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CONTENTS

Page

GENERAL NOTICE

No. 497 Automotive Production and Development Programme (APDP) Policy for Namibia 1

General Notice

MINISTRY OF INDUSTRIALISATION AND TRADE

No. 497

2021

AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME (APDP) POLICY FOR NAMIBIA

The Policy sets out the provisions to guide the development of the productive capacity of the automotive sector in Namibia and which complies with the Common External Tariff (CET) of the Southern Africa Customs Union (SACU) and find resonance in several other trade agreements (both regional as well as continental).

In general, the development of Namibia's productive capacity in the automotive sector is a key ambition of the Growth at Home Execution Strategy of the 2012 National Industrial Policy. Specifically the Policy is developed within the scope of the National Automotive Assembly Development Policy Framework 2019-2021 (NAADP).

The Policy therefore provides the practical approach and guidelines that the nascent automotive assembly and production sector may utilise in ensuring the sustenance of their industrial investments in Namibia.

It is the intention of the Ministry of Industrialisation and Trade (MIT) to ensure a revisit of this Policy after the finalization of our envisaged Namibian Automotive Masterplan as well regional and continental developments around the automotive sector.

This Policy may therefore be adjusted as per the dictates and dynamics in the local automotive industry that is still in its inception stages.

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MINISTER OF INDUSTRIALISATION AND TRADE

TABLE OF CONTENTS

Part A – Definitions

1. Definitions

Part B – General Provisions

2. Objectives of the APDP
3. Applicability of the Policy
4. Participation in the APDP
5. Structure of the APDP

Part C – Production Rebate Credit Certificates

6. What is a PRCC?
7. How is the PI calculated?
8. Who may apply for a PRCC?
9. Eligible Products under the APDP
10. Standard materials
11. Yearly PI factor percentage
12. Vulnerable industries and products
13. How and when to apply for a PRCC
14. Issuing of a PRCC
15. Usage of a PRCC
16. Verification and modification of a PRCC

Part D – Calculation of the CSP for VAA purposes

17. What is the CSP and how is it calculated?
18. Who qualifies for a CSP?
19. How is the VAA used?

Part E – Imported Component Values

20. What is FORM SAD 500?
21. Who should declare imported component values and when?
22. How is imported component values calculated?

Part F – Transitional Notes

23. Quarterly Customs account and other matters

1. Definitions

Part A – Definitions

“Automotive tooling” means -

- (a) dies for drawing or extruding metal, of subheading 8207.20;
- (b) tools for pressing, stamping or punching, of subheading 8207.30;
- (c) work holders of subheading 8466.20;

- (d) assembly jigs and assembly lines, of subheading 8479.89; and
- (e) injection moulds, moulding patterns and moulds of heading 84.80, where the principle use is for the manufacture of specified motor vehicles, heavy vehicles as defined in note 1 to rebate item 317.07 and automotive components for such motor vehicles;

“APDP” means the Automotive Production and Development Programme;

“APDP Info Docs” refers to those documents and or guidelines that provide additional information and set forth additional rules and conditions for the APDP, and may be issued by MOF depending on the context;

“component” means a new article manufactured in SACU which can be identified as being suitable for use in the manufacture of:

- (a) Specified motor vehicles manufactured under Rebate Item 317.03 of Schedule No. 3 to the Customs and Excise Act;
- (b) Specified motor vehicles manufactured abroad;
- (c) Medium and heavy motor vehicles manufactured under rebate item 317.07 of Schedule No. 3 to the Customs and Excise Act; and
- (d) Medium and heavy motor vehicles manufactured abroad;

“consumables” mean those goods which are used in the manufacture of motor vehicles and components, but do not form part of such motor vehicles or components;

“CSP” means the company specific percentage;

“Customs and Excise Act” means the Customs and Excise Act, 1998 (Act No. 20 of 1998);

“MIT” means the Ministry of Industrialisation and Trade;

“eligible products” mean those specified motor vehicles and/or components and tooling adhering to the qualifying criteria set out in paragraph 9;

“EPC” means the eligible production certificate envisaged in terms of paragraph 9;

“final manufacturer” means the following entities based in Namibia:

