

REPUBLIC OF NAMIBIA

# BUDGET STATEMENT

## 1994

**BY:**

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BUDGET STATEMENT: FINANCIAL YEAR 1994/95

1. INTRODUCTION

Mr Speaker, Honourable Members

- 1.1 It is time to talk about money again. After all, no less an authority than the Bible says: "A feast is made for laughter, and wine makes life merry, but money is the answer for everything." The converse is unfortunately also true, namely that if one doesn't have the money, one doesn't have the answers.
- 1.2 This is the fifth budget since independence and the last one of this Government's present term of office. It is therefore a time to reminisce a little about the past and to peer into the future, both of which I will to a certain extent do during the course of my speech today.
- 1.3 When I delivered my budget speech last year, on 27 May, I started out by saying that the budget for 1993/94 would be under great strain and would definitely be the most difficult one since independence. Partly as a result of that expectation, which incidentally has proved to be correct, that budget was decidedly not what could be termed a "popular" budget and this was reflected in the reaction of certain sections of the population to it. I am glad to be able to say that this year I think we are in a somewhat better position. Not that the budget I am introducing today could in any sense be regarded as popular, but maybe it will be somewhat less unpopular.
- 1.4 As far as the economic background is concerned, things also look somewhat better now than in May last year.

Unfortunately I cannot say that the long and deep recession of the past few years has definitely come to an end now, but there is a glimmer of light at the end of the tunnel and good reason to believe that the financial year 1994/95 will, from the economic point of view, be a better year, for Namibia and for the world, than 1993/94. Perhaps at long last the time is approaching when we can begin to think of, and plan for, growth rather than stagnation and the tightening of belts. I will say more about this a little later on.

- 1.5 Before doing that, however, I would just like to point out another first of this year's budget: It is the first time namely that we are able to present the budget to this House before the beginning of the year to which it relates, i.e. before 1 April. This has been a long-felt ideal and is an indication of the extent to which we have succeeded in restructuring and streamlining the Government's finances over the last few years. It goes without saying that unless something unforeseen happens to prevent it, this should and, I hope, will become standard practice from now on.
- 1.6 The Government's Budget, which is, as it were, the blueprint for all its fiscal actions taken during the year, is of course not drawn up in a vacuum, but is strongly influenced by economic conditions in the world, in the region, and in the country itself, while it in turn has an influence on those conditions. I shall now try to sketch briefly the economic conditions which formed the backdrop to today's Budget.

## 2. CURRENT ECONOMIC DEVELOPMENTS

### Global economic situation

- 2.1 According to preliminary information, the average rate of expansion in the world economy has accelerated slightly from 1,7 per cent in 1992 to about 2 per cent in 1993. The economies of the major industrial countries seem to have weakened in 1993, following an already modest performance in 1992. However, some signs of a more broadly based recovery were already evident towards the end of 1993. The disappointing aggregate performance during 1993 is the outcome of very divergent cyclical developments, with output expected to have declined in continental Europe and Japan, while the recovery in North America and the United Kingdom gained strength during the course of the year. The average growth in the seven major industrial countries amounted to some 1 per cent during 1993, in which the USA, with a growth rate of 2,8 per cent, featured quite prominently, compared with output decreases of 1,8 per cent in Germany and 0,5 per cent in the case of Japan.
- 2.2 There are increasing signs that the economies of the major industrial countries will expand considerably faster this year. The combined growth rate of the seven major industrial countries is likely to increase to 2 per cent in 1994. The USA economy is expected to expand at about 3 per cent, while Britain's economic upswing is likely to gain momentum this year with an output growth projected at 2,5 per cent. Although the growth prospects for both Germany and Japan remain weak, their economies are expected to register positive growth rates during 1994.
- 2.3 Against the backdrop of this rather sluggish, but more

broadly based rate of expansion in the world economy, coupled with continued low inflation, only a moderate recovery in the demand for, and prices of, commodities is expected during the latter half of 1994, but this may of course gain further momentum next year.

#### Regional situation

- 2.4 The economy of South Africa is in a process of recovering from the effects of economic isolation and trade sanctions. After three consecutive years of negative economic growth, more favourable trends in most short-term economic indicators are beginning to emerge, which reflect the recent improvements in general economic activity, and also a considerable increase in business confidence in South Africa. However, consumer confidence has remained at a relatively low level.
- 2.5 As far as we can judge on the basis of present figures, the overall growth in the South African economy was about 1.0 per cent during 1993. The recovery in the real output has been accompanied by a sharp increase in real domestic expenditure, and especially in real private consumption expenditure.
- 2.6 A significant deceleration of the South African inflation rate has been recorded during the past year on both the production and consumer levels. This tendency can contribute considerably towards a stronger and more consistent economic expansion in South Africa. The recent positive advances made in the South African economy, combined with a (hopefully) peaceful political settlement, the lifting of sanctions, the establishment of new and the expansion of existing foreign trade links, improved relations with multilateral financial

institutions and the settlement of South Africa's foreign debt arrangements, are some of the factors which may contribute to a much faster and more broadly based economic recovery in South Africa in the near future.

### National situation

#### Output growth

- 2.7 The real gross domestic product at factor cost, or real GDP in short, is an approximation of a country's output or real production. The percentage change over time in the real GDP is what is normally labelled "economic growth". From independence up to the beginning of 1993 the Namibian economy has grown at an average rate of 2,2 per cent per annum, which is a considerable achievement, not in terms of the local economy's full potential, but viewed against the background of a world economy going through a prolonged period of economic stagnation.
- 2.8 Honourable members will recall that in last year's budget address I anticipated a deterioration in the output performance of the Namibian economy for 1993. The actual, but still preliminary, outturn of the macro-economic data shows that the decrease in Namibia's real GDP during 1993 amounted to 3,3 per cent, compared to my initial projected decline of 2 per cent. This decrease is in its entirety a reflection of the significant fall in mineral production. Mineral production during 1993 fell by no less than 19,5 per cent, while the output of diamonds alone registered a decrease of 28 per cent. This decrease was, of course, the consequence of the significant cut in Namibia's diamond export quota, which was further aggravated by the mine workers strike at the mine late last year. One observation in the mineral production trends which gives reason for hope, is the

fact that the sharp decreases in uranium production of 1991 and 1992 seem to have bottomed out now. The rest of the mining industry, however, is still not showing notable signs of improvement and the output trend in general has been disappointing.

2.9 The rest of the economy, i.e. excluding mining, performed quite satisfactorily, registering an output growth of some 4 per cent in 1993. During the year under review the climatic conditions have improved considerably, and this, coupled with steady agricultural prices, have averted any serious slump in agricultural production, which is a typical occurrence in periods following a critical drought. Consequently, the combined commercial and subsistence agricultural sector has expanded its output by 2,9 per cent in 1993, compared to a growth rate of 3,5 per cent in 1992. The real output of both the **fishing and fish processing industries** continued to show considerable progress during the review period, based on improved catches and processing of both pelagic and demersal fish species. The increase in the **general government's real value added** fell sharply between 1992 and 1993, which can be ascribed to budgetary constraints and the fact that the growth in Government employment seems to be reaching a plateau, albeit a very high one. The **secondary and tertiary sectors** expanded fairly satisfactorily, but their performance is of course still very much impaired by the restrained growth in domestic demand.

#### Balance of payments

2.10 Throughout the period after independence Namibia showed substantial surpluses on the current account of the balance of payments, ranging from 0,5 of GDP in 1990 to

7 per cent in 1993. Except for 1990, when both diamond and uranium exports slumped, Namibia's merchandise exports exceeded its imports by a considerable margin. Apart from the solid trade surpluses, positive net earnings accruing to Namibian residents from investments abroad, as well as substantial transfer receipts, contribute towards Namibia's sound external account.

2.11 Namibia's current account surpluses are counter-balanced in the capital account as substantial capital outflows and thus represent capital accumulation by Namibian residents in the foreign sector. Viewed from a different perspective, Namibia generates domestic savings which are normally in excess of its domestic investments, thus putting it in a net lending position with the rest of the world, which is rather ironic in view of the country's own need for development capital, although it does mean that we are accumulating foreign exchange in this way. Also, as will appear later on, the Government is taking steps to gradually correct this imbalance in our foreign accounts.

