

# **7<sup>TH</sup> NATIONAL ASSEMBLY**



## **PARLIAMENTARY STANDING COMMITTEE ON ECONOMICS AND PUBLIC ADMINISTRATION**

### **REPORT**

### **ON THE**

## **OVERSIGHT VISITS OF NAMIBIA REVENUE AGENCY DOMESTIC TAX OFFICES AND CUSTOMS ENTRY POINTS IN**

## **OSHANA, OHANGWENA AND ERONGO REGIONS**

**30 MAY TO 3 JUNE 2022**

## Table of Contents

<b>ACRONYMS</b> .....	3
<b>EXECUTIVE SUMMARY</b> .....	4
<b>1. INTRODUCTION AND BACKGROUND</b> .....	6
<b>2. METHODOLOGY</b> .....	6
<b>3. LEGAL FRAMEWORK, FUNCTIONS AND POWERS OF NAMIBIA REVENUE AGENCY</b> .....	7
<b>4. FINDINGS, OBSERVATIONS AND DISCUSSION</b> .....	7
4.1    Courtesy call on the Governor of Oshana Region.....	7
4.2    DOMESTIC TAX OFFICE AT OSHAKATI AND CUSTOMS ENTRY POINT AT OSHIKANGO BORDER POST.....	8
4.2.1    Northern Regional Office - Domestic Taxes Office .....	8
4.2.2    Northern Regional office –Customs and Excise .....	8
4.2.3    Taxpayer Base and Revenue Collection in the Northern Regions .....	9
4.2.4    Shortcomings and Challenges .....	9
4.2.5    Other shortcomings and challenges at Oshikango Border Post .....	11
4.2.6    Way Forward.....	11
4.2.7    DISCUSSION .....	12
4.3    ANDIMBA TOIVO YA TOIVO AIRPORT.....	13
4.4    WESTERN REGION DOMESTIC TAX OFFICE AND CUSTOMS ENTRY POINTS .....	13
4.4.1    Domestic Tax Offices (Inland Revenue) .....	13
4.4.2    CUSTOMS AND EXCISE ENTRY POINTS .....	15
4.4.3    NAMIBIA PORTS AUTHORITY AT THE PORT OF WALVIS BAY .....	16
4.4.4    WALVIS BAY INTERNATIONAL AIRPORT .....	17
<b>5 CONCLUSION</b> .....	18
<b>6 RECOMMENDATIONS</b> .....	19
<b>SIGNATURES</b> .....	20
<b>ANNEXURE A</b> .....	24
<b>ANNEXURE B</b> .....	26
<b>ANNEXURE C</b> .....	27
<b>ANNEXURE D</b> .....	28
<b>ANNEXURE E</b> .....	29
<b>ANNEXURE F</b> .....	30
<b>ANNEXURE G</b> .....	31

## ACRONYMS

ACC	Anti-Corruption Commission
ASYCUDA	Automated System for Customs Data
EFT	Electronic Funds Transfer
FOB	Freight on Board
GDP	Gross Domestic Product
GRN	Government of the Republic of Namibia
HS Code	The HS (Harmonised System) or product code is used by customs officers worldwide to categorize products.
ICT	Information and Communication Technology
IM7	Entry for Warehousing
IMF	International Monetary Fund
IT	Information Technology
ITAS	Integrated Tax Administration System
NAC	Namibia Airports Company
NAMPOL	Namibian Police
NAMPORT	Namibia Ports Authority
NamRA	Namibia Revenue Agency
NAPWU	Namibia Public Workers Union
NCT	New Container Terminal
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
TEUs	Twenty-foot equivalent unit
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization

## EXECUTIVE SUMMARY

From 30 May to 3 June 2022, the Standing Committee on Economics and Public Administration conducted oversight visits in accordance with its constitutional mandate at Domestic Tax Offices and Customs Entry Points in the Oshana, Ohangwena and Erongo regions.

The report, which is comprehensive in nature, reflects strengths, achievements, weaknesses, shortcomings and challenges of Namibia Revenue Agency Domestic Tax Offices and Customs Entry Points in these regions including Oshikango Border Post, Andimba Ya Toivo Airport, Port of Walvis Bay and Walvis Bay International Airport.

The following are some of the findings/observations of the Committee:

- The establishment of Namibia Revenue Agency, will strengthen revenue collection for the country on the understanding that the agency executes its mandate and functions efficiently and effectively, in the best interest of Namibia and its people.
- Increase in the taxpayer base and revenue collection in the Northern and Western regions is commendable. However, considering the population of the regions there is room to increase the taxpayer base, hence the demand to continue awareness creation on citizenry duty to pay tax to the State.
- The challenges and weakness experienced at Oshikango Border Post mainly the 'disorganized' situation at the border post and possible revenue losses that may occur due to this situation, are matters of grave concern to the Members of the Standing Committee that require urgent solutions from the Government.
- Lack of office space and staff shortages at Oshakati NamRA Tax office is also of the concern to the Committees.
- Weaknesses at bonded warehouses at Oshakati, Oshikango and Walvis Bay and the overall shortcomings in the current Customs and Excise Act, Act 20 of 1998 are also matters of concern to the Committee.
- The challenges faced at Namibia Ports Authority, Andimba Ya Toivo Airport and Walvis Bay International Airport and the optimal usage of the ports of entry need urgent intervention of the relevant authorities.
- The transitional provisions in the Namibia Revenue Agency Act, Act 12 of 2017, in particular sections 39 (8) (b); 9 and 10; regarding the employment challenge of existing staff (employed by the Ministry of Finance before the establishment of the agency) highlighted in the report is of great concern to staff who have been working for the Ministry of Finance for many years. It is also a matter of serious concern to the Standing Committee mindful of the high unemployment rate in the country.

- The Asycuda Customs clearance software still remains a huge challenge since the days of the Directorate Customs and Excise in the Ministry of Finance. Previously the system was not synchronized to the ITAS system.
- Misclassification, undervaluation, misuse of rules of origin and smuggling are still prevalent at the Port of Walvis Bay. Therefore, regular education and awareness campaigns on pre-clearance are important for citizens and clients who want to import and export goods in and out of the country.

## 1. INTRODUCTION AND BACKGROUND

The Standing Committee on Economics and Public Administration conducted oversight visits from 30 May to 3 June 2022 at Domestic Tax Offices and Customs Entry Points in the Oshana and Erongo regions including Oshikango Border Post.

