAN VAT
ATTACHMENTS: None
ACTION POINTS: **To note the introduction of VAT in Namibia.**
DEADLINE: **Now.**

1. Purpose

- 1.1 The purpose of this bulletin is to advise underwriters and brokers of the introduction of Value Added Tax (“VAT”) in Namibia. The date from which it is to apply has still to be announced but is expected to be the end of 2000 or January 2001.

2. Introduction

- 2.1 The law provides that -

- VAT at the rate of 15% will apply to insurance and reinsurance premiums where the insurance is made through a person carrying on a taxable activity in Namibia with a small number of exceptions.
- An input credit is due for claims.
- Commissions and fees may be subject to VAT depending on the nature of the supply.
- Tax returns must be made every two months.

- 2.2 Section 3 of this bulletin explains how VAT affects open market business and sections 4 - 8 set out the position for binding authority (coverholder) business that is business bound under Namibian binding authorities.

3. Open market business

- 3.1 Open market business (including lineslips and business placed under a UK broker’s worldwide binding authority) should not be subject to VAT as Lloyd’s underwriters are not making a supply in Namibia in the course of a taxable activity. This will be confirmed with the Tax Authorities.

3.2 The impact of VAT upon open market business should be as follows:

- Lloyd's underwriters will not have to register for VAT;
- VAT will not have to be charged on premiums:
- no input tax credit will be allowed for claims:
- no input credit will be allowed for VAT on goods and services forming part of a claim:
- services supplied by Namibian advisers to Lloyd's underwriters, such as lawyers and loss adjusters will be subject to VAT at zero rate.

4. Coverholder business – general

4.1 Business written under binding authorities held by Namibian coverholders will generally be subject to VAT as the role of the coverholder is such that Lloyd's underwriters are considered to be making a supply in the course of a taxable activity in Namibia. Certain policies will not be subject to VAT and further information is given in section 6.

4.2 Consideration is being given as to the best way in which to account for VAT. Further information will be given as soon as possible, but the underwriters should note that it is planned to use one system to account for VAT on their behalf. Managing agents will not be required to develop their own systems.

5. Coverholder business - supplies

5.1 The supply of insurance and associated services can involve a number of supplies for VAT purposes-

- the supply of insurance by the insurer to the insured:
- the supply of services by a broker/intermediary to the coverholder:
- the supply of services by the coverholder to Lloyd's underwriters:
- the supply of administrative services by the broker/intermediary and/or coverholder to the insured.

5.2 Each supply must be looked at separately for VAT purposes even though for cash purposes they may be "netted off". Generally VAT will need to be charged although an input credit may be claimed by the recipient of the services. For example Lloyd's underwriters will be able to claim an input credit for the VAT charged by Namibian coverholders on their commission.

6. Coverholder business – exempt and zero-rated insurance

6.1 It is apparently intended that Long-term insurance written by an insurer authorised to write long-term business should be exempt. This exemption was omitted from the Value Added Tax Act but it is understood that it will be enacted before the tax starts. As

Lloyd's underwriters are only authorised to write short-term business in Namibia the life element of a personal accident policy is expected to be subject to VAT.

6.2 The following are zero rated-

- i. The international transport of passengers or goods.
- ii. Insurance of immovable or movable property situated outside Namibia.
- iii. Insurance supplied to persons outside Namibia for risks outside Namibia. This will include, for example, a policy covering a Namibian company and its foreign subsidiaries. The premium attributable to the foreign subsidiaries will be subject to VAT at zero rate unless it covers fixed property or movable goods situated in Namibia.

7. Coverholder business – payment of claims

7.1 Lloyd's underwriters will generally receive an input credit for claims paid in cash. They can also receive an input credit for any VAT charged on a supply of goods or services provided a tax invoice is provided to the coverholder.

8. Coverholder business – transitional rules

8.1 Broadly VAT will have to be charged, if appropriate, on premiums payable on or after the start date. Input credits can be claimed for claims for policies where the premium had been subject to VAT at the zero or standard rate.

8.2 The application of these rules to Lloyd's business has still to be agreed and more detailed guidance will be given as soon as it is available.

9. Conclusion

9.1 This bulletin is being sent to all underwriters, managing agents and Lloyd's brokers. Further information is being obtained about the proposed arrangements and more guidance will be given as soon as possible to enable underwriters to review the effect of VAT on premium and claims payments with their Namibian Coverholders.

9.2 If you have any queries please contact me (on Lloyd's extension 6860) or Amit Khilosia (on +27 11 884 0486).

Manager, International Tax
Taxation Department