### Inflation

2.12 Consumer price inflation in Namibia, as measured by increases in the consumer price index of Windhoek, began to decelerate from an average of 17,7 per cent during 1992 to 8,5 per cent during 1993. This decreased rate of consumer price inflation can be attributed mainly to lower increases in the prices of food. Towards the end of 1993 the rate of inflation accelerated mildly, from 7,8 per cent in the third quarter of 1993 to 8,4 per cent in the fourth quarter of 1993. This was caused by faster price increases in items other than food.

Government finance

- 2.13 Since independence the Government has maintained a relatively consistent level of total revenue, which, expressed as a ratio of gross domestic product at market prices, has ranged between 35 and 40 per cent. Tax revenue has shown a similar steady trend, with little evidence of a heightened or lessened tax burden. Its ratio against GDP fluctuated mildly between 29 and almost 34 per cent. However, as to the composition of different tax categories, some changes became evident. As percentage of GDP taxes on income and profits are expected to show a decline from 11,5 per cent in 1990/91 to 9,7 per cent in the forthcoming fiscal year, 1994/95, as against an increased ratio in taxes on domestic trade from 8,4 per cent to 11,2 per cent during the same period.
- 2.14 Non-tax revenues consist to a major extent of user charges and sales proceeds for goods and services provided by Government. Measured in relation to GDP these revenues have initially grown from 4,3 per cent in 1990/91 to 5,3 per cent in 1992/93, but are expected to fall to 2,5 per cent in 1994/95. I would like to appeal to my colleagues in all ministries to attempt to achieve a more adequate cost recovery for the services their ministries provide, where this is socially and economically feasible. Also under the category of non-tax revenue are returns on investments by Government in a number of (supposedly) economically viable parastatals. Until now, Government has been very lenient as regards returns on equity participation in parastatals, while most parastatals in turn have not tried hard enough to wean themselves of the Government and stand on their own feet when it comes to generating and attracting capital.

The Government will have to look very critically at this in future.

2.15 Let's turn now to Government expenditure trends over the past few years. Total expenditure in relation to GDP showed a gradual increase in the first three years of independence, rising from 36,5 per cent in 1990/91 to the highest level of 44,6 per cent in 1992/93. Thereafter, through a concerted effort to bring down the level of expenditure and the resultant deficit, the ratio of expenditure to GDP fell to 41 per cent in 1993/94 and is expected to fall to 39,2 per cent in 1994/95. This is still high by international standards, which means that the Government is laying claim to too large a portion of our national resources relative to the private sector. We will have to continue our efforts to improve this situation.

2.16 Given the trends in revenue and expenditure that I have sketched, the resultant overall deficit in relation to GDP portrays a picture of constraint and sound fiscal management since independence. The deficit in the first fiscal year following independence amounted to 1,3 per cent of GDP and jumped to 5,8 per cent in 1992/93. Government realised at that stage that this degree of deficit financing was too high and was unsustainable relative to the level of economic activity in the country. Another consideration was that deficit financing of this magnitude could put undue pressure on the country's financial system and crowd out private investment. Consequently, with appropriate fiscal measures, the deficit was lowered to 4,9 per cent of GDP in 1993/94 and as I will show just now, we hope to reduce it even further in the next financial year.

2.17 As to the Government's debt, I can state categorically that the situation is under control and within manageable limits. It is a fact that Namibia's debt ratio (i.e. total outstanding debt as percentage of GDP) has risen substantially since independence, but the combination of domestic and external debt, as well as the debt maturity structure, is well managed. From 1990/91 up to the forthcoming fiscal year, 1994/95, the debt ratio of Namibia has risen from 15 to 24,6 per cent. I do not normally compare Namibia with the rest of sub-Saharan Africa as far as the debt situation is concerned, because of the obvious structural problems some of our neighbours have to contend with, but allow me this opportunity to say that the IMF expects that only the external debt of sub-Saharan Africa will amount to 71 per cent of its GDP by the end of this year. For Africa as a whole the ratio is expected to amount to 54 per cent.

3. THE OBJECTIVES OF THE 1994/95 BUDGET

- 3.1 Against the background of local, regional and international financial and economic conditions which I have sketched, the question arises: What should we try to achieve by means of this year's budget? What are our objectives and where do we want to stand by this time next year?
- 3.2 The Cabinet has decided that the objectives for this budget will be:
- (1) To ensure financial and economic stability by strengthening public finance management and fiscal discipline;
  - (2) to maintain a strong balance of payments and

foreign reserve position to comfortably cover Namibia's imports of goods and services;

(3) to gradually shift towards a growth orientated budget in order to provide some stimulus for an early economic recovery and create an attractive environment for private sector investment; and

(4) to continue redressing social inequities by means of an expenditure pattern which is heavily biased towards human resources development, but without jeopardising economic growth or stability.

3.3 The Namibian economy, like the regional and the world economies, are at the moment precariously balanced between economic stagnation and economic growth. What is needed to make certain that it will continue to move in the direction of recovery and growth is, firstly, to ensure that there will be no shocks to the system which will send investors and entrepreneurs scurrying for cover, and, secondly, to create faith among the business community that the authorities can be relied upon to keep the system stable and business-friendly. This is the main reason for the heavy emphasis placed by the Cabinet on **economic and financial stability** in this year's budget.

3.4 The second objective I have mentioned, namely maintaining a **strong balance of payments position**, is really a part of this because it will further reinforce confidence among the general public and the business community that they can rely on the authorities to back them up and to create, as it were, a solid "infrastructure" for business activity.

- 3.5 There is a further reason, however, why the Cabinet has taken the position that the emphasis in this budget should be on stability, good Government and basic economic strength, and that is the fact that Namibia has quite recently introduced its own currency and I am sure we are all agreed that we want our currency to win a place of respect, not only among our own people, but also in the world economic community. Whether we will succeed in this will to a large extent depend on the degree of confidence that the Government's financial and economic policies inspire. It is not necessary for me to point out to you that there are many currencies in the world that have become totally valueless because of the misguided economic policies followed by the governments concerned.
- 3.6 One could of course argue that the value of Namibia's dollar is protected by its linkage to the South African Rand. To some extent this is true and that is precisely the reason for that linkage. However, this argument has strict limitations. Firstly, the Common Monetary Area (CMA), of which Namibia is a member and which forms the basis of the linkage of the two currencies, will not for long tolerate a partner who follows economic policies that are imprudent and completely out of line with conservative international standards. To allow this might compromise their own economic stability and standing. By the same token the international community would lose all confidence in Namibia and its currency if the fiscal and monetary authorities were to follow reckless policies giving rise to high inflation and an untenable balance of payments position, which automatically implies a drop in the value of the currency. I will say a few more words about Namibia's new currency in a moment.

- 3.7 There is a third and final reason why the Government believes that the present circumstances call for conservative policies that will strengthen the confidence, not only in our monetary and financial authorities, but also in the country as a whole. One hesitates to even mention this, but we all know that in South Africa, the super-power of the Southern African sub-region, both the economic and the political stability are balanced on a knife-edge at this stage. If something should go wrong there during the next year, the only life-jacket that could keep all the smaller economies surrounding South Africa afloat, would be their own proven economic strength based on sensible and prudent economic and administrative policies.
- 3.8 To sum up, we live in challenging but uncertain times, in which the watchword for a small nation like Namibia must surely be: Discretion is the better part of valour, in other words, look before you leap.
- 3.9 So much for the first two objectives of this budget that I mentioned at the outset, namely, first, economic and financial stability and, second, a strong balance of payments position. That brings me to the third one, namely a gradual shift towards a growth-orientated budget. In my overview of current and expected economic conditions I already indicated that 1994 may prove to be the last year of the drawn-out world-wide recession which started in the late eighties. The balance between continued recession and stronger recovery is still very precarious at present, but we must be prepared to ensure that Namibia will share fully in the economic recovery if it should become clear before the next budget that the recovery is now finally under way.

