



Botswana Economic Forum Presentation

TAX

Key features of Company and Personal Tax in Botswana



Key Features of Company and Personal Tax in Botswana

- General features:
 - “Source based” including deemed source
 - Reliance on withholding taxes
 - Relatively low rates
 - Growing network of tax treaties
 - Historically low compliance rates / dependence on small number of taxpayers
 - Lack of local case law / published decisions
 - Simple administration
 - Income tax includes taxes on capital gains

Company Tax



Company Tax

Income Tax

- General rate of 25%:
 - Company tax – 15%
 - Additional Company Tax (ACT) – 10%
- Preferential rates:
 - Manufacturing – 15% (5% CT and 10% ACT) on approved activities
 - IFSC – 15% flat rate for approved operations
- Mining:
 - Diamond – determined by tax agreement;
 - Non-diamond – formula per 12th Schedule (25%-55% inclusive of ACT)
- Capital Allowances
 - Mining capital expenditure – 100%
 - Heavy plant, motor vehicles, aircraft and computers – 25%
 - Other plant and farming equipment – 15%
 - Furniture & fittings – 10%
 - Industrial and commercial buildings – 2.5% (Industrial initial allowance 25%)

Company Tax (cont'd)

Withholding Tax

- Payments to residents:
 - Dividends (15% - final tax)
 - Interest (10% - relievable)
 - Construction (3% - relievable)
- Payments to non-residents*
 - Dividends (15%)
 - Interest (15%)
 - Commercial Royalties (15%)
 - Management and consultancy fees (15%)
 - Entertainment fees (10%)
 - Construction (3%)

* WHT on payments to non-residents is a final tax (except construction). Rates of WHT may be varied under a Double Tax Agreement.

Company Tax (cont'd)

General / Administrative issues

- Tax paid in quarterly instalments based on current year profit – minimum payment is 20% of final liability
- Annual return due no later than 4 months after year-end on self-assessment basis
- Company business income from different sources is deemed to accrue from one business
- Assessed losses can be carried forward for 5 years (except farming, mining and mineral prospecting – indefinite)
- ACT “reserves” can be carried forward for 5 years

Personal Tax



Personal Tax

Income Tax

- Top rate of 25% applicable to earnings in excess of P120 000 p.a. (approx US\$18 500)
- Tax cost on first P120 000 = P10 875
- All employment related earnings & benefits are taxed under PAYE system
- If only source of income is employment – no tax return requirements
- Offshore earnings of non-citizens not within scope of Botswana tax (except employment)

Personal Tax (cont)

Income Tax

- Taxation of benefits:
 - Housing – based on municipal value (10%)
 - Company car – based on a scale of values (typical medium exec car = P25 000 p.a. taxable benefit)
 - Medical cover – tax free
 - Contractual passage – tax free
 - Contractual gratuity – one-third tax free
 - Pension contributions – tax free up to certain limits (20% for employers and 15% for employees)
- Exempt Income (in addition to tax free benefits)
 - First P6 000 of bank and building society interest;
 - Gains on disposal of qualifying listed shares on Botswana Stock Exchange

Personal Tax cont'd

- Administrative / general issues
 - Tax year runs from 1 July to 30 June each year
 - Deadline for submission of returns is 30 September each year
 - Taxation of business profits, capital gains and other non-employment based income is on assessment

and finally...



Significant changes on the way...

Total forecast Gov't revenues are P30bn, of which non-mineral income tax is P5bn, and VAT is P2.85bn (26%). BURS has been tasked with helping reduce reliance on mineral revenues.

- Complete review of the fiscal system in progress. Possible changes may include:
 - Targeted incentives
 - Strengthened collection tools (including penalty provisions)
 - Redrafted legislation to remove / clarify areas of uncertainty
- Other areas of attention:
 - Increased focus on human resource training & development
 - IT systems being improved
 - Audit and investigative capacity

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Presenter's contact details

Nigel Dixon-Warren

KPMG

+267 3912 400

nigel.dixon-warren@kpmg.bw

www.kpmg.com