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MEDIA RELEASE

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Namibia signing the Multilateral Convention to Implement Tax Treaty Related Measures (MLI)

Namibia joined the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Project of the OECD/G20 in August 2019 and undertook to implement mechanisms/tools to strengthen domestic tax laws, curb tax evasion, tax avoidance, base erosion and profit shifting (BEPS) and fight illicit financial flows.

The MLI is one of the tools formulated under Action 15 of the OECD/G20 BEPS Project to prevent treaty abuse (Action 6) by multinational enterprises (MNEs), and to improve the efficiency and timeliness of the settlement of double taxation disputes between tax jurisdictions (Action 14).

The Namibian Deputy Prime Minister and Minister of International Relations and Cooperation Hon. Netumbo Nandi-Ndaitwah vested powers in the Ambassador of Namibia to France, His Excellency Albertus Aochamub, to sign the MLI on behalf of Hon. Ipumbu Shiimi, Minister of Finance today, 30 September 2021; as the duly authorized representative of the Government of the Republic of Namibia at a dedicated signing ceremony at the OECD Headquarters in Paris.

Benefits and Functioning of the MLI

The MLI is the first multilateral treaty of its kind, allowing member states to swiftly integrate results from the BEPS Project into existing networks of bilateral tax treaties in a synchronized and coordinated manner, and without the need for costly and time-consuming bilateral negotiations.

Further, the MLI enables countries to only go through a single ratification procedure in their Parliament to modify the whole treaty network rather than seeking to ratify or amend each bilateral tax treaty separately.

The MLI is the world's leading instrument for updating bilateral tax treaties and reducing opportunities for tax avoidance by multinational enterprises. The MLI currently covers 94 tax jurisdictions, including 53 tax jurisdictions that have already deposited their instrument of ratification, acceptance or approval.

By joining the MLI, Namibia has aligned its tax treaty network with the treaty-related BEPS minimum standards (Action 6 to address treaty-abuse, and the treaty elements of Action 14 to improve dispute resolution mechanisms).

Additionally, Namibia may elect to adopt other treaty-related BEPS measures to strengthen its treaty network, including measures to address the creation of a permanent establishment, and hybrid mismatch arrangements that potentially distorts the tax system.

The MLI only takes effect with respect to a particular tax treaty where both treaty partners have ratified the MLI and listed their tax treaty as an agreement to be covered.

Through the MLI, Namibia may introduce limitation of benefit clause to prevent treaty abuse by individuals and entities shifting profits to low-income countries or apply beneficial ownership requirements to prevent intermediaries being entitled to relief or specific anti-abuse rules based on the legal nature, ownership and general activities of tax treaty residents.

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