- 3.10 As far as the Government is concerned, "being prepared" really means having done everything in our power to make the investment and general business climate in the country attractive to the entrepreneurs, both as regards the expansion of existing undertakings and the establishment of new ones. This must be done through an integrated investment promotion strategy embracing monetary, trade, industrial, mining and fiscal policies in a co-ordinated manner.
- 3.11 I think we can justifiably claim that since independence we have gone a long way towards doing this and I would like to briefly mention some of the major steps we have taken to this end.
- 3.12 As regards monetary policy, there is of course the establishment of our own central bank, the Bank of Namibia, and the introduction of our own currency, the Namibia dollar, to place Namibia in a position to manage its own monetary and foreign exchange policies.
- 3.13 As far as trade, industry and mining are concerned, I would like to mention that a large number of incentives, legislative and other measures have been taken during the past few years or are still in the pipeline. However, this is common knowledge and I don't think it is incumbent on me to repeat them here.
- 3.14 As regards fiscal policy, I would just like to refer specifically to a few measures, namely:
- \* The tax incentives introduced as part of the general policy of industrial investment incentives to which I have referred.

\* The reduction of company tax rates from 42 per cent at independence to 38 per cent at present.

\* Double taxation agreements that have either been, or are in the process of being, concluded with Rumania, Germany, the United Kingdom, Sweden, the Republic of South Africa and France.

3.15 Under this heading I would also like to refer specifically to the Pension Funds Amendment Act that was recently passed by the National Assembly and which provides that Namibian pension funds must invest a certain portion of their available funds in Namibia, in contrast to the position up to now with practically all these funds going to South Africa. Similar steps will be taken in due course with regard to insurance companies. Let me make it clear that we have no axe to grind with the pension funds or insurance companies, but just feel that at least some of the Namibian savings they handle should be available to finance Namibian projects and promote economic growth in Namibia. Present indications are that this move on our part is having the desired effect even though it has not yet been implemented, and that an important new source of financing has thus been made available for the Namibian entrepreneur.

3.16 Some further measures to reinforce and complement those already taken will be announced a little later on in my address. I may point out again, however, that the main responsibility for economic growth in our country rests with the private sector. The Government's task is first and foremost to create a favourable environment for this by establishing the necessary infrastructure, physical and social, and by making the tax burden of the productive sectors as light as possible. This we have

done to the best of our ability and insight. Once the long-awaited economic recovery gets under way and gains momentum, it is of course possible that new needs will come to the fore. We have tried to formulate the relevant legislation in such a way that the Government will have room for manoeuvre in order to assist the private sector to realise their development plans. Thus, we say again, our doors and our ears are open to people with vision and a spirit of enterprise who would like to contribute to and share in the process of growth. Needless to say, we will only have sympathy for genuine development proposals and not for hare-brained or get-rich-quick schemes.

3.17 The fourth and last objective of fiscal policy and of this budget that I have mentioned, is the **redressing of social inequities**. The priority the Government attaches to this aim is clearly reflected in the fact that 56,2 per cent of the Government's total recurrent expenditure is now earmarked for social services, (education, health, housing and community services, etc.). I am in full agreement with the high priority given to expenditures of this nature. It is an investment in the development of our human resources and, apart from being the most effective form of affirmative action, it is a sine qua non for sustained high levels of economic growth in the long run.

3.18 On the other hand, as I have pointed out before, we must always bear in mind that the funds for these social expenditures must be generated by the economy and that if the economy should stagnate because the Government does not give adequate attention to its needs, the high level of social expenditure will not be sustainable. This was clearly pointed out by a high-level mission of experts

who recently visited Namibia, and I quote: "The pursuit of policies of social betterment to the detriment of economic growth will not allow the resources to be generated that might underpin sustainable social advancement". I would like to add that the Honourable Ministers responsible for these social services are perfectly aware not only of the importance of these services and of their own responsibilities, but also of the financial constraints with which we have to cope. The problems are not their problems or my problems; they are our common problems and together we must find ways and means of achieving the maximum results with our limited resources.

- 3.19 I think I have said enough now concerning the objectives the Government has set itself for this budget. Given the circumstances obtaining at the moment these objectives are in actual fact pure common sense and do not need elaborate justification.
- 3.20 Before going on to discuss the budget itself in some more detail, allow me a few more brief remarks concerning the new Namibian currency. First of all, I want to compliment and thank the Namibian public, the Bank of Namibia and the commercial banking system for the smooth way in which the new currency was introduced and accepted by the public. Everything went like clockwork thanks to the thorough preparation by the banking system and the wholehearted co-operation of the public.
- 3.21 Secondly, as far as the new coins are concerned, I want to apologise to the public for the fact that they now have to cope with three different sets of coins, two South African and one Namibian. This is confusing and inconvenient. On the surface of it the solution seems

obvious: simply withdraw all the South African coins immediately and replace them by Namibian coins. The problem, however, is that we still have many coin-operated machines in the country, mainly public telephones and parking meters, for which only South African coins can be used at the moment. These machines have to be converted to be compatible with the new Namibian currency and for this purpose Telecom and the municipalities need a few more months of grace. I can give the public the assurance that the minute this is accomplished we will start withdrawing the South African coins from circulation so that the new Namibian currency can fully take over.

3.22 Only one more step remains after that, namely to take the necessary legal measures to provide that, as from a predetermined date, South African coins will no longer be legal tender in Namibia. The public can rest assured that they will be given ample notice of this and that it will be done in such a way that they will not suffer any losses. Of course the South African bank notes will remain legal tender.

#### 4. LOOKING BACK: THE BUDGET FOR 1993/94

4.1 Mr. Speaker, the fiscal outturn for 1993/94, in other words the Main Budget as revised at the end of the fiscal year for the purpose of presenting the Additional Budget to you, was discussed in detail in this House less than six weeks ago. Nothing of any significance has changed since then and it would serve no purpose to cover that subject again on this occasion. I therefore continue straightaway with an overview of the Budget for the new financial year, 1994/95.

5. LOOKING FORWARD: THE BUDGET FOR 1994/95

FORMAT OF THE BUDGET

- 5.1 As regards the format of the Budget, we have decided to make some small adjustments to the Budget for 1994/95 to enable members to have easier access to information in respect of specific votes and other necessary information. Firstly, allocations for development projects are in this Budget provided for under each ministry's own vote and not, as last year, under the Ministry of Works, Transport and Communication - Department of Works. This does not mean that ministries will have to expand their establishments to implement their own development projects. The Department of Works of the Ministry of Works, Transport and Communication will still act as agent to execute the projects of the various ministries, but each ministry will be responsible for all payments in respect of its own development projects and as such will be accountable for development spending.
- 5.2 Honourable members will observe that the main presentation of the Budget was changed from a functional classification to a classification by votes. This will make it easier for members to obtain information on the different votes as such. The functional classification, however, is maintained but only in a summary form. The summary of expenditure by functional classification can be found on pages 41 to 43 of the Budget document.
- 5.3 Another adjustment that I think will be useful to members, is that for each vote a summary of expenditure by subdivisions is included in this year's budget, whereas in past budgets only a summary of the total

budget by subdivisions was presented.

#### ACCOUNTING SYSTEM

- 5.4 The Integrated Computerised Financial Management System for the Treasury and ministries is progressing steadily and we are optimistic that further phases of this system, like the budget system, will be implemented during 1994/95 and that the preparation of the Budget for 1995/96 will be on the basis of this system, which will be of great help to the budget division of my Ministry.
- 5.5 Last but not least, the presentation of revenue is adjusted to bring it in line with international standards as recommended by the IMF.

#### REVENUE

- 5.6 As I have just said, revenue this year has been grouped into various categories on the basis of more modern and internationally accepted standards. Accordingly, comparative figures of the previous budget have been re-grouped in the same categories to highlight the differences between last year's Budget and this year's Budget more clearly.
- 5.7 Turning now to the figures, the Total Revenue from all sources for 1994/95 is estimated at N\$ 3 283,5 million, an increase of N\$ 274,3 million, or 9,1 per cent, as compared with the estimates at the time of the Main Budget for 1993/94.
- 5.8 Revenue from own Sources will this year amount to N\$3 239,1 million as compared to N\$ 2 917,5 million projected in last year's Main Budget - an increase of N\$ 321,6

million. This increase is mainly attributable to an expected increase in revenue from taxation and some of the more significant increases call for a few brief remarks.