The objective of the oversight visit was amongst others, the following:

- (i) To receive firsthand information and experience regarding the achievements and challenges at regional and sub-regional offices, focusing on the mandate, functions, administrative operations, human resources, budget (financial resources), facilities, centers, and accommodation, infrastructure and capital projects.
- (ii) Efficiency, effectiveness, appropriateness, fairness, impact and applicability of taxation, revenue and customs duties collection;
- (iii) To receive reports on the performance of the newly established Namibia Revenue Agency at regional and sub-regional level;
- (iv) To receive information relating to the legislative programme, policy formulation or any matter the Committee may consider relevant; and
- (v) A tour of the facilities

The delegation consisted of the following Members of Parliament and staff:

- Hon. Matthias Mbundu (Deputy Chairperson)
- Hon. Nico Smith
- Hon. Johanna Kandjimi
- Hon. Fenni Nanyeni
- Hon. Celeste Becker
- Hon. Maria Kamutali
- Mr. Willem H Isaak, Deputy Director: Committee Services
- Mr. Lynette Sawyers, Parliamentary Clerk

## 2. METHODOLOGY

Subsequent to letters transmitted to the Executive Director of the Ministry of Finance, Commissioner of Namibia Revenue Agency and the Chief Executive Officer of Namibia Ports Authority, Members of the Standing Committee had the opportunity to conduct meetings with senior managers and officials of Namibia Revenue Agency, Namibia Airports Company and Namibia Ports Authority at Oshakati in the Oshana Region, Oshikango Border Post and Walvis Bay in the Erongo Region as listed on the attached programme of the Standing Committee. The programme is attached as **Annexure A**.

At Oshikango Border Post the parliamentary delegation had an opportunity to meet with operational staff of NamRA at the border.

The briefings of senior officials were followed up with questions from the delegation and concluded with site visits of the respective offices and facilities.



Members of the Committee also had the opportunity to pay a courtesy visit to the Governor of Oshana region.

### **3. LEGAL FRAMEWORK, FUNCTIONS AND POWERS OF NAMIBIA REVENUE AGENCY**

- (a) Established by the Namibia Revenue Agency Act, Act 12 of 2017, NamRA is an agent of the State responsible for the assessment of tax and collection of State revenue under the supervision and direction of the Minister of Finance.
- (b) The Ministry of Finance merged the Department of Inland Revenue and Directorate Customs and Excise into a semi-autonomous revenue agency. The agency was officially launched in April 2022.
- (c) The functions and powers of NamRA are as follows:
  - (i) Assess and collect taxes and customs duties on behalf of State in terms of applicable laws set out in the Schedule;
  - (ii) Receive and record all State revenue on behalf of the State;
  - (iii) Enforce the revenue, customs and excise laws, with respect to the collection of revenue as provided by the relevant laws;
  - (iv) Levying of penalty and interest overdue on the account and collect unpaid taxes provided by revenue laws;
  - (v) Provide Customs and Excise services that facilitate trade, maximise revenue collection and protect Namibia borders from illegal importation and exportation of goods;
  - (vi) Improve service delivery to taxpayers, promote compliance with tax laws, provide education; and
  - (vii) Provide information to the Minister on all matters relating to the administration and collection of Taxes.
- (d) Tax Laws administered by Namibia Revenue Agency are as follows:
  - (i) Income Tax Act, 1981 (Act No. 24 of 1981), amended
  - (ii) Value Added Tax Act, 2000 (Act No. 10 of 2000), amended
  - (iii) Customs and Excise Act, 1998 (Act No. 20 of 1998), amended
  - (iv) Transfer Duty Act, 1993 (Act No. 14 of 1993), amended
  - (v) Stamp Duty Act, 1993 (Act No. 15 of 1993), amended
  - (vi) Petroleum Taxation Act, 1991 (Act No. 3 of 1991), amended
  - (vii) Export Levy Act, 2016 (Act No. 2 of 2016)

## **4. FINDINGS, OBSERVATIONS AND DISCUSSION**

### **4.1 Courtesy call on the Governor of Oshana Region**

- (a) The Governor of Oshana Region expressed appreciation to Members of the Standing Committee for the oversight visit, whilst emphasizing that civil servants

and public officials should be accountable through different means, including oversight from parliamentary committees. He further expressed the followings sentiments:

- (i) Parliamentary committees should review outdated and obsolete laws on the statute books of the country.
- (ii) The need for closing of weaknesses and loopholes in internal governance systems to prevent corruption and organized crime. "There is a 'covert operation' going on within some institutions [by some greedy people] conducted almost in an 'organized crime [clandestine]' style. Hence, the need to close the gaps."
- (iii) Namibia Revenue Agency should commence with awareness and education campaigns on the do's and don'ts regarding import of goods and products; what are counterfeit products to avoid a repetition of recent demonstrations against some Chinese national traders.
- (iv) Stringent legislation need to be introduced to address accountability, complacency and punitive measures within public institutions, hence the need for review and amendment of the current State Finance Act, Act 31 of 1991 and Public Service Act, Act 13 of 1995 by the Ministry of Finance and Office of the Prime Minister respectively.

## **4.2 DOMESTIC TAX OFFICE AT OSHAKATI AND CUSTOMS ENTRY POINT AT OSHIKANGO BORDER POST**

### **4.2.1 Northern Regional Office - Domestic Taxes Office**

The Northern Regional Domestic Tax Office based at Oshakati is responsible for providing services to four northern regions namely: Omusati, Ohangwena, Oshana, Oshikoto and part of the Kunene Region.

The office has a staff complement of approximately 90 staff members at the regional office in Oshakati and satellite offices operating at Eenhana and Outapi. Satellite offices are planned for Opuwo, Omuthiya and Ondangwa.

### **4.2.2 Northern Regional office –Customs and Excise**

The Northern Regional Customs and Excise Office also based at Oshaktai is responsible for providing services to customs entry points in five northern regions namely: Omusati, Ohangwena ,Oshana, Oshikoto, Otjozondjua and part of the Kunene Region.

The office has a staff complement of approximately 89 members stationed at the regional office in Oshakati and Oshikango, railway station at Ondangwa, Tsumeb and Grootfontein and Toivo Ya Toivo Airport at Ondangwa. Staff are also posted at the Oshikango, Kashemane, Omahenene and Ruacana border posts.



#### 4.2.3 Taxpayer Base and Revenue Collection in the Northern Regions

The pie chart on **Annexure B** reflects the taxpayer base in the Northern Regions for the periods 2018 to 2021. Taxpayer base increased from 102 780 taxpayers to 117 421 taxpayers.

Revenue collection in the Northern Regions increased from N\$573,763,445,000 in 2018/2019 to N\$1,530,623,735,000 in 2020/2021. See attached chart as **Annexure C**.

