

# **Finance replies**

**Reply to the Rev. S J Titus' letter in The Namibian, 3 June 1991, and the letter by Mr Johan Pretorius of Keetmanshoop published on 12 July:**

**Firstly, the letter by Rev S J Titus stated "that the Honour-**



able Minister of Finance and his fellow members of the National Assembly do not pay tax on their large incomes". Members of the Cabinet and National Assembly are NOT exempt from the payment of income tax on their salaries and fringe benefits, and this statement by the Reverend therefore has no substance. Only a marginal portion of the salaries of Cabinet members are exempt from income tax, which must be seen in the light of the services they render in the fulfilling of their duties and ultimate responsibility to the Republic of Namibia and its people.

The letter by Mr Johan Pretorius from Keetmanshoop states that he fully agrees with the views of the Reverend Titus and the above answer to the letter by Rev Titus would therefore also apply. Mr Pretorius, however, goes further and criticises the current income tax system, mainly in respect of the transferability of abatements between working spouses and the lack of tax fences for those taxpayers deriving income from more than one trade.

The transferability of primary and children's abatements must be seen as a compromise between the system of combined taxation and separate taxation. Before March 1 1991 working married women were taxed on their income after allowing an exemption of only R1 000 while her husband enjoyed the full married and children's abatements. The new system, whereby the married and children's abatements are divided equally in the case of spouses earning taxable income independently from each other, is therefore more in line with Article 10 of the Constitution of Namibia.

Mr Johan Pretorius criticises



## **Article 10 of the Constitution of Namibia.**

Mr Johan Pretorius criticises the present situation whereby individuals having two or more trades can, in some cases, offset business losses against their salary income. It seems that Mr Pretorius is in favour of a system of so-called 'tax-fencing'. The introduction of such a system will obviously necessitate drastic statutory amendments. Suffice it to say that such a system will in general lead to unjustifiable interference with private enterprise and the economic effects of this could be more harmful than those of the present system. Mr Pretorius' concerns, however, are noted.

To conclude, as was indicated by the Honourable Minister of Finance, Dr Otto Herrigel, during his main Budget speech this year, the administration of taxation in Namibia will be decentralised in the very near future, so that those Namibians living and working in the south, will be brought 'closer' to Windhoek, facilitating the process of communication.

**G GAOSEB**

**PERMANENT SECRETARY  
MINISTRY OF FINANCE**