- 5.9 Tax on Income and Profits is expected to amount to N\$ 899,8 million this year as compared to N\$ 771,2 million in respect of the Main Budget for 1993/94 - an increase of N\$ 128,6 million. Income tax on individuals is expected to increase by N\$ 36,0 million, whereas company taxes are expected to increase by N\$ 80,0 million, and other taxes, consisting of diamond profits tax, non-resident shareholders tax as well as tax on royalty, by some N\$ 12,6 million.
- 5.10 Domestic Taxes on Goods and Services are expected to increase by an amount of N\$ 101,0 million this year, from N\$ 938,4 million in the Main Budget last year to a present estimated income of N\$ 1 039,4 million. Major increases expected here are in respect of sales duty (N\$ 110,0 million) and fishing quota levies, some N\$ 19,3 million. General sales tax will decrease by N\$ 15,0 million and, similarly, levy on fuel is also projected to decrease by approximately N\$ 15,0 million.
- 5.11 Taxes on International Trade and Transactions are this year estimated to amount to N\$ 1 022,4 million as compared to N\$ 933,0 million in the Main Budget last year. The main increases here are expected to occur in respect of diamond export duties (N\$ 40,0 million) and customs and excise (N\$ 49,4 million).
- 5.12 There are only two further items of revenue that I would like briefly to comment on, namely Compensation for the use of the Rand and External Grants:

5.12.1 Compensation for the use of the Rand - The amount to be received from South Africa under this heading in 1994/95, as shown in the Budget document, namely N\$ 30,0 million, has been calculated on the basis of the amount of South African currency still expected to be in circulation in Namibia in the next year. This calculation has been made very conservatively, however, and it is possible that the actual amount received may turn out to be considerably higher.

5.12.2 External Grants flowing through the Budget is expected to be N\$ 47,3 million less next year than this year, which is a continuation of a trend that has persisted ever since independence. The reason for this, as I have pointed out in my Second Reading Speech for the Additional Budget, is that donors tend increasingly to bypass the Budget because this makes it easier for them to keep track of their funds spent in Namibia and to report to their electorates or sponsors accordingly. It must also be pointed out that, in addition to these grants, we will also receive a further N\$ 39,0 million in concessionary loans, bringing the total amount of foreign aid included in the Budget to N\$ 83,4 million.

## EXPENDITURE

### Current Expenditure

5.13 Total current expenditure to be voted for 1994/95 is estimated at N\$ 3 019,5 million, which is N\$ 283,8 million more than that for 1993/94, as indicated in the

previous Main Budget.

- 5.14 As in previous budgets, the ministries receiving the biggest share in current expenditure are Education and Culture (N\$ 908,5 million) and Health and Social Services with N\$ 537,5 million - 28,8 per cent and 17,1 per cent respectively of total current expenditure. I have already referred to this aspect in my earlier remarks and I don't think I need to dwell on this any further.
- 5.15 Detailed information on the separate votes will be given by my colleagues during the Committee stage of this debate, but allow me to point out just one of the special provisions for 1994/95 which is a new departure. Cabinet has namely decided to approve an amount of N\$ 50,0 million under the Vote of the Ministry of Finance to make provision for contingency funds for urgent unforeseen needs which may arise during the course of the financial year. This can be regarded as a first step in the direction of the eventual elimination of additional budgets and is also intended to put an end to the almost panic-stricken search for funds which regularly ensued in the past whenever an emergency of some kind cropped up. I must state very clearly, however, that these funds will only be made available in extreme cases which cannot be delayed or postponed. Also, such expenditure will of course be included in the Additional Budget presented to this House later in the financial year.
- 5.16 Let me add as a footnote to this that it has become clear during the past few days that the amount of N\$ 1 851 000 provided on the Budget of the Ministry of Finance, Vote 09, Main Division 03, for the UNDP Management Project, will no longer be required for that purpose. This amount will therefore also be transferred to the contingency

fund to bring it to a total of N\$ 51 851 000.

- 5.17 A few general remarks concerning the Government's personnel expenditure or wage bill are also called for here. In the 1994/95 Budget this expenditure category constitutes 47,0 per cent of total expenditure, or almost 19 per cent of GDP. It has been pointed out to us in the past by the World Bank and the IMF that this ratio is too high and will put an undue strain on other essential categories of expenditure.
- 5.18 As part of the general effort to contain public expenditure, personnel expenditure has been brought down from 49,6 per cent of total expenditure in the current financial year to the figure of 47,0 per cent projected for 1994/95 which I have just mentioned. It is clear, however, that this is still much too high and that continued vigilance and further efforts will be required on this front.
- 5.19 Honourable members will also note that no provision has been made in this Budget for any expenditures in respect of Walvis Bay. The reason is that the reintegration of Walvis Bay took place very recently with the result that it was almost impossible to assess its financial implications in time for inclusion in this Budget. Expenditure to be incurred in this regard will therefore have to be covered by special authorizations and will of course be reflected in the Additional Budget towards the end of the financial year. There will also be revenues forthcoming from this source not included in our estimates of revenue for 1994/95 and our present estimate is that they will amply cover any additional expenditure to be incurred in respect of Walvis Bay.

### Capital Expenditure

- 5.20 An amount of N\$ 539,1 million has been provided in the budget as capital, lending and equity participation expenditure, which is N\$ 6,2 million more than in the original Budget for 1993/94. I do not regard this as remotely adequate for a developing country, such as Namibia. Given our present budgetary constraints and especially the need to keep our deficit before borrowing as low as possible in the interest of fiscal and economic stability, this is the best we can do for the time being. However, if we are correct in our surmise that the economy is now entering a growth phase, the Government will have to support this trend, which means inter alia that in future budgets stronger emphasis will have to be placed on capital expenditure.
- 5.21 As regards the details of this year's capital expenditure, Operational Capital, such as normal office furniture and equipment, has decreased by N\$ 6,7 million, from N\$ 65,1 million in 1993/94 to N\$ 58,4 million in 1994/95. The need for savings in this regard has been impressed on all ministries in the past and this now is their response, for which I am very grateful. I hope they will continue along this road, since we need all capital funds we can spare for development purposes.
- 5.22 Development Capital has increased by N\$ 12,9 million, from N\$ 467,8 million in 1993/94 to N\$ 480,7 million in 1994/95. The expenditure plan for these funds, the so-called Development Budget, is drawn up by the National Planning Commission (NPC) and appears as a supplement to the main budget document, the Estimate of Revenue and Expenditure for 1994/95.

- 5.23 During the course of the post-independence period determined and consistent efforts have been made to establish a rational and streamlined public resource allocation system in the area of investment and development. Considerable progress has been made in this direction, notably through the introduction in 1993/94 of a three-year rolling Development Budget. This year certain further improvements of a methodological nature were introduced, enhancing both the content and presentation of this Budget.
- 5.24 However, it must be borne in mind that the public sector is still at the beginning of a process to improve the system of resource allocation, a process which must of necessity be never-ending. For this purpose new instruments have to be designed and put in place to integrate the annual development budgets with the longer-term development policies and institutional changes.
- 5.25 As regards the 1994/95 Development Budget, it includes 365 projects of which 178 are new projects. Four major features of this Development Budget stand out:
- First, as could be expected, the Development Budget reflects the Government's strong commitment to social sector provision in recognition of the appalling living conditions endured by about two thirds of the Namibian population.
  - Second, since agriculture is the leading productive sector in the social and economic productive strategy and provides a living to the majority of the population, resources allocated to agriculture were increased from 9,8 per cent of the total development funds in 1993/94 to nearly 13 per cent for 1994/95.

- A third feature of the 1994/95 Development Budget is a reduction in the resources allocated to road construction, since the present construction phases of the two major roads linking Namibia to two of her SADC neighbours are approaching their final stage.
- A fourth and final characteristic of the Development Budget is the allocation of significant resources to the Regional Councils, Municipalities, Towns and Villages. Most of these resources are devoted to improving water supply, sanitation and electricity services in urban and rural areas. These projects were carefully screened to avoid duplication and overlapping with those presented by the line ministries.

#### Statutory Expenditure

5.26 Statutory expenditure is estimated to amount to N\$ 131,8 million and consists of an amount of N\$ 29,3 million to be paid to Namib Finance Corporation and an amount of N\$ 101,4 million for debt servicing, plus a small nominal provision of N\$ 1,1 million for contingencies in respect of guarantees and ex-gratia payments.