#### 4.2.4 Shortcomings and Challenges

The Domestic Tax Office and Customs Office at **Oshakati and Oshikango Border Post** are encountering the following weaknesses, shortcomings and challenges that require urgent actions:

- (i) The previous Inland Revenue Office at Oshakati was constructed 1995 and is evidently too small, not suitable and conducive for staff members who have to perform an important public service. A suitable regional office should be constructed as this office is responsible for an important public service and works with sensitive information.
- (ii) Despite regular workshop and educational sessions to educate taxpayers on their responsibilities and rights regarding taxes, there are still some potential taxpayers who are non-compliant.
- (iii) The vehicle fleet need to be replaced as it is too old dating back more than ten years ago, requiring constant mechanical repairs.
- (iv) Officials have the duty to collect revenue and protect citizens from counterfeit products and piracy, hence more training is required to impart customs and tax administration knowledge and skills on the officials.
- (v) Some unscrupulous persons venture into the illegal importation of prohibited and restricted goods into the country, including petrol and diesel.
- (vi) Although NamRA has to ensure that security of goods and products remain a priority in the region and at international level, it is important that bi-lateral customs and excise agreements between neighbouring countries are improved. All regions must ensure that storage facilities are adequate for detainment of goods, especially storage of illegally imported fuel from Angola which is a major concern in this area. Furthermore, fuel can only be stored on the authority of the Ministry of Mines and Energy.
- (vii) Allegations of commercial fraud are investigated by NamRA head office.
- (viii) When traders submit low value invoices, goods and products will be re-valued to ensure that accurately calculated duties and taxes are collected.
- (ix) Customs officers must ensure that all goods imported or exported are correctly declared and that deferred VAT are communicated to the Domestic Tax Department immediately.
- (x) There are a number of ungazetted entry points in the Northern Regions used by some unscrupulous people to evade customs and excise checks and control. Therefore, customs officials, in collaboration with the Namibian Police must conduct joint patrols to protect the borderline, however, unavailability, lack of

and inadequate patrol vehicles militate against the effectiveness of such patrols.

- (xi) The long borderline is unfenced at many places and used by criminals to facilitate smuggling of goods. Some officials detected many incidences of increased smuggling of illicit and hazardous goods.

Border control and infrastructure at Oshikango Border Post are worrisome and must be improved and upgraded to meet international standards before consideration to operate the border for 24 hours. This Namibian border post requires upgrading; hence procurement and installation of the following infrastructure and equipment are urgently required:

- (xii) Scanners for goods and products entering the country must be installed and physical examination facilities (search rooms) should be built;
- (xiii) For proper control of people and prevention of illegal crossing, the border post should be designed for travelers' entrance at one single passage upon arrival and a single passage upon departure;
- (xiv) Offices at the border post must be demarcated with proper signage. Parking bays for official (GRN) vehicles and private vehicles of staff are simply not enough; hence, the need to build parking bays, parking shades and boom gates;
- (xv) The borderline is stretching approximately 400 km was constructed 32 years ago. Government must rehabilitate (repair) the border fence;
- (xvi) Debush the approximately 10 km borderline and beyond - west and east of the actual border post are urgently required to strengthen security measures and limit illegal crossing of people, goods and animals;
- (xvii) Installation of security lights is urgently required for security reasons and operations at night;
- (xviii) Staff members urgently need accommodation, hence the demand for construction of houses or flats are required;
- (xix) Streetlights must be installed at the existing houses and accommodation facilities of staff; and
- (xx) The gate at the border post on the Namibian side engraved "Namibia" was damaged and falling apart, reflecting a very poor image of our border post. The gates at the border post must be repaired, upgraded, separated and demarcated for trucks, commercial and light vehicles and pedestrians because the border is mostly used for export purposes.

New entry points must be established and gazetted on the east and west side of Oshikango Border Post. The following under-utilized crossing and checkpoints going forward, must be used as points of entry:

- East of Oshikango Border Post
- Ondwi (Alfandega with 100% infrastructure on site)
- Okanyandi
- Olupale in Okongo Constituency, Ohangewena Region and Quandu Cubango Province on the Angolan side;
- West side of Oshikango border post;

- Oshindobe (without infrastructure); and
- Omatangela (without infrastructure)

#### **4.2.5 Other shortcomings and challenges at Oshikango Border Post**

- (i) Personnel shortage at the Customs and Excise Control office;
- (ii) Need for electronic data to access ICT and the internet;
- (iii) Decrease in trade has been observed due to the COVID 19 pandemic;
- (iv) Outstanding or unpaid shortages from bonded warehouse;
- (v) Limited guarantees or bonds to cover duties and taxes for the goods deposited in bonded warehouses;
- (vi) Expiring of validity dates (expiration dates) of goods and products while stored in bonded warehouses is in contravention of section 19 (9) of the Customs and Excise Act, Act 20 of 1998, affecting negatively on the operations at warehouses. The rules and regulations on bonded warehouses are outdated and require urgent review;
- (vii) Asycuda software system sometimes process errors such as wrong weight, quantities and package. Once an error is detected on the IM7 entry, that is already used; the system will no longer allow an amendment or cancellation to be done on that IM7 entry. Supporting documentation can also not be uploaded on the Asycuda system;
- (viii) The mobile scanner truck does not function due to air linkage suspension and the scanner truck failed a roadworthy test in August 2019;
- (ix) Lack of electricity supply, frequent power failures are general occurrences at the border aggravated by a standby generator that is not functioning;
- (x) There is no counting machine to count cash and no safety windows in the customs cash hall. Basically, customs officials are vulnerable to security threats at this border post;
- (xi) Staff informed the delegation that they had to perform their duties occasionally without access to a very basic essential need like toilet paper;
- (xii) Office stationeries are not issued regularly; and
- (xiii) Offices are stacked with piles of documents risking the safe custody and filing of official sensitive documentation

#### **4.2.6 Way Forward**

The Northern Regional Domestic Tax Office and Customs Office will continue to exchange information and provide public awareness and education to members of the public and stakeholders, on the legal requirements and duty of citizens and non-citizens to pay taxes.

Northern regional office will also continue to educate the public, traders, vendors and consumers about counterfeit products and discourage them from buying counterfeit goods.

NamRA regional office will strengthen co-operation with other law enforcement agencies at national, regional and international level.

Officials will also continue to promote the facilitation of legitimate trade and rigorously control the movement of goods.

#### 4.2.7 DISCUSSION

The Committee enquired on an investigation launched in 2019 by the Bank of Namibia in which approximately N\$400 million was allegedly involved through Angolan currency smuggling. Henceforth, the Committee advised officials of the new revenue agency to be vigilant against such criminal activities.

The challenges faced at the bonded warehouse in Oshakati are as follows:

- A penalty of N\$8000 is charged at bonded warehouses;
- Ghost entries in 2009/2010 caused a serious revenue loss; and
- Ownership of some bonded warehouses by some foreigners create opportunities for smugglers to carry out unlawful activities.

