

## Media Release

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For Immediate Release

### NIPDB analysis of the National Budget 2024/25

In his New Year's speech for 2024, President Hage Geingob themed this year as the '**Year of Expectations**'. In so doing, the President had envisioned that following the Government's promise of prosperity and the subsequent strategic interventions to attain this ambitious goal, this will be the year that elements of this vision are expected to start manifesting. The budget presented by Honourable Ipumbu Shiimi yesterday indicates that the strategy is starting to bear fruit and reflects good news for everyone from individuals to business entities.

The 2024/25 national budget is anchored in the overarching theme "**Continuing the legacy of His Excellency Dr. Hage G. Geingob by caring for the Namibian child**", and is focused on the deliberate intention to bring prosperity closer to the Namibian people by promoting economic growth, while reinforcing the government's vision of building an inclusive private-sector led economy. We therefore welcome the government's efforts to broaden the country's tax base, and implementation of certain provisions in the SADC Protocols to align with regional benchmarks.

Notwithstanding the recent grey listing and related reputational risks, the Namibian economy has been on an upward trajectory in the last three years, with a growth rate of 6.5% in 2022 and an average of 7% in the first three quarters of 2023 and record-breaking Foreign Direct Investment (FDI) of N\$ 17.5 billion for 2022 and N\$ 26.4 billion for the first three quarters of 2023. With an increasing global presence and unparalleled natural resources, the Namibian economy has the potential to grow significantly provided the country sustains a progressive business environment, underpinned by a collective priority towards constraints elimination, policy reforms, skills and MSME development, amongst others.

As Namibia shapes her trajectory as a viable investment destination, the amendments in the national budget are therefore consistent with these aspirations. The budget reflects the government's efforts to bolster economic growth by improving Namibia's investment attractiveness, through unlocking domestic and foreign investment, developing a conducive environment for micro, small and medium enterprises (MSMEs) to thrive and creating opportunities for employment. Furthermore, notable tax relief measures for individuals and businesses, such as reduced income and employee taxes, a higher VAT threshold and reduced transfer duties, carry positive impacts for Namibians. We could not have asked for a more fitting tribute to the legacy of the late President Dr. Hage G. Geingob, who advocated

for bold and innovative actions to unlock the country's economic potential and deliver prosperity to Namibians.

At the NIPDB, supporting the government's economic development agenda remains at the core of our activities. We therefore applaud Honourable Shiimi, the entire Ministry staff and the National Planning Commission for the impactful changes in the budget, particularly relating to targeted interventions and initiatives, some of which are outlined below:

- Increase in the VAT threshold from annual turnover of N\$ 500,000 to N\$ 1million will not only ease the administrative burden on small businesses, but will also accelerate their growth, by enabling them to compete effectively (with a comparatively lower cost of providing goods and services) and play a pivotal role in economic development.
- Gradual reduction in the corporate tax rate for non-mining entities from 32% to 28% will contribute towards improving Namibia's competitiveness and provide extra cash to large corporations leading to potential further reinvestment in projects aimed at spurring the economic activities and increased employment;
- A reduced corporate tax rate for MSMEs as defined from 32% to 20% shows the government's commitment to encourage the growth of these entities;
- The introduction of a dividends tax at 10%, aligned with regional benchmarks, will broaden the tax base and eventually reduce the tax burden currently heavily carried by individuals through PAYE;
- The reduction of the corporate tax rate from 32% to 20% and zero-rating on VAT for approved Special Economic Zones (for up to 10 years) will encourage investments in projects aligned with national priorities of mineral beneficiation/value addition, agro-processing and business process outsourcing. This intervention contributes to the government's industrialisation agenda and drives further investments in the country;
- Limitation of assessed losses to a maximum of 10 years aligns with regional benchmarks and most importantly will ensure that large corporations will also contribute to the tax coffers, thereby broadening the tax base. This will also reduce the tax burden currently heavily carried by individuals through PAYE;
- The limitation of interest deduction to non-resident related parties is also an intervention that aligns with regional benchmarks. Aside from the obvious benefits of increased tax revenue and curbing transfer pricing challenges, this provision will also encourage corporations to source competitive financing mechanisms including sourcing local capital to finance investment projects;
- Increase in the tax threshold from N\$50,000 to N\$100,000 and an inflation adjustment of 2.5% means that many Namibians especially those in the lower income brackets will be able to have more disposable income which consequently contributes to economic growth;
- Investment in skills development through the Youth Employment Tax Incentive (My First Job) by contributing 50% towards the internship cost, limited to N\$ 50,000 per annum per intern. This intervention will increase Namibia's competitiveness as skills availability has been identified as the number one consideration for investors before making a final investment decision. The NIPDB is proud to partner with the Ministry of Finance and Public Enterprises to roll out this project on 01 April 2024.

The 2024/25 budget represents a pivotal move in sculpting a thriving Namibian economy and reaffirming the government's commitment to inclusive prosperity.

**About NIPDB:**

The Namibia Investment Promotion and Development Board (NIPDB) is mandated to promote and facilitate investment by foreign and Namibian investors, and coordinate MSME activities across all levers of the economy, with the aim of contributing to economic development and job creation.

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