#### DEFICIT

5.27 Having looked at the expected revenue and proposed expenditures for 1994/95 we now come to the point where a decision must be taken on balancing the Budget. I think it was President Reagan of the United States who once said balancing the budget is a little like protecting your virtue - you just have to learn to say no. As far as I know, however, not even President Reagan ever succeeded in this and neither will we. I do not think it is quite necessary either as long as one makes

sure that one does not borrow money to finance current expenditure and that in the long run the debt burden does not increase more rapidly than the gross domestic product.

5.28 To recapitulate then, the total expected expenditure to be financed amounts to N\$ 3 690,5 million, consisting of N\$ 539,1 million in capital expenditure and N\$ 3 151,3 million in current and statutory expenditure. Own revenue is estimated at N\$ 3 239,1 million, which is N\$ 87,8 million more than current and statutory expenditure, leaving a gross deficit of N\$ 451,4 million. Foreign contributions in cash channelled through the budget is estimated to amount to N\$ 44,4 million, leaving a net deficit of N\$ 406,9 million to be financed through loans. Of this amount N\$ 39,0 million is to be financed through Special Aid Assistance loans which have already been arranged with foreign governments and/or financial institutions and which total N\$ 105,8 million in all at this stage. The amount to be funded by loans from the capital market will therefore amount to a maximum of N\$ 368,0 million. It is envisaged that this full amount will be funded locally by the issue of Treasury bills and Government stock and no problem is foreseen in raising these funds.

5.29 The total net loans to be taken up will amount to 4,38 per cent of the projected GDP of N\$ 9 291,8 million and although the amount of loans to be taken up is higher than we would have liked, it is within accepted norms, especially bearing in mind the low debt burden of Namibia and the fact that all of these loan funds will be spent on development projects. The amount to be funded on the local capital market (N\$368,0 million) constitutes 3,96% of GDP.

5.30 Permit me one final remark in this regard and that is to point out that much of the Government's current expenditures also amount to savings, which are eventually channelled to investments. A good example of this is the annual contribution to the Government Institutions Pension Fund. The total contribution reflected in the Budget now stands at N\$244 million which is a direct contribution by Government as employer. These funds are in turn invested through various channels and, as I have indicated, steps are being taken to ensure that an increasing portion of savings of this nature will in future be invested in Namibian investment projects, rather than in South Africa, as in the past.

## 6. TAXATION PROPOSALS

### Introductory Remarks

6.1 Last year extensive amendments were effected to our taxation system. These amendments included amongst others:

- \* Administrative measures: The substantial increase in the rates for fringe benefits taxation.
- \* Amendments to the Sales Tax Act.
- \* The introduction of the Sales Duties Act.
- \* Amendments to the taxation of individuals and companies in terms of the Income Tax Act.
- \* Tax incentives to manufacturing enterprises.
- \* Income Tax on farmers.

- \* New Stamp Duty Legislation.
- \* New Transfer Duty Legislation.

As a matter of fact, Mr Speaker, to some extent there was a general overhaul of our tax system and therefore there is no necessity for extensive amendments this year, except for the completion of some matters left open last year.

#### Establishment of Regional Office in Walvis Bay

- 6.2 Honourable Members are aware that it was previously announced that it is the policy of the Ministry of Finance to open regional offices as and when required to ensure the proper administration of taxation in our country. Members are also aware that the first regional office was opened in Oshakati in the north and with the re-integration of Walvis Bay we now intend to also establish a regional office there. This office will not only serve the Walvis Bay area, but also Swakopmund, Henties Bay and Arandis.
- 6.3 Tax Legislation will have to be passed to bring Walvis Bay into the fold and to ensure the smooth transition from the RSA legislation to the Namibian legislation with effect from the re-integration date of 1 March 1994. These measures entail the following:

##### 6.3.1 Amendment to the Stamp Duties Act

As a result of the re-integration of Walvis Bay certain companies, especially banks, may find it necessary to transfer property to their parent companies in Namibia. This may

also become necessary in respect of other companies outside the banking sector. There is provision in the Transfer Duty Legislation of Namibia to absolve such transfers from Transfer Duty, but provision should also be made in the Stamp Duties Act to exempt such transfers from Stamp Duty.

## 6.3.2

Taxation of companies in Walvis Bay

Agreement was reached between the South African and the Namibian tax authorities that taxable income of all companies registered in Walvis Bay, in respect of tax periods commencing before the re-integration date (1 March 1994) and ending after that date, will be regarded as Namibian income. The Namibian Income Tax Act of 1981 should therefore be applied to all companies operating in Walvis Bay with effect from the commencement of the financial years of all such companies ending on or after 1 March 1994. I may mention, Mr Speaker, that this was a considerable concession in our favour and our income from companies will be increased considerably as a result of this concession.

## 6.3.3

Collection of tax from Walvis Bay taxpayers in respect of the period ending 28 February 1994

All South African Tax Laws which were applied in Walvis Bay before the re-integration date, became invalid on 1 March 1994 as a result of the transfer of the jurisdiction over the enclave to Namibia. This created a vacuum as

to the finalisation of outstanding tax matters applicable to all periods before 28 February 1994 (with the exception of the matters covered by paragraph 6.3.2. above).

The relevant SA tax laws referred to are the South African Income Tax Act of 1965 and the South African Value Added Tax Act of 1991. Since South Africa can no longer apply these laws in Walvis Bay, the only alternative was for Namibia to adopt these laws as Namibian laws in respect of the Walvis Bay enclave and apply these laws in Walvis Bay in respect of all outstanding matters up to and including 28 February 1994. I want to make it clear, Mr Speaker, that these South African laws will become Namibian laws only applicable to taxpayers in Walvis Bay and only in respect of the finalisation of matters which occurred before 28 February 1994. As from 1 March 1994 Namibian legislation will, in terms of our constitution, automatically apply in Walvis Bay.

6.3.4

Assessed losses and unclaimed expenditure in terms of SA legislation

Provision will be made in the Namibian Income Tax Act that all assessed losses incurred by Walvis Bay taxpayers and all expenditure not yet allowed in terms of the SA Income Tax Act, will be carried forward and allowed in terms of the Namibian Income Tax Act against future income of such taxpayers.

### SALES TAX AND SALES DUTIES LEGISLATION

- 6.4 Last year when the new Sales Duties Legislation was introduced, with some amendments to the Sales Tax Act, it was envisaged that experience may show that certain amendments have to be made to the new legislation.

Up to date a few aspects have been identified that need amendment, but since the Sales Duties Act only became operative on 1 September 1993 and is still in an experimental phase, it was decided to effect no changes to the present legislation at this point in time. The Directorate of Inland Revenue is, however, continually monitoring the effects of this legislation and if need be, amendments may be proposed during the course of the year. Amendments to the Sales Tax Act to be proposed during this year will only be of a technical nature.

### INCOME TAX ON INDIVIDUALS

- 6.5 The maximum income tax rates are presently 38 per cent, payable by individuals on taxable amounts (i.e. taxable income less abatements) exceeding N\$100 000.

It is the declared long-term policy of Government to lower direct taxation and, as Honourable Members will remember, reduction of the maximum marginal rate has already been effected since independence. We intend to continue doing this but unfortunately, because of financial constraints and the present deficit as reflected by this years budget, we cannot propose to lower income tax rates this year.

What we do, however, propose is to restructure the taxation scales and the allowable abatements. The effect

of the new scales to be put into operation as from 1 March 1994 is that the threshold for the payment of taxes will now be raised to N\$10 000 instead of the present N\$ 5 000 and that the taxes of all taxpayers earning less than N\$60 000 per year, will be considerably reduced. The maximum rate of 38 per cent will now only be reached at a taxable amount of N\$120 000 and after a primary abatement of N\$10 000, as against the present N\$5 000.

To sum up, for easy reference, the new scales will provide that:

- (a) Nobody with a taxable income lower than N\$ 10 000 will pay any taxes;
- (b) Taxpayers earning less than N\$60 000 will benefit considerably through the new scales to be introduced; and
- (c) the maximum marginal rate of 38 per cent will only become effective at a taxable income of N\$130 000.