The Asycuda Customs clearance software remains a huge challenge from the days of the Directorate Customs and Excise in the Ministry of Finance. Previously the system was not synchronized to the ITAS system. Therefore, NamRA is making some efforts to address this anomaly through the introduction of a new IT system facilitated by UNCTAD.

If the Asycuda Customs system is not updated it will lead to revenue losses when not recognizing the HS code, resulting in duties and taxes not being calculated.

Cigarettes with the "YES" brand and alcohol sachets from Angola being smuggled into the country are prohibited as they do not comply with the Namibian health regulations.

Fuel is also being imported and transported unlawfully into the country from Angola in 25 litre jerry-cans through 'un-gazetted' entry points. Fuel price control is regulated by the Ministry of Mines and Energy and every time fuel prices are increased, the smuggling of illegal fuel are also increasing.

There is a clear distinction between low quality products and counterfeit products, hence counterfeit products sold by some Chinese traders cannot be traced.

It is noted with concern that there are some Chinese traders who do not pay tax and NamRA is considering measures such as regular compliance audit inspections by NamRA inspectors.

Internal measures are being introduced to investigate and resolve some incidences of internal irregularities and alleged fraud on VAT that occurred prior to the establishment of NamRA.

Although good working relations and coordination do exist between NamRA Domestic Tax and Customs and Excise offices, there is room for improvement.



ITAS is a new system but there are some shortcomings and NamRA is working on addressing these shortcomings. It is expected that improvement on the system will result in a more user friendly and efficient system.

Most businesses and companies pay their taxes in Windhoek, hence the 4% contribution to GDP in the North. NamRA is considering ways to register more traders, businesses and citizens in the North on the tax net.

Customs officials were strongly advised by Members of the Committee to guard against bribery and other forms of corruption, as they are the gatekeepers of the country's economy.

Members of the Committee were informed that taxation and customs officials are engaged on a regular basis to brief staff members on progress to reduce their fears and concerns regarding the current recruitment arrangements at NamRA, as well as fear of retrenchment or losing their jobs.

### **4.3 ANDIMBA TOIVO YA TOIVO AIRPORT**

Movement of aircraft and passengers at the airport have been significantly slow mainly due to the impact of the COVID-19 pandemic and the liquidation of Air Namibia. The passenger rate used to be 45 000 to 55 000 passengers annually.

At the time of the visit, there were no scheduled flights and no passengers were present at the airport. This was mainly attributed to the impact of Covid-19 on the aviation sector. During 2018 there were approximately 17 flights per week from Eros Airport. However, flights have reduced significantly to 7 flights per week.

Members were also informed that the liquidated Air Namibia is indebted to Namibia Airports Company at an amount of approximately N\$800 million.

### **4.4 WESTERN REGION DOMESTIC TAX OFFICE AND CUSTOMS ENTRY POINTS**

#### **4.4.1 Domestic Tax Offices (Inland Revenue)**

In the NamRA Western or Erongo Region, domestic tax offices are located as follows to serve taxpayers:

Walvis Bay, Swakopmund, Omaruru, Karibib, Usakos, Arandis, Henties Bay and Arandis.

- Main office in Walvis Bay (Staff compliment of 64)
- Satellite office in Swakopmund (Staff compliment is 3)
- Planned Satellite office in Omaruru (Staff compliment is 3)



#### **4.4.1.1 Strength and Achievements**

##### Taxpayer Base and Revenue Collection

The taxpayer base in the Western Region increased from 102,356 in 2019 to 135,075 in 2022. Revenue collection amounted to approximately N\$ 6,197,306,135.15 for the period 2018-2022. See attach chart as **Annexures D and F**.

##### Tax Relief Programmes

The Tax Relief programme started on 01 June 2022 until 31 May 2023. The terms and conditions to this programme are the following:

- Taxpayer to register as an electronic filer on the ITAS portal;
- Taxpayer to register to partake in the program;
- Update tax account by filling all the return on ITAS; and
- Settle the capital amount in full

The benefits to the taxpayer

- 70% interest will be written off if capital is settled by 30 November 2022;
- 60% of interest will be written off if capital is settled after 30 November 2022 but not later than 31 May 2023; and
- 100% of all penalties levied on the date on the account will be reversed during the entire period.

#### **4.4.1.2 Weakness, Challenges and Shortcomings**

The Ministry of Finance (now NamRA Domestic Tax Office) in Walvis Bay inherited an old hostel, which is not a conducive and suitable building for tax administration and revenue collection.

The Namibia Revenue Agency Act does not make provision for automatic transfer of existing staff. Therefore, staff are required to apply for recruitment subject to interviews. The Committee was informed that NAPWU and the Ministry of Finance agreed that all staff should be employed but there is no guarantee on retaining their positions. The agreement is that all staff members of the former Inland Revenue and Customs and Excise Departments, who are willing, will be seconded to NamRA and eligible to apply for any position in NamRA on the understanding that no automatic transfers will be made.

The concern raised by some staff members is that the recruitment process at NamRA is slow and therefore impacting adversely on the morale of long-serving employees.

One of the instruments used to collect tax debts is by issuing Notices to Agents whereby NamRA appoint some commercial banks to transfer money from tax debtors' account and pay it over to NamRA in accordance with applicable provisions. The impediment of this method is that some commercial banks delay transfer of funds as directed by the Notice to Agent.

In the past, Magistrate's Offices served as Receiver of Revenue offices in smaller towns by providing a decentralized tax collection service to towns and communities e.g. in Karibib district etcetera.

Plans are underway to establish many satellite offices as possible provided funds will be available. In the meantime, taxpayers are encouraged to make use of online services (ITAS portal and EFTs).

## **4.4.2 CUSTOMS AND EXCISE ENTRY POINTS**

### **4.4.2.1 Strengths**

The Western Region is a tourist destination and strategic customs entry point for access to other SADC countries and access to international markets and vice-versa. The region attracts foreign direct investment.

### **4.4.2.2 Staff Compliment**

The regional manager and approximately 52 customs officers head Walvis Bay Customs while Walvis Bay International Airport is headed by 1 chief customs officer and 4 customs officers.

Swakopmund office is headed by one (1) senior customs officer and 3 customs officers. Total staff compliment is approximately 59 customs officers.

### **4.4.2.3 Registered Clients**

The following clients in the Western region are registered with NamRA:

- (i) Approximately sixty (60) clearing and forwarding agents;
- (ii) Approximately twenty (20) shipping lines;
- (iii) Approximately forty-six (46) customs and excise ordinary storage warehouses. Out of the 46 warehouses, four (4) are handling frozen/perishable goods (food);
- (iv) Approximately two (2) Customs and excise special ordinary storage warehouses;
- (v) Approximately three (3) Dry ports;
- (vi) Approximately three (3) Export processing zones.

The Western Region has fifty-six (56) customs controlled facilities.