- (a) Registered light motor vehicle manufacturers, manufacturing specified motor vehicles in Namibia adhering to the qualifying criteria as set out under paragraph 9, according to the extent of assembly provided for in Note 5 to Chapter 98 of Part 1 of Schedule No.1 to the Customs and Excise Act;
- (b) Component manufacturers manufacturing components adhering to the qualifying criteria as set out under paragraph 9;
- (c) Automotive tooling manufacturers; and
- (d) Registered light motor vehicle manufacturers recovering the cost of:
 - (i) platinum group metals which were sold to a final manufacturer of a catalytic converter and other costs relating to the manufacture; and

- (ii) value adding activities applicable to products bought from a component manufacturer, noted in (b), and exported;

“Form SAD 500” means a single administrative document for all clearing processes that the Ministry of Finance uses;

“imported component value” means the value for customs duty purposes of any imported original equipment components imported by the registrant or imported by or received from any person in SACU and used in the manufacture or assembly of original equipment components or specified motor vehicles;

“MIT” means the Ministry of Industrialisation and Trade;

“Minister” means the Minister responsible for industrialisation and trade;

“MOF” means the Ministry of Finance;

“OEM” means a registered light motor vehicle manufacturer in terms of Note 1 to Chapter 98 of Part 1 of Schedule No. 1 to the Customs and Excise Act;

“PI” means production incentive;

“PRCC” means a production rebate credit certificate as described in paragraph 6;

“quarter” means a calendar quarter, unless otherwise specified in this Policy, and refers to the period 1 January to 31 March, the period 1 April to 30 June, the period 1 July to 30 September and the period 1 October to 31 December;

“registered light motor vehicle manufacturer” means a manufacturer of specified motor vehicles;

“SACU” means the Southern African Customs Union;

“selling price” means the price as indicated in the invoice of the final manufacturer exclusive of VAT, ad valorem excise duty, environmental levy and any other cost which has no bearing on manufacturing, and may be specified in APDP Info Docs;

“specified motor vehicles” means:

- (a) road tractors or semi-trailers of subheading 8701.20 of a vehicle mass not exceeding 1 600 kg;
- (b) motor vehicles for the transport of ten or more persons, including the driver, of heading 87.02, of a vehicle mass not exceeding 2 000 kg, (excluding those of subheading 8702.10.10);
- (c) motor cars (including station wagons) of heading 87.03;
- (d) motor vehicles for the transport of goods of heading 87.04 of a vehicle mass not exceeding 2 000 kg or a G.V.M. not exceeding 3 500 kg or of a mass not exceeding 1 600 kg or a G.V.M. not exceeding 3 500 kg per chassis fitted with a cab (excluding motor vehicles of subheading 8704.21.10, shuttle cars and low construction flame-proof vehicles for use in underground mines and off- the-road logging trucks); and
- (e) chassis fitted with engines of heading 87.06, of a mass not exceeding 1600 kg or a G.V.M. not exceeding 3 500 kg (excluding those for motor vehicles of subheading 8704.21.10, shuttle cars and low construction flame-proof vehicles, for use in underground mines and off-the-road logging trucks);

“standard materials” mean locally beneficiated raw materials originating in the SACU which have been processed to suit automotive specifications;

“SVA” means standard value added, which is the portion or percentage of standard material, deemed to be local value added;

“value added” means the selling price less the value of non-qualifying material and components;

“VAA” means volume assembly allowance;

“vulnerable industry” means those industries determined by the Minister which will be eligible for an improved level of support under the APDP and may be specified in note APDP Info Docs; and

“vulnerable products” mean those products determined by the Minister which will be eligible for an improved level of support under the APDP and may be specified APDP Info Docs.

Part B – General Provisions

2. Objectives of the APDP

The APDP is a programme which is aimed at creating an environment that will enable registered light motor vehicle manufacturers to significantly grow production volumes and component manufacturers to significantly grow value addition, leading to the creation of additional employment opportunities across the automotive value chain.

3. Applicability of the Policy

The Policy provisions will be applicable in SACU and must be read together with Rebate Item 317.03 of Schedule No. 3 to the Customs and Excise Act.

4. Participation in the APDP

4.1 Participation in the APDP is voluntary; and

4.2 by registering under and participating in the APDP, a participant unconditionally binds itself to the rules and conditions of the APDP as determined by MIT in this Policy and the APDP Info Docs.

5. Structure of the APDP

5.1 The APDP consists of rebates and refunds of the relevant customs duties as legislated in the Customs and Excise Act.

5.2 The relevant customs duties can be found in Chapters 87 and 98 of Part 1 of Schedule No. 1 to the Customs and Excise Act.