#### TAXATION OF FARMERS

6.6 Honourable Members will recall that the tax amendments effected last year, amongst others, provided for a substantial up-valuation of livestock values on 1 March 1993, and that the amount of the up-valuation would be taxed in the hands of farmers spread equally over 5 years.

It was also provided that the first instalment would be 50 per cent tax free and I undertook in the budget speech to reconsider the taxable amounts in respect of the other four years as circumstances may permit.

In this regard extensive consultations have taken place with representatives of the Namibian Agricultural Union and it was pointed out that for long-term planning farmers should be informed as soon as possible of their tax position, also in respect of the next four years. It is therefore proposed that the said up-valuation be taxed in the hands of farmers as follows:

Year ending 28 February 1994	50 % tax free
Year ending 28 February 1995	50 % tax free
Year ending 28 February 1996	33 1/3 % tax free
Year ending 28 February 1997	33 1/3 % tax free
Year ending 28 February 1998	33 1/3 % tax free

Also, the amount so added to the taxable income of any farmer in terms of this provision, will not be included in the taxable amount for purposes of determination of his rate of tax payable. In other words, Mr Speaker, these amounts would be taxable as explained above, but would not affect the rate of tax payable by a farmer.

Mr Speaker, it was further envisaged that - if need be - livestock values would in future be adjusted on a yearly basis. In this regard the Namibia Agricultural Union as well as the Ministry of Agriculture, Water and Rural Development were consulted, and it was decided that livestock values be adjusted upwards with approximately 10 per cent. This upward adjustment in livestock values will be done in respect of stock on hand at 1 March 1994 and the resultant amount will be taxed in the hands of farmers in the year of assessment ending on 28 February 1995. Similarly, as described above, the amount so taxed in the hands of farmers will not be included in their taxable amounts for determination of the rates of taxation.

TAX EXEMPTION - INTEREST EARNED FROM THE POST OFFICE SAVINGS BANK

- 6.7 Presently interest received by a taxpayer from the Post Office Savings Bank is exempt from taxation in terms of Section 16(1)(m)(i) of the Income Tax Act. It is now proposed that this Section be amended to restrict this exemption to individuals only. It was never intended that companies should also enjoy this benefit and it would be unfair competition with other financial institutions. Mr Speaker, we feel strongly that the playing field should be levelled between all competitors in the marketplace.

EXPORT PROMOTION INCENTIVES

- 6.8 Last year's budget speech contained details of the tax incentives for manufacturing enterprises as announced by His Excellency, the President in April 1993. It is now proposed to extend these incentives and to add specific export promotion incentives to our present package.

To be more specific, it is proposed that 80 per cent of all profits resulting from the export of manufactured goods (excluding manufactured fish and meat products) be tax exempt. I repeat, profits in respect of all manufactured goods exported from Namibia, whether they were originally imported or manufactured locally (excluding fish and meat products) will qualify for an 80 per cent income tax exemption and this special tax incentive will be in addition to the present incentive package for manufacturers.

Provision will be made in the Income Tax Act to empower

the Permanent Secretary of Finance to determine this special tax allowance based on the export gross profit of a taxpayer in relation to his total gross profit, with the necessary adjustments where needed, and to prescribe the accounting procedures to be followed by taxpayers to qualify for this special income tax incentive. It is proposed that individuals will qualify for this special incentive as from 1 March 1994 and companies in respect of their financial years commencing on or after 1 January 1994.

The purpose of this incentive scheme is to promote our country as a trade centre for the region. With our excellent road, rail and air connections with South Africa, the construction of the Trans-Kalahari highway, as well as the Trans-Caprivi road, and, most important, with Walvis Bay having come home, Namibia is ideally suited to fulfil its role as the trade centre and trade connection for the region. We have high hopes that this attractive incentive will not only promote the export of locally manufactured goods, but also the distribution of imported manufactured goods.

7. THE EXPECTED ECONOMIC ENVIRONMENT FOR 1994/95 AND BEYOND

- 7.1 Mr. Speaker, having started my address today with a quotation from the wise King Solomon, it is perhaps fitting that I should end it in the same way, and I quote from the book of Proverbs: "When there is no vision, the people perish". Let's briefly try to look into the future and see if we can form some vision of what it might hold for us in the economic and fiscal field and what we can aspire to.
- 7.2 After a year in which little progress has been made as

far as real economic growth and capital formation are concerned, present indications and expectations by key industries are that 1994 will be a year in which the country could return to the situation that prevailed during the progressive years of 1991 and 1992. This projection hinges mainly on the expected economic upswing of the world economy and in the economy of South Africa. The improved external economic environment, coupled with a substantial recovery foreseen in the mining industry, the considerably improved climatic conditions, further progress in the fishing industry, which is now fully integrated in Namibia, and Government policies that are well geared towards improving business confidence and the investment drive, will put Namibia in a good position to once again record positive growth in excess of 5 per cent during 1994. This recovery will be mainly export led, while the economy on the demand side is also likely to gain momentum. Although there is reasonable spare productive capacity in some of the major industries to cope with higher levels of demand and production, a number of vital investment projects are foreseen in the public and private sectors, which will enhance Namibia's real fixed capital formation.

- 7.3 That is as far as the immediate future is concerned. For effective strategic planning, however, one needs to look a little beyond that and for this purpose the National Planning Commission (NPC), in co-operation with the Ministry of Finance and all other ministries, is busy compiling the First National Development Plan (NDP 1), spanning the years 1995/96 to 1999/2000. Its aim is to clarify the state's medium-term objectives and policies so that they can be carried out in the most effective way and with the co-operation of all the role-players in the economy, who will then have a clear indication of where

the Government is heading over a longer period.

- 7.4 It is expected that NDP 1 will be finalised by March 1995 and its value will be further enhanced by the Public Expenditure Review presently being carried out by the Government with technical assistance from the World Bank.
- 7.5 Although a large portion of Namibia's economy is based on non-renewable natural resources, which cannot be counted on to make the same contribution to our economy for all time, the economy does possess the potential and resources to be able to grow at rates exceeding the population growth rate. Such a medium-term growth hypothesis presupposes that the government will give all the encouragement it can to the private sector to permit a sustained growth of the economy at a target real rate of at least 5 per cent per annum.
- 7.6 Given these assumptions and projections of the economic growth of Namibia and also assuming, on the one hand, that government revenues will grow in line with the growth in the overall economy, and, on the other, that the restraint in government expenditure witnessed during the current fiscal year and projected for the next year, will continue, it is possible, even now, to build a crude scenario about the government's financial operations until the end of the century. Many conclusions can be read from these projected trends, but allow me to concentrate on the impact made on government's overall deficit and the size of the public debt. Initially the impact of repayment of Namibia's pre-independence debt in terms of interest and capital, which will commence in fiscal year 1995/96, will be rather intense, and the ratio of overall deficit to GDP will amount to about 4,7 per cent. However, given our economic growth assumption,

the revenue growth should gradually overtake the initial debt servicing problems and by the end of the century, it would be possible to reach an annual deficit ratio of less than 2 per cent. Total government debt in relation to GDP is also expected to reach a peak in 1997/98 at almost 30 per cent, but should then gradually fall to a ratio of 27 per cent by the end of the century.

7.7 Mr. Speaker, I do not wish to demonstrate my prophetic abilities with these calculations; it is rather meant to illustrate three things:

- (a) the importance of balanced and steady economic growth, and, at the same time, government's specific responsibility to foster economic development and advancement;
- (b) the importance of consistent and balanced government revenue yields which share in the economic advancement of the country without putting an undue burden on the productive sector; and
- (c) the importance of fiscal restraint and a well balanced expenditure mix, both in terms of recurrent versus development expenditure and in terms of labour versus non-labour expenditure.

Our experience since independence has illustrated that the scenario which I have just outlined, is not merely wishful thinking, but is a feasible target.