### **4.4.2.4 Strength and Opportunities**

- (i) Vision, values and legal framework
- (ii) Strong willed leadership
- (iii) There is political will
- (iv) WCO and WTO tools and instruments
- (v) SADC and SACU protocols on trade facilitation
- (vi) There is support from international organization e.g. IMF, WCO and WTO.
- (vii) Coordinated border management – education and awareness
- (viii) NamRA has zero tolerance for corruption at its domestic tax offices and customs entry points. Officials work closely with NAMPOL and ACC.

#### **4.4.2.5 Weaknesses and challenges at the Port of Walvis Bay**

- (i) As most sectors in the economy, NamRA also suffered losses due to the COVID-19 pandemic
- (ii) Misclassification, undervaluation, misuse of rules of origin and smuggling are prevalent. Therefore, regular education and awareness campaigns on pre-clearance are important for citizens and clients who want to import and export goods in and out of the country;
- (iii) More customs officials are urgently needed and capacity building programmes are required to perform efficient and effective customs and excise services.
- (iv) NamRA needs boats for sea patrols;
- (v) An examination shed and truck port are urgently needed at Walvis Bay either at the Port of Walvis Bay or nearby the port;
- (vi) Bureaucracy on auction procedures and processes result in cumbersome and lengthy periods before forfeited products and goods are actually auctioned;
- (vii) Customs officials are subjected to occupational hazards and dangers and should therefore be entitled to danger and standby allowances;
- (viii) Some clients and stakeholders of NamRA have limited knowledge or sometimes no knowledge of customs legislation, procedures, processes and practices; and
- (ix) There is no systems administrator appointed to administer the Asycuda system.

#### **4.4.3 NAMIBIA PORTS AUTHORITY AT THE PORT OF WALVIS BAY**

##### **4.4.3.1 Achievements during the past three years**

- (i) The container handling capacity Increased to 750,000 Twenty-foot equivalent units (TEUs) per annum.
- (ii) NamPort reduced reliance on container business from only one shipping line.
- (iii) Border volumes through the Port of Walvis Bay and Port of Lüderitz passed the 1 million ton per annum mark.
- (iv) NamPort commenced substantial cross-border exports (manganese ore) from South Africa through the Port of Lüderitz.
- (v) Since April 2020, NamPort could accommodate larger container vessels (335m in length) at the New Container Terminal (NCT), subject to certain conditions;
- (vi) NamPort commenced with the phased replacement of aged cargo-handling equipment.
- (vii) Volume growth have been sustained in both containers and general cargo despite the impact of the COVID-19 pandemic.

##### **4.4.3.2 Challenges**

- (i) There is need for improvement of the operations at the Port of Walvis Bay. The depressed economy has put more pressure on tariffs and competition;
- (ii) NamRA and NamPort must align the gate services on a 24/7 basis instead of 08:00 to 17:00 only
- (iii) Shortage of customs officials staffing the port gates and the urgent need for customs officials to recruit staff to control the ports and port gates. At the time of the visit, there was only one customs official at the port gate;

- (iv) A financial bond is an impediment, hence the need to provide a bond to NamRA. It appears that the cost of bond to NamRA is too prohibitive to cargo holders, especially copper exporters. Although bond restrictions are within the law it needs to be addressed hence the parliamentary delegation committed to discuss the financial bond challenge with the Bank of Namibia;
- (v) NamRA does not have its own truck depot and leases the truck depot from NamPort;
- (vi) The Customs and Excise Act of 1998 needs to be reviewed;
- (vii) NamPort is providing a free service to NamRA and not being paid;
- (viii) The railway system and linkage of the country need serious overhaul and upgrading; and
- (ix) Namport expanded but the road infrastructure in the country also needs attention to meet the ideals of Vision 2030, i.e. that Namibia has an established network of modern infrastructure such as rail, road, telecommunication and port facilities.

#### 4.4.4 WALVIS BAY INTERNATIONAL AIRPORT

Walvis Bay Airport is a second major gateway in the country managed by Namibia Airports Company. As the second international airport, the airport is geared to be the preferred alternate route to Hosea Kutako International Airport.

Handling over 20 000 aircrafts and a massive 98 178 passengers in 2015, the airport operates daily flights to Windhoek, Johannesburg and Cape Town.

The airport has little cargo services (including customs services) and is used mostly for travelers including business people.

The customs office is located in a small space – a letter was submitted to Namibia Airports Company to upgrade the customs office at the airport.

The airport is primed to become a leader in cargo handling for marine, coastal and mining activities in the area. Therefore, Namibia Airports Company needs to maximize the optimal utilization of the airport for cargo services and there should be linkage with the Port of Walvis Bay.

The airport should be used as a combination of passenger travel and cargo transport to various countries, hence Namibia Airports Company and Namibia Ports Authority should collaborate on competitiveness, smartness, innovation.

The two authorities should work on a **niche** for Namibia's export. Some fish consignments are transported from the harbour to Hosea Kutako International Airport then to Spain, while air transport from Walvis Bay Airport could have been a better mode of transport.



## **5. CONCLUSION**

The Parliamentary Standing Committee commends the Executive and Legislature for the establishment of Namibia Revenue Agency, as an agency tasked to strengthen revenue collection for the State on the understanding that the agency executes its mandate and functions, efficiently and effectively in the best interest of Namibia and its people.

The increase in the number of taxpayers and revenue collection in the Northern and Western regions is commendable. However, considering the population of the regions there is room to increase the taxpayer base, hence the need for continuous public awareness and education on the duty of illegible taxpayers to pay taxes to the State.

Both customs and domestic tax officials have to guard against bribery and other forms of corruption, as they are the gatekeepers of the country's economy.

The challenges and weakness experienced at Oshikango Border Post, mainly the situation at the border post and possible revenue losses that may occur due to this situation, are matters of grave concern to the Standing Committee that require urgent solutions from the Government. When going unabated, it could lead to serious revenue losses to the State and possible risk to security.

Lack of office space and staff shortages at Oshakati NamRA Tax office is also of concern to the Committee.

Weaknesses at bonded warehouses at Oshakati, Oshikango and Walvis Bay and the overall shortcomings in the current Customs and Excise Act, Act 20 of 1998 are also matters of concern to the Committee.

Optimal utilization of Namibia Ports Authority, Andimba Ya Toivo Airport and Walvis Bay International Airport need urgent investigation and solutions by the relevant authorities, to meet the ideals of Vision 2030 i.e. that Namibia must have an established network of modern infrastructure such as rail, road, telecommunication and port facilities.

The transitional provisions in the Namibia Revenue Agency Act, Act 12 of 2017, in particular sections 39 (8) (b); 9 and 10; regarding the employment of existing staff (before the establishment of the agency) highlighted in the report is a matter of concern to civil servants who have been working for the Ministry of Finance for many years.