5.3 The relevant rebate provisions can be found in Rebate Items 317.03 and 460.17 of Schedules Nos. 3 and 4 respectively to the Customs and Excise Act.

5.4 The relevant refund provisions can be found in Items 536.00, 537.00 and 538.00 in Schedule No. 5 to the Customs and Excise Act.

Part C – Production Rebate Credit Certificates (PRCCs)**6. What is a PRCC?**

A PRCC is a document issued by MIT indicating the PI, which is an incentive available to final manufacturers of eligible products.

7. How is the PI calculated?

The value of the PI is determined by the value added. The result is adjusted by the PI factor provided for in paragraph 11 hereof to arrive at the value of the PI.

8. Who may apply for a PRCC?

8.1 Final manufacturers based in Namibia who are registered with MOF as taxpayers may apply for a PRCC.

8.2 Motor vehicle manufacturers registered in terms of note 18.1.

9. Eligible Products under the APDP

9.1 The following products qualify as eligible products under the APDP:

9.1.1 specified motor vehicles fitted with an engine and gear-box manufactured in a licensed, special vehicle manufacturing warehouse in Namibia;

9.1.2 specified motor vehicles not fitted with an engine or gear-box manufactured in a licensed, special vehicle manufacturing warehouse in Namibia;

9.1.3 automotive components applicable to specified motor vehicles;

9.1.4 automotive tooling; and

9.1.5 automotive components applicable to heavy motor vehicles as defined in Note 1 to rebate item 317.07 of Schedule No. 3 to the Customs and Excise Act, 1998.

9.2 Despite subparagraph 9.1.3 and 9.1.5, for their products to qualify as eligible products, component manufacturers must -

9.2.1 apply for an EPC in the manner and form as required by MIT;

9.2.2 achieve local/international OEM supply chain turnover, excluding tooling, of at least 25 per cent of total automotive turnover; or N\$10 million in OEM supply chain invoicing per annum;

9.2.3 manufacture components for which a PI is claimed that are:

(i) part of a local or international supply chain; or

(ii) replacement parts manufactured by a manufacturer adhering to the requirements set out in subparagraph 9.2.1 and 9.2.2.

9.3 Despite paragraph 9.1 and 9.2, for components to qualify as eligible products, the following conditions must be met:

- 9.3.1 In the event of the final process of manufacture not taking place in Namibia, a determination as to the eligibility of the relevant product must be made by MIT, provided that operations that consist only of packing or painting will not qualify as manufacturing; and
- 9.3.2 not less than 25 per cent of the ex-factory selling price (exclusive of VAT, ad valorem excise duty and environmental levy) of the components, at the time of sale, is represented by the sum of -
- (i) the cost of labour incurred in SACU;
 - (ii) the value of material originating in the SACU; and
 - (iii) the factory overhead expenses incurred in SACU (excluding profit).

10. Standard materials

- 10.1 Material qualifying as standard materials, and thereby qualifying as value added, are those identified by the Minister and set forth in APDP Info Docs. The list of standard materials as set out in the APDP Info Docs may be amended on approval by the Minister.
- 10.2 The SVA for standard materials used in the manufacture of an eligible product will be 25 per cent of the value of the standard material.

11. Yearly PI factor percentage

The PI factor for PRCC claims will be 50% effective from the date of the approval of the National Automotive Assembly and Development Policy with a 1 percentage reduction annually.

12. Vulnerable industries and products

- 12.1 Vulnerable industries and products are those identified by the Minister and set forth in APDP Info Docs.
- 12.2 Despite paragraph 10.2, for vulnerable industries and products, the SVA for the standard materials used in the manufacture of an eligible product will be 25%.
- 12.3 The PI factor for vulnerable industries and products will be 50%.
- 12.4 The SVA indicated in paragraph 12.2 and the PI factor indicated in paragraph 12.3 may be amended on approval by the Minister.
- 12.5 The PI factor for catalytic converters of will be 65%.

13. How and when to apply for a PRCC

- 13.1 To claim a PRCC, an application must be lodged with MIT in the manner and form as required in APDP Info Docs.
- 13.2 An application for a PRCC may be lodged only once full payment for the eligible products sold have been received by the manufacturer or, in the case of vehicle capitalised by an OEM, the date of capitalisation.