## - Proposed Rates of Normal Tax -

### Taxable Amount

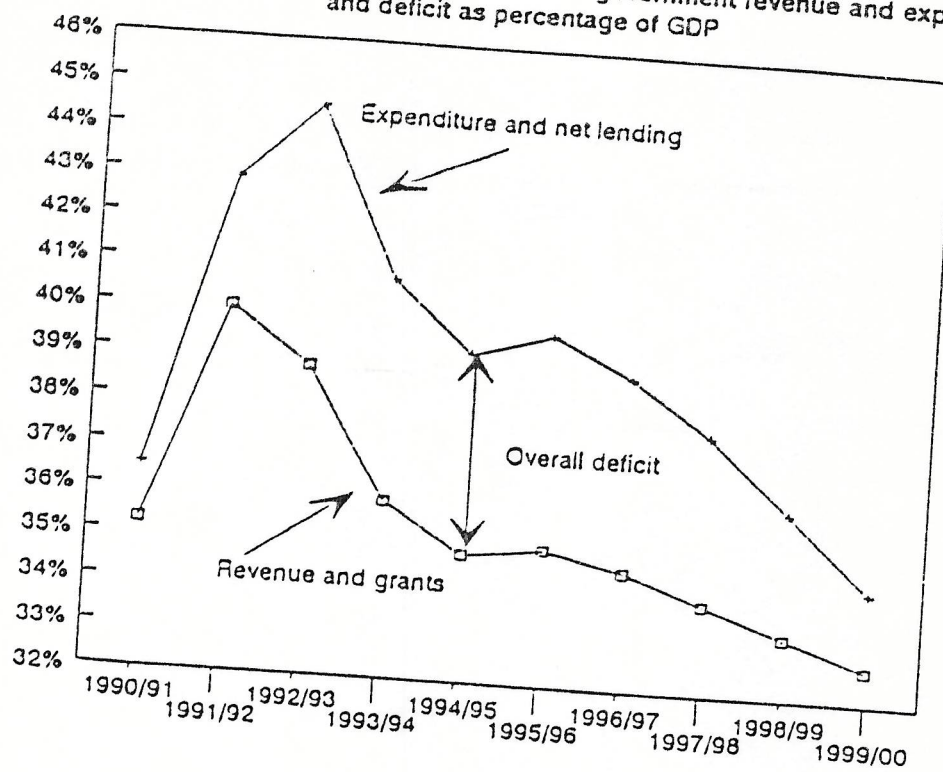
### Rates of Tax

Where the taxable amount – does not exceed N\$ 10 000	14 per cent of each N\$ 1 of the taxable amount;
exceeds N\$ 10 000, but does not exceed N\$ 15 000	N\$ 1 400 plus 20 per cent of the amount by which the taxable amount exceeds N\$ 10 000;
exceeds N\$ 15 000, but does not exceed N\$ 20 000	N\$ 2 400 plus 22 per cent of the amount by which the taxable amount exceeds N\$ 15 000;
exceeds N\$ 20 000, but does not exceed N\$ 25 000	N\$ 3 500 plus 26 per cent of the amount by which the taxable amount exceeds N\$ 20 000;
exceeds N\$ 25 000, but does not exceed N\$ 30 000	N\$ 4 800 plus 30 per cent of the amount by which the taxable amount exceeds N\$ 25 000;
exceeds N\$ 30 000, but does not exceed N\$ 40 000	N\$ 6 300 plus 34 per cent of the amount by which the taxable amount exceeds N\$ 30 000;
exceeds N\$ 40 000, but does not exceed N\$ 60 000	N\$ 9 700 plus 35 per cent of the amount by which the taxable amount exceeds N\$ 40 000;
exceeds N\$ 60 000, but does not exceed N\$ 80 000	N\$ 16 700 plus 36 per cent of the amount by which the taxable amount exceeds N\$ 60 000;
exceeds N\$ 80 000, but does not exceed N\$ 120 000	N\$ 23 900 plus 37 per cent of the amount by which the taxable amount exceeds N\$ 80 000;
exceeds N\$ 120 000	N\$ 38 700 plus 38 per cent of the amount by which the taxable amount exceeds N\$ 120 000

## - Abatements -

Primary Abatement	N\$ 10 000
One Child	N\$ 1 000
Two Children	N\$ 1 500
Three and more Children	N\$ 2 000
Over 65 Years	N\$ 1 000
Sole Breadwinner (additional)	N\$ 4 000

Namibia: Actual, budgeted and projected central government revenue and expenditure and deficit as percentage of GDP



Financial operations of the Central Government :  
1990/91 to 1994/95

- Table 1 : Central government expenditure
- Table 2 : Central government revenue and grants
- Table 3 : Trends in financial operations of the central government
- Table 4 : Summary of financial operations of the central government

Please note, that the tables annexed hereto are presented in the format and classifications suggested by the IMF's "A Manual on Government Finance Statistics", 1986, and would, therefore, not necessarily agree with the presentation shown in the Auditor General's Reports nor with budget documents. See explanatory notes attached to these tables.

Table 1 – Namibia : Central government expenditure  
N\$ million

At current prices	Actual			Estimate	
	1990/91	1991/92	1992/93	1993/94	1994/95
	<b>CURRENT EXPENDITURE:</b>				
<u>Expenditure on goods and services:</u>					
Remuneration of employees .....	922.8	1249.3	1522.2	1868.3	1742.6
Other purchases of goods and services .....	566.8	783.2	823.2	796.1	850.7
Interest payments .....	26.3	20.9	21.8	69.7	100.9
<u>Subsidies and other current transfers:</u>					
<u>Subsidies:</u>					
To private business enterprises .....	20.2	3.4	94.4	24.2	30.0
To public enterprises and corporations .....	44.4	66.3	45.9	84.1	93.3
<u>Transfers:</u>					
To local government .....	18.2	34.4	22.8	19.8	35.0
To universities and technicons .....	12.1	26.8	27.3	31.1	35.0
To households and non-profit institutions .....	104.7	179.2	197.2	211.2	239.4
To the rest of the world .....	4.1	2.7	7.5	11.4	7.7
<b>TOTAL CURRENT EXPENDITURE</b> .....	<b>1720.1</b>	<b>2368.4</b>	<b>2761.9</b>	<b>2895.9</b>	<b>3134.6</b>
<u>CAPITAL EXPENDITURE:</u>					
<u>Acquisition of new fixed capital assets:</u>					
Equipment .....	50.1	59.0	43.3	76.0	65.6
Residential buildings .....	34.0	50.1	30.3	63.1	60.0
Non-residential buildings .....	79.4	97.6	103.2	118.0	119.5
Other constructions .....	105.9	108.0	252.9	159.4	180.0
<u>Purchases of land and existing assets</u> .....	<u>5.5</u>	<u>6.1</u>	<u>11.0</u>	<u>47.0</u>	<u>11.6</u>
<u>Capital transfers:</u>					
To public enterprises and corporations .....	32.0	91.7	108.7	47.3	43.1
To households and non-profit institutions .....	0.3	0.0	0.6	-	-
<b>TOTAL CAPITAL EXPENDITURE</b> .....	<b>307.2</b>	<b>412.5</b>	<b>550.0</b>	<b>510.8</b>	<b>479.8</b>
<b>TOTAL EXPENDITURE</b> .....	<b>2027.3</b>	<b>2778.9</b>	<b>3311.9</b>	<b>3406.7</b>	<b>3614.4</b>
<u>LENDING:</u>					
To local government .....	17.4	9.4	9.3	5.7	10.0
To private business enterprises .....	7.0	-	18.4	19.3	13.0
To public enterprises and corporations .....	21.6	20.0	17.5	5.0	7.0
To universities and technicons .....	18.6	-	-	-	-
To households and non-profit institutions .....	8.7	19.0	0.7	4.5	3.7
To the rest of the world .....	0.4	-	-	-	-
<u>minus REPAYMENTS</u> .....	<u>22.2</u>	<u>35.8</u>	<u>15.6</u>	<u>10.9</u>	<u>9.8</u>
<b>TOTAL LENDING minus REPAYMENTS</b> .....	<b>51.5</b>	<b>12.6</b>	<b>30.3</b>	<b>23.6</b>	<b>23.9</b>
<b>TOTAL EXPENDITURE AND LENDING minus REPAYMENTS</b> .....	<b>2078.8</b>	<b>2791.5</b>	<b>3342.2</b>	<b>3430.3</b>	<b>3638.3</b>