The Asycuda Customs clearance software still remains a huge challenge since the days of the Directorate Customs and Excise in the Ministry of Finance. Previously the system was not synchronized with the ITAS system.

Misclassification, undervaluation, misuse of rules of origin and smuggling are still prevalent at the Port of Walvis Bay. Therefore, regular education and awareness campaigns on pre-clearance are important for citizens and clients who want to import and export goods in and out of the country.



It appears that the cost of a financial bond to NamRA is too prohibitive to cargo holders, especially copper exporters. Although bond restrictions are within the law it needs to be addressed hence the need to honour the expectation created by the Standing Committee i.e. to discuss the financial bond challenge with the Bank of Namibia.

If there is evidence to that effect, the Standing Committee concludes that it is not fair and unacceptable that some foreign nationals in the country are allowed to trade and do business in Namibia not complying with the taxation and custom laws of the country, in particular provisions Section 21 of the Value Added Tax (VAT) Act, Act No 10 of 2000. Section 21 expect traders, service providers and suppliers to issue receipts and tax invoices to clients and paying over VAT to the Receiver of Revenue.

Also if proven, it is equally a matter of concern to the Standing Committee that some foreign nationals doing business in Namibia, have in their possession large amounts of cash without depositing cash at Namibian financial institutions and commercial banks; hence creating the possibility that large amounts of money leaving the country.

## **6. RECOMMENDATIONS**

**The Standing Committee on Economics and Public Administration recommends to the National Assembly as follows:**

- (i) Namibia Revenue Agency must regularly create awareness and educate the public, private sector, companies, industries, traders, employers, employees, foreign nationals and the public sector, on the legal duty of illegible taxpayers to pay taxes to the State.
- (ii) The Ministry of Finance, Namibia Revenue Agency, Ministry of Home Affairs, Immigration, Safety and Security; and Ministry of Works and Transport must investigate and resolve the myriad of challenges and weaknesses observed at the currently Oshikango Border Post and report to the National Assembly.
- (iii) Namibia Revenue Agency and Ministry of Finance must investigate and resolve the current shortcomings at bonded warehouses in Oshakati, Oshikango and Walvis Bay.
- (iv) Ministry of Finance, Ministry of Works and Transport, Namibia Revenue Agency, Namibia Ports Authorities and Namibia Airports Company must investigate and resolve the challenges and weaknesses at the Port of Walvis Bay, Andimba Ya Toivo Airport and Walvis Bay International Airport.
- (v) For optimal beneficiation from our ports and customs entry points, economic development of the country and to meet the ideals of Vision 2030 i.e. Namibia has an established network of modern infrastructure such as rail, road,

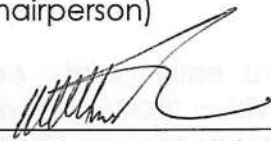
telecommunication and port facilities, above captioned Ministries and agencies must constantly find solutions to existing weaknesses, challenges and shortcomings.

- (vi) The Ministry of Finance and Bank of Namibia must investigate and resolve the financial bond challenges faced by NamRA.
- (vii) Ministry of Finance, Namibia Revenue Agency and the Office of the Prime Minister must investigate and resolve the concerns and fears of staff members employed at the Ministry of Finance before the establishment of NamRA, to avoid a situation of unemployment due to possible non-employment and retrenchment.
- (viii) The Ministry of Finance, Namibia Revenue Agency and Namibian Police Force in collaboration with the Anti-Corruption Commission must provide regular training to tax and customs officials to guard against bribery and other forms of corruption, as they are the gatekeepers of the country's economy.
- (ix) Ministry of Finance and Namibia Revenue Agency in collaboration with the Namibian Police must investigate, resolve and discontinue non-compliance and disregard of the Value Added Tax Act, Income Tax Amendment Act, Customs and Excise Duties Act and relevant tax and customs legislation by some foreign nationals trading or doing business in Namibia.
- (x) Ministry of Finance and Namibia Revenue Agency must report progress on a regular basis to the Parliamentary Standing Committee on Economics and Public Administration on the findings and observations captioned in this report.
- (xi) When the National Assembly adopts the report, it is incumbent on the Minister of Finance, Minister of Home Affairs, Immigration and Safety and Security; and the Minister of Works and Transport to comply with the recommendations in terms of Rules 64 (5) and 66 of the Standing Rules and Orders of the National Assembly.

## SIGNATURES

  
Hon lithete Natangue  
(Chairperson)

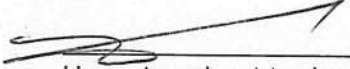
17/04/2023  
Date

  
Hon. Mbundu Mathias  
(Deputy Chairperson)

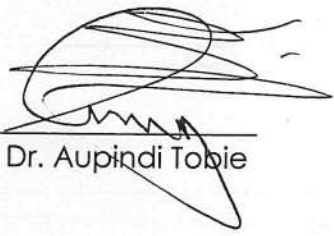
17/04/23  
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Hon. IAuchab Apius

17/04/2023  
Date

  
Hon. Amutse Modestus

17.04.2023  
Date

  
Hon. Dr. Aupindi Tobie

18.04.23  
Date

  
Hon. Becker Celeste


17.04.23  
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Hon. Diergaardt Reginald

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Hon. Dingara Elifas

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Date

  
Hon. Dinyando Bertha

17.04.23  
Date

  
Hon. Elago Maria

17 April 23  
Date

  
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Hon. Hambyuka Hamunyera

18.04.2023  
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Hon. Kamutali Maria

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Hon. Kandjimi Johanna

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Hon. Karupu Sebastiaan

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Hon. Kasuto Gotthard

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Hon. Kauandenge Josef

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Hon. Masua Patience

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Hon. Mukapuli Helaria

18/04/2023  
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Hon. Mukwillongo Jan

18/04/2023  
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Hon. Nanyeni Fennie