- 13.3 The right to claim PRCCs lies with the applicant who is the registered manufacturer of an eligible product, except for a component manufacturer that supplies components for fitment on line by a registered local light motor vehicle manufacturer for assembly of specified light motor vehicles, in which case the value added on the applicable components will roll up to the standard material declaration of the registered light motor vehicle manufacturer, who may claim the PRCC for the manufactured vehicle that incorporates the applicable components.
- 13.4 Completed applications claiming PRCCs must be submitted to MIT no later than 12 calendar months from the date of the invoice for the eligible products.

14. Issuing of a PRCC

- 14.1 A PRCC will be issued for the qualifying amount, in terms of the PI, applicable to the eligible product and will indicate whether it is based on production of:
- 14.1.1 specified motor vehicles;
 - 14.1.2 specified motor vehicles without an engine and/or gearbox; or
 - 14.1.3 automotive components and tooling.
- 14.2 Where a PRCC that has been issued for the production of components, tooling or specified motor vehicles without an engine and/or gearbox, is used to reduce the duty on imports of specified motor vehicles, -MOF will reduce the value as shown on the PRCC by 20 per cent.
- 14.3 Where a holder of a PRCC or an applicant for a PRCC or a related party to the applicant is the subject of a fraud investigation, MIT will have the right to withdraw and/or refuse to issue a PRCC.

15. Usage of a PRCC

- 15.1 A PRCC can be used to reduce the value for customs duty purposes of imports into SACU of the following automotive products:
- 15.1.1 new right-hand drive specified motor vehicles as defined in note 1 to rebate item 317.03 to the Customs and Excise Act;
 - 15.1.2 components as defined in note 8 to Chapter 98 of Part 1 of Schedule No. 1 to the Customs and Excise Act for the vehicles identified in 15.1.1 above and components for which the tariff headings are listed in Rebate Item 460.17/00.00/03.00 of Schedule No. 4 to the Customs and Excise Act for all of specified motor vehicles.
- 15.2 A PRCC can be used only by the original holder. However, the original holder of the PRCC may apply to MIT, in the manner and form prescribed by MIT, for the PRCC to be transferred to another qualifying Namibian entity, upon the sole discretion of MIT. A PRCC may only be transferred once.
- 15.3 A PRCC is valid for a period of twelve months, which period commences on the first day of the quarter in which the PRCC claim was submitted to MIT.

16. Verification and modification of a PRCC

- 16.1 MIT shall have the right to verify all information relating to a PRCC application and may under such conditions as it may determine, restrict the value of a PRCC.
- 16.2 MIT has the right to amend, suspend, adjust or withdraw any PRCCs issued or to be issued upon the discretion of MIT and take such other action as provided for in the APDP Info Docs or as deemed fit by MIT.

Part D – Calculation of the CSP for VAA purposes**17. What is the CSP and how is it calculated?**

- 17.1 In terms of Note 7.1(c) to Rebate Item 317.03 of Schedule 3 to the Customs and Excise Act, the CSP is a percentage that is calculated by MIT and is used by MOF in the calculation of the VAA.
- 17.2 The CSP is:
 - 17.2.1 In the case of vehicles built for the local market, the difference between the recommended retail list price (“RRLP”) and the dealer’s invoice price (selling or invoice price by the OEM exclusive of VAT, ad valorem excise duty and environmental levy), plus market related expenditure, expressed as a percentage of the RRLP; or
 - 17.2.2 In the case of vehicles exported, the market related expenditure expressed as a percentage of the dealer’s invoice price (selling or invoice price by the OEM).
- 17.3 In terms of Note 7.1(c) to Rebate Item 317.03 of Schedule No. 3 to the Customs and Excise Act, the CSP will be calculated by MIT as provided for in APDP Info Doc B. MIT will provide the calculated percentage to MOF, which will apply the percentage to determine the VAA for each registered light motor vehicle manufacturer.

18. Who qualifies for a CSP

- 18.1 Motor vehicle manufacturers with a plant capacity of 5 000 units per annum may submit applications to MIT for registration as a specified motor vehicle manufacturer, unless otherwise determined by the Minister.
- 18.2 MIT will calculate a CSP and provide the calculated percentage to MOF only where a registered light motor vehicle manufacturer achieves a minimum production level of 5 000 units measured over the most recent four quarter total in the manner and form as may be determined by MIT in APDP Info Docs.
- 18.3 A registered light motor vehicle manufacturer that introduces a new model to replace an existing model in its manufacturing plant may apply to MIT, in the manner and form as may be determined by MIT in APDP Info Docs, for two “dead quarters” to lessen the effect of a possible drop in production volumes. In the event that the overall production of the registered light motor vehicle manufacturer will not be significantly affected, MIT may decide not to allow the “dead quarters”.
- 18.4 Motor vehicle manufacturers that are new entrants must apply to MIT in the manner and form as may be required in APDP Info Docs and will only qualify for a VAA if they have a production capacity of 5 000 units per annum.