Table 2 - Namibia: Central government revenue and grants  
N\$ million

	Actual			Estimate	
	1990/91	1991/92	1992/93	1993/94	1994/95
<b>TAX REVENUE:</b>					
<b>Taxes on income and profits:</b>					
Diamond mining companies .....	62.3	23.3	115.1	186.0	115.5
Other mining companies .....	75.8	28.1	2.8	11.0	63.0
Non-mining companies .....	134.3	118.5	158.4	160.0	160.0
Individuals .....	350.4	413.0	506.5	500.0	536.0
Non-resident shareholders tax .....	32.4	16.4	21.8	22.0	25.0
Tax on royalties .....	0.0	0.5	0.3	0.3	0.3
<b>Taxes on property:</b>					
Transfer duty .....	12.3	12.4	14.3	20.0	21.0
<b>Domestic taxes on goods and services:</b>					
General sales tax .....	306.1	383.9	501.8	500.0	485.0
Additional sales duties .....	-	-	-	70.0	180.0
Fuel levies .....	119.7	118.5	202.3	240.0	245.0
Business licences .....	1.4	1.8	2.8	2.9	3.2
Motor vehicle licence taxes .....	13.9	15.4	16.5	15.0	16.5
Fishing quota levies .....	38.4	56.8	77.3	90.5	109.8
<b>Taxes on international trade and transactions:</b>					
Diamond export duty .....	60.5	90.9	93.6	120.0	120.0
Customs and excise compensation .....	447.0	945.7	735.5	781.9	902.3
<b>Other taxes:</b>					
Stamp duties and fees .....	6.5	8.0	7.0	18.0	20.0
<b>less: Transfer from tax revenue:</b>					
Namib Finance Corporation (Pty) Ltd. ....	-	35.1	21.7	32.0	29.3
<b>TOTAL TAX REVENUE</b> .....	<b>1661.0</b>	<b>2195.7</b>	<b>2433.9</b>	<b>2705.6</b>	<b>2973.3</b>
<b>NON-TAX REVENUE:</b>					
<b>Entrepreneurial and property income:</b>					
Operating surpluses of public enterprises .....	55.1	77.8	15.7	-7.8	-9.5
Other property income .....	74.7	119.9	57.8	39.9	32.9
Compensation for use of Rand as currency .....	-	-	155.5	45.0	30.0
Administrative fees and charges .....	104.7	130.1	164.2	160.4	152.7
Fines and forfeits .....	5.8	6.0	4.3	5.0	4.5
Other non-tax revenue .....	0.9	0.9	0.7	1.0	1.0
<b>TOTAL NON-TAX REVENUE</b> .....	<b>241.2</b>	<b>334.5</b>	<b>398.6</b>	<b>243.5</b>	<b>211.6</b>
<b>TOTAL CURRENT REVENUE</b> .....	<b>1902.2</b>	<b>2530.2</b>	<b>2832.5</b>	<b>2949.1</b>	<b>3184.9</b>
<b>CAPITAL REVENUE:</b>					
Sales of stocks and fixed assets .....	3.8	4.5	1.2	2.5	2.0
<b>TOTAL REVENUE</b> .....	<b>1906.0</b>	<b>2534.7</b>	<b>2833.7</b>	<b>2951.6</b>	<b>3186.9</b>
<b>GRANTS:</b>					
Budget aid .....	101.1	67.8	73.5	70.0	44.4
<b>TOTAL REVENUE AND GRANTS</b> .....	<b>2007.1</b>	<b>2602.5</b>	<b>2907.2</b>	<b>3021.6</b>	<b>3231.3</b>



Table 4 – Namibia: Summary of financial operations of the central government  
N\$ millions

At current prices	Actual		Estimate		
	1990/91	1991/92	1992/93	1993/94	1994/95
	<b>REVENUE AND GRANTS:</b>				
Taxes on income and profits .....	655.2	597.8	804.7	879.3	899.8
Taxes on property .....	12.3	12.4	14.3	20.0	21.0
Domestic taxes on goods and services .....	479.5	578.0	800.5	918.4	1039.5
Taxes on international trade and transactions .....	507.5	1036.8	829.1	901.9	1022.3
Other taxes .....	8.5	8.0	7.0	18.0	20.0
less Transfer from tax revenue .....	-	35.1	21.7	32.0	29.3
Total tax revenue .....	1681.0	2195.7	2433.9	2705.8	2973.3
Non-tax and capital revenue .....	245.0	339.0	399.8	248.0	213.8
Total revenue .....	1906.0	2534.7	2833.7	2951.8	3186.9
Grants .....	101.1	87.8	73.5	70.0	44.4
<b>TOTAL REVENUE AND GRANTS</b> .....	<b>2007.1</b>	<b>2602.5</b>	<b>2907.2</b>	<b>3021.6</b>	<b>3231.3</b>
<b>EXPENDITURE AND LENDING:</b>					
<i>minus</i> REPAYMENT:					
Expenditure on goods and services .....	1489.8	2032.7	2345.4	2464.4	2593.3
Interest payments .....	28.8	20.9	21.8	69.7	100.9
Subsidies and other current transfers .....	203.7	312.8	394.9	361.8	440.4
Total current expenditure .....	1720.1	2366.4	2761.9	2895.9	3134.6
Total capital expenditure .....	307.2	412.5	550.0	510.8	479.8
Total expenditure .....	2027.3	2778.9	3311.9	3406.7	3614.4
Lending <i>minus</i> repayments .....	51.5	12.6	30.3	23.6	23.9
<b>TOTAL EXPENDITURE AND LENDING</b> <i>minus</i> REPAYMENTS .....	<b>2078.8</b>	<b>2791.5</b>	<b>3342.2</b>	<b>3430.3</b>	<b>3638.3</b>
<b>OVERALL DEFICIT (-) / SURPLUS (+)</b> .....	<b>-71.7</b>	<b>-189.0</b>	<b>-435.0</b>	<b>-408.7</b>	<b>-407.0</b>
<b>TOTAL FINANCING:</b>					
Loan disbursements .....	38.2	71.9	490.8	1085.8	1047.9
Loan redemptions .....	-77.0	-72.8	-193.0	-687.9	-640.9
Net borrowing .....	-38.8	-0.3	297.8	397.9	407.0
Decrease (+)/Increase (-) in cash balances .....	110.5	189.9	137.2	10.8	0.0
<b>TOTAL FINANCING</b> .....	<b>71.7</b>	<b>189.0</b>	<b>435.0</b>	<b>408.7</b>	<b>407.0</b>

(In percent of GDP)

<b>Revenue:</b>					
Taxes on income and profits .....	11.5%	9.2%	10.7%	10.4%	9.7%
Taxes on property .....	0.2%	0.2%	0.2%	0.2%	0.2%
Domestic taxes on goods and services .....	8.4%	8.9%	10.7%	10.9%	11.2%
Taxes on international trade and transactions .....	8.9%	15.9%	11.1%	10.7%	11.0%
Other taxes .....	0.1%	0.1%	0.1%	0.2%	0.2%
less Transfer from tax revenue .....	0.0%	0.5%	0.3%	0.4%	0.3%
Tax revenue .....	29.2%	33.7%	32.5%	32.1%	32.0%
Non-tax and capital revenue .....	4.3%	5.2%	5.3%	2.9%	2.3%
Total revenue .....	33.5%	39.0%	37.8%	35.1%	34.3%
Grants .....	1.8%	1.0%	1.0%	0.8%	0.5%
Total revenue and grants .....	35.2%	40.0%	38.8%	35.9%	34.8%
<b>Expenditure:</b>					
Current expenditure .....	30.2%	36.4%	36.8%	34.4%	33.8%
Capital expenditure and net lending .....	6.3%	6.5%	7.7%	6.3%	5.4%
Total expenditure and net lending .....	36.5%	42.9%	44.6%	40.8%	39.2%
Overall deficit (-)/Surplus (+) .....	-1.3%	-2.9%	-5.8%	-4.9%	-4.4%
<b>Total government debt:</b>					
Total debt outstanding (year end) (N\$ million) .....	860.0	940.0	1408.9	1879.8	2286.8
Total debt outstanding as percentage of GDP .....	15.1%	14.4%	18.8%	22.3%	24.6%
GDP at market prices (N\$ million) .....	5694.4	6506.3	7500.0	8429.0	9294.0