18.04.2023  
Date

Hon. Seibeb Henny H

Date

  
Hon. Smit Nico

18/04/2023  
Date

Hon. Venaani McHenry

Date

PARLIAMENT BUILDING, WINDHOEK



## **ANNEXURE A**

### **Committee Programme**



#### **NATIONAL ASSEMBLY**

#### **PROGRAMME**

#### **PARLIAMENTARY STANDING COMMITTEE ON ECONOMICS AND PUBLIC ADMINISTRATION**

#### **OVERSIGHT VISITS TO INLAND REVENUE REGIONAL OFFICES AND CUSTOMS ENTRY POINTS**

#### **IN OSHANA, OHANGWENA AND ERONGO REGIONS 30 MAY TO 3 JUNE 2022**

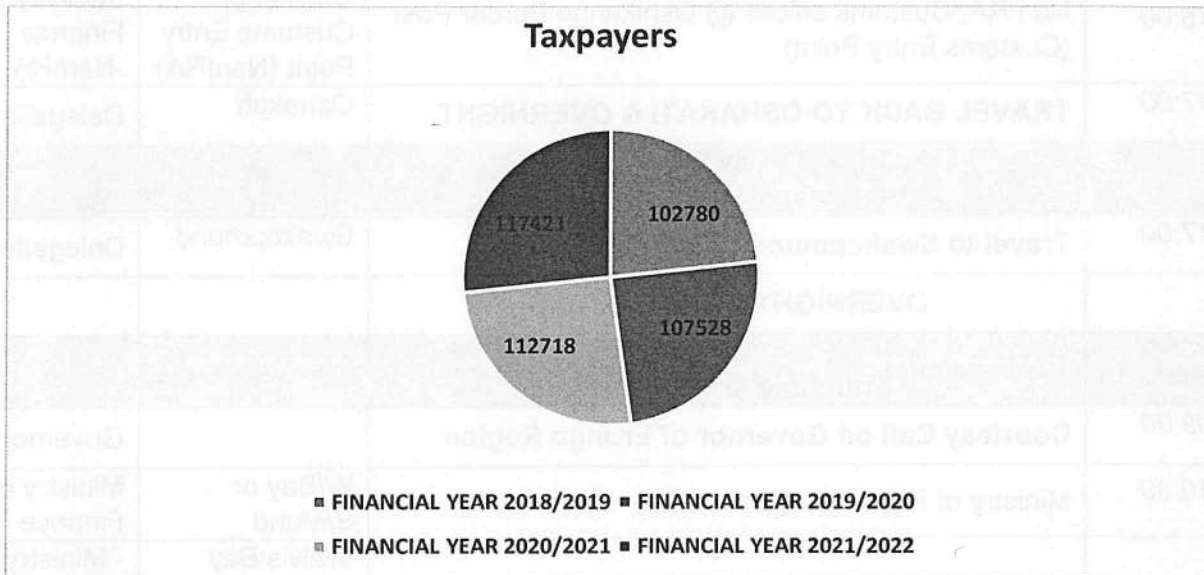
TIME	AGENDA ITEM	VENUE	RESPONSIBLE
	<b>DAY 1.</b>		
	<b>Monday, 30 MAY 2022</b>		
<b>09:00-17:00</b>	<b>Depart to Oshakati, Oshana region</b>		<b>Delegation</b>
	<b>OVERNIGHT OSHAKATI</b>		
	<b>DAY 2</b>		
	<b>Tuesday, 31 MAY 2022.</b>		
<b>08:00-08:30</b>	<b>Courtesy Call on Governor of Oshana Region</b>	<b>Governor's Office</b>	Governor's Office
<b>08:30 – 10:30</b>	Ministry of Finance regional office, Oshakati ,	Ministry of Finance	Ministry of Finance
<b>10:30-11:00</b>	Travel to Ondangwa,	Ondangwa	Delegation

11:00-13:00	Toivo Ya Toivo Airport,	Ondangwa	-Ministry of Finance -NamRA -Namibia Airports Company
13:00-14:00	Travel to Oshikango & Lunch		Delegation
14:00-16:00	NamRA, Customs offices @ Oshikango Border Post (Customs Entry Point)	Oshikango Customs Entry Point (NamRA)	-Ministry of Finance -NamRA
16:00-17:00	<b>TRAVEL BACK TO OSHAKATI &amp; OVERNIGHT</b>	Oshakati	Delegation
<b>Day 3.</b> <b>Wednesday, 1 JUNE 2022</b>			
08:00-17:00	<b>Travel to Swakopmund &amp; overnight</b>	Swakopmund	Delegation
	<b>OVERNIGHT SWAKOPMUND</b>		
<b>Day 4</b> <b>Thursday, 2 JUNE 2022</b>			
08:30-09:00	<b>Courtesy Call on Governor of Erongo Region</b>		Governor's office
09:00-10:30	Ministry of Finance regional office	W/Bay or S/Mund	Ministry of Finance
11:00-13:00	Port of Walvis Bay & Customs Entry Point	Walvis Bay	- Ministry of Finance -NamRA -Namport
13:00-14:00	Lunch		Delegation
14:00-16:30	Walvis Bay International Airport & Customs Entry Point	W/Bay Airport	-Ministry of Finance -NamRA -Namibia Airports Company (NAC)
16:30-17:00	<b>TRAVEL TO SWAKOPMUND &amp; OVERNIGHT</b>		Delegation
<b>Day 5</b> <b>Friday, 3 JUNE 2022</b>			
10:00-15:00	Travel to back to Windhoek		Delegation
	<b>End of first programme</b>		