19. How is VAA Used?

19.1 In terms of Note 7 to Rebate Item 317.03 of Schedule No. 3 to the Customs and Excise Act:

19.1.1 The VAA shall be used by a registered light motor vehicle manufacturer to reduce the value for customs duty purposes of original equipment components imported and the imported component values of original equipment components received from any person in the SACU region.

19.1.2 Any surplus VAA of a registered light motor vehicle manufacturer in a specific quarter will be rolled over to the next quarter and/or may be used to rebate duties on specified light motor vehicles imported by the registered light motor vehicle manufacturer upon obtaining prior written approval from the Commissioner of Customs and Excise.

19.1.3 Should a registered light motor vehicle manufacturer use the excess VAA in a quarter to rebate duties on vehicles imported, MOF will reduce the value of the VAA by 20 per cent.

Part E – Imported Component Value**20. What is Form SAD 500?**

20.1 Form SAD 500 and/or any other additional form that MOF may avail is the form that must be used by specified motor vehicle manufacturers and component manufacturers supplying goods to specified motor vehicle manufacturers to declare their imported component values.

20.2 All participants in the APDP must use Form SAD 500 and/or any other additional form that MOF may avail to declare their imported component values in respect of original equipment components for use in the manufacture of specified motor vehicles received from any person in the SACU.

20.3 Any incorrect information supplied on Form SAD 500 and/or any other additional form that MOF may avail can render the whole document null and void and may result in the purchase price of all items in such document being regarded as imported component values.

20.4 If Form SAD 500 and/or any other additional form that MOF may avail is not obtained and completed, the imported component values in respect of such goods may be deemed to be the price at which such goods were purchased.

21. Who should declare imported component values and when?

Specified motor vehicle manufacturers, component manufacturers and component suppliers to specified motor vehicle manufacturers must declare the imported component values in respect of each type of component received during a quarter.

22. How is imported component values calculated?

22.1 The imported component values for specified motor vehicles manufactured must be determined using the method and basis of calculation as may be set out by MIT in APDP Info Docs titled “Declaration of imported component values”.

- 22.2 MIT has the right to verify the correctness of the imported component values declared by manufacturers of eligible products by, amongst others, verifying Form SAD 500s and related documents. Discrepancies detected by MIT will be dealt with as may be provided for in APDP Info Docs.
- 22.3 Values must be entered in Namibia Dollar (N\$) and may not be expressed as a percentage or as a foreign currency.

Part F- Transitional Notes

23. Quarterly customs account and other matters

- 23.1 Note 10 to rebate item 317.03 of Schedule No. 3 to the Customs and Excise Act has reference regarding matters applicable to the quarterly customs account of light motor vehicle manufacturers.
 - 23.2 The Motor Industry Development Programme (MIDP) will end on 31 December 2012. Accordingly, although claims for exports on or before 31 December 2012 may still be submitted up to 31 December 2013, no application for an import rebate credit certificate (IRCC) based on exports after the termination of the MIDP will be entertained.
 - 23.3 Specified light motor vehicles and automotive components manufactured before 31 December 2012, but only sold after 31 December 2012, will qualify for APDP benefits provided that no benefits were claimed on these sales under the MIDP.
 - 23.4 To ease the transition from the MIDP to the APDP, the following conditions will apply to existing light motor vehicle manufacturers to qualify for a CSP during 2013:
 - 23.4.1 Only light motor vehicle manufacturers that have a production capacity of 50 000 units per annum will qualify for a CSP;
 - 23.4.2 The CSP for the first quarter of 2013 will be calculated using financial and statistical information applicable to the last quarter of 2012;
 - 23.4.3 No minimum production level will apply during the first two quarters of 2013; and
 - 23.4.4 A minimum production level of 12 500 units must be achieved in the third quarter of 2013; and
 - 23.4.5 A most recent four quarter total of 50 000 units must be achieved during the 4th quarter of 2013.
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