Botswana Tax Guide 2015/16
A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com.
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STRUCTURE OF COUNTRY DESCRIPTIONS

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For further advice or information please contact:

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<thead>
<tr>
<th>City</th>
<th>Name</th>
<th>Contact information</th>
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</thead>
<tbody>
<tr>
<td>Gaborone</td>
<td>Tim Roddy</td>
<td>+267 71349866 <a href="mailto:tim@pkfbotswana.co.bw">tim@pkfbotswana.co.bw</a></td>
</tr>
</tbody>
</table>

BASIC FACTS

Full name: Republic of Botswana  
Capital: Gaborone  
Main languages: English, Setswana  
Population: 2,155,784 (2014 estimate)  
Major religion: Christianity  
Monetary units: Botswana Pula (BWP)  
Internet domain: .bw  
Int. dialling code: +267

KEY TAX POINTS

- Income from, or deemed to be from, a source within Botswana is taxable in Botswana.
- Normal business expenses wholly, exclusively and necessarily incurred in the production of assessable income are allowed as deductions for tax purposes, and include approved citizen training expenditure (conditions apply) and approved pension fund contributions, bad debt provisions, capital allowances and contributions to an approved mine rehabilitation fund.
- Companies must register for corporate income tax (CIT) which is levied at a single flat rate of 22%.
- Assessed losses relating to farming, mining and prospecting can be carried forward indefinitely and utilised against future taxable profits. Assessed losses from other businesses have a carry forward period of five years and must be utilised within that time. Capital losses are available to be carried forward for one year.
- Value Added Tax (VAT) is levied at a rate of 12% on standard rated supplies. Certain specified supplies are zero rated or exempt from VAT.
- Capital gains tax applies to companies and individuals. The capital gains tax rate for companies is the same as their income tax rates (22%). Individuals are liable based on a progressive tax rate scale up to a maximum rate (taxable gains over BWP 144,000) of BWP 13,950 + 25% of excess over 144,000.
- Employment remuneration, which includes salaries, wages, bonuses, commissions, allowances, and the value of taxable benefits, is taxed under the PAYE system and employers are obliged to withhold the respective tax from an employee’s remuneration each month. Please note, there are certain exemptions and tax free benefits available for Individuals.
A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Botswana’s tax system is source-based. All companies registered in Botswana must also register for corporate income tax (CIT). CIT is levied at a single flat rate of 22%.

- Manufacturing companies

  Manufacturing companies which have been approved by the Minister of Finance are taxed at a special rate of 15%.

- International Financial Services Centre (IFSC)

  Companies must obtain a certificate and engage in the specified activities only. Profits from an IFSC (approved services) are taxed at a flat rate of 15%. Other taxable income is taxed at 22%

- Mining companies

  Profits form mining activities, excluding profits from diamond mining, are taxed by applying the following formula:

  Annual tax rate = 70 minus (1,500/x)

  ‘x’ in the above formula represents the taxable income as a percentage of gross income. Please note that the tax rate cannot be less than 22% (the CIT rate) and is normally a rate between 22% and 55%.

  Diamond mining is generally taxed in accordance with the terms of a specific agreement agreed with the Botswana government. Other tax rates that apply to certain profits or income are as follows:

  - The corporate income tax rate applying to non-resident companies is 30%;
  - Foreign dividends are taxed at 15%;
  - Other taxable income is taxed at a rate of 22%;
  - Taxable income of an Accredited Innovation Hub (AIH) business is taxed at 15%.

ADMINISTRATION - COMPANY

Companies must file an income tax return (Form ITA22) four months following the year end. Where a company’s final tax liability is greater than BWP 50,000 it will be subject to quarterly self-assessment tax (SAT) payments.

SAT payments are calculated to be no less than 80% of the final tax liability.

CAPITAL GAINS TAX

Capital gains tax applies to companies and individuals.
The capital gains tax rate for companies is 22%, the same rate as the CIT rate.

Individuals are subject to a progressive capital tax rate up to a maximum rate applying to capital gains over BWP 144,000.

<table>
<thead>
<tr>
<th>From (BWP)</th>
<th>To (BWP)</th>
<th>Tax liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>18,000</td>
<td>0%</td>
</tr>
<tr>
<td>18,001</td>
<td>72,000</td>
<td>BWP 0 + 5% of excess over BWP 18,000</td>
</tr>
<tr>
<td>72,001</td>
<td>108,000</td>
<td>BWP 2,700 + 12.50% of excess over BWP 72,000</td>
</tr>
<tr>
<td>108,001</td>
<td>144,000</td>
<td>BWP 7,200 + 18.75% of excess over BWP 108,000</td>
</tr>
<tr>
<td>144,001</td>
<td>---</td>
<td>BWP 13,950 + 25% of excess over 144,000</td>
</tr>
</tbody>
</table>

Capital gains on moveable properties are arrived at by taking the gross sales price less indexed acquisition costs, improvement costs, and transaction costs. If an individual or company disposes of shares only 75% of the gain is taxable.

**BRANCH PROFITS TAX**

Not applicable in Botswana.

**VALUE ADDED TAX (VAT)**

VAT is imposed comprehensively on an end-user basis at the rate of 12% on standard rated supplies. Certain specified supplies are either zero rated or exempt from VAT. Registration is mandatory where turnover (12 months) is expected to be BWP 500,000 or more VAT is payable by the importer of services not utilised in the making of taxable supplies.

Input tax includes Transfer Duty payable under the Transfer Duty Act and any tax deemed to have been paid in respect of the supply of second hand goods. Input tax claims should be made within the following time limits:

a) Where returns are filed every month, within a period of four months;

b) Where returns are filed every two months, within two tax periods;

c) For tax paid with respect of imports, within two tax periods.

Zero-Rated supplies include:

- Exports of goods and services;
- International transport services;
- Supplies of going concerns;
- Sorghum, maize meal, millet, wheat, sugar and flour for human consumption;
- Fertilizers for farming purposes, some pesticides and farming tractors;
• Supplies to the Head of State;
• First 5,000 litres per month of water supplied to a residential dwelling by the Water Utilities Corporation (with exceptions).

Exempt supplies include:
• Prescription drugs and condoms;
• Residential accommodation;
• Education at approved institutions;
• Public medical services;
• Non-fee based financial services;
• Passenger transport (excluding the transportation of tourists);
• Donations and grants;
• Farm implements.

VAT Tax returns must be filed on or before the 25th of the month following the end of the tax period.
• Late VAT returns penalty: The greater of BWP 50 per day or 10% per month or part thereof of the tax due