## **ANNEXURE B**

### **NORTHERN REGIONS**

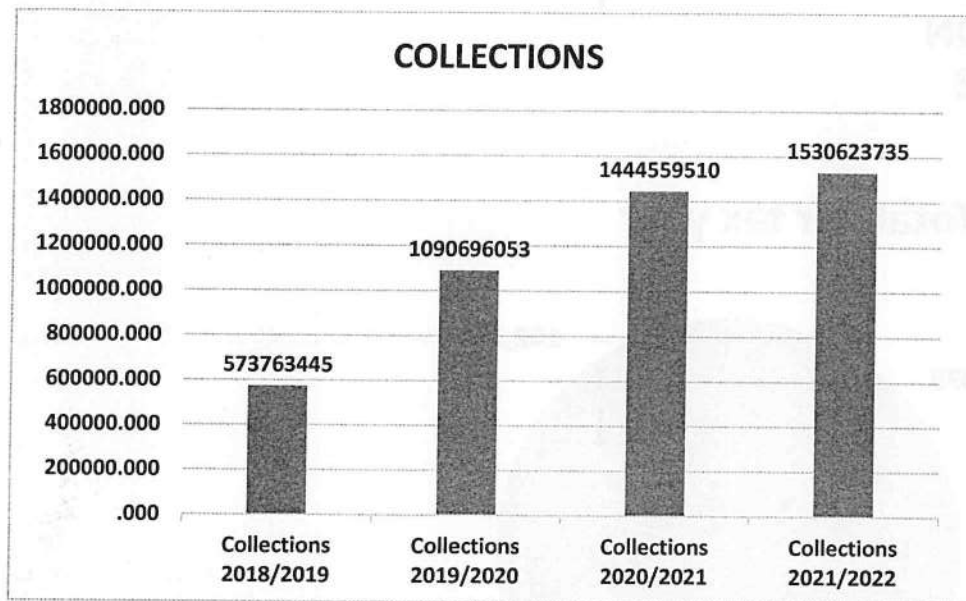
### **TAX PAYERS**



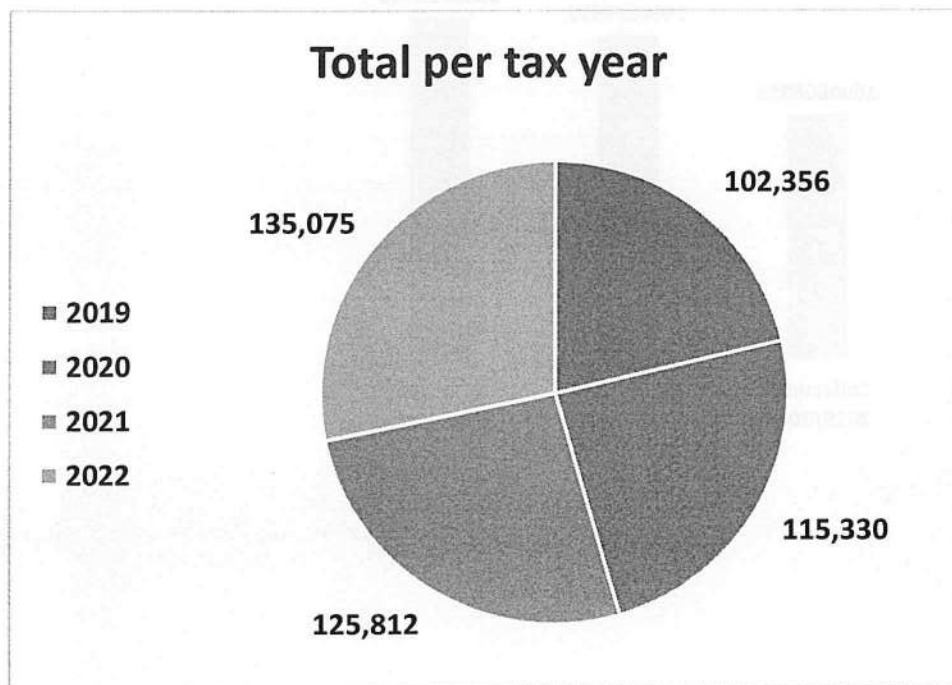
## **ANNEXURE C**

### **NORTHERN REGIONS**

#### **Revenue Collections in the Northern Regions**



**ANNEXURE D**  
**WESTERN REGION**  
**TAXPAYER BASE**

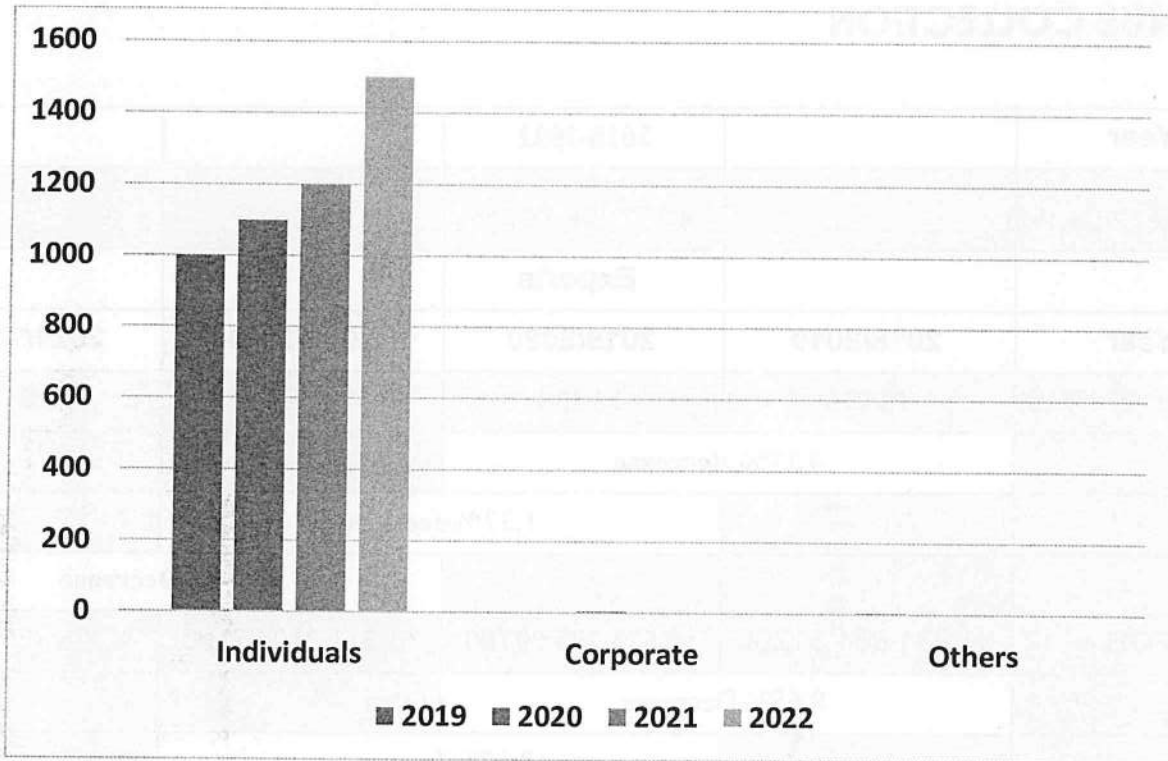




## **ANNEXURE E**

### **WESTERN REGION**

**Tax Base per Taxpayer Type**



**ANNEXURE F**  
**WESTERN REGION**  
**REVENUE COLLECTION**

Year		2018-2022		
Revenue Collection		6 197 306 138.15		
		Exports		
Year	2018/2019	2019/2020	2020/2021	2021/2022
No. of entries	18 216	17 438	17 668	16 318
	4,27% decrease			
		1,32%decrease		
			7,64%Decrease	
FOB	61 931 834 312,00	56 573 275 097,00	61 311 210 771,00	78 426 766 631,00
	8,65% Decrease			
		8,37% Increase		
			29,92% Increase	

**ANNEXURE G**  
**WESTERN REGION**  
**DEFERRED VAT AND IMPORTS**

Year	2018/2019	2019/2020	2020/2021	2021/2022
<b>VAT Deferred</b>	1 373 975 127,78	1 314 137 674,41	1 200 343 954,86	1 625 666 839,41
	4,36% decrease			
		8,66% decrease		
			35,43% increase	
		<b>Imports</b>		
Year	2018/2019	2019/2020	2020/2021	2021/2022
No. of entries	28680	26360	24570	26172
	8,09% decrease			
		6,79% decrease		
			6,52 increase	
<b>FOB</b>	56 874 442 931,00	44 649 158 764,00	43 528 251 216,00	65 309 922 143,00
	21,50% decrease			
		2,51% decrease		
			50,04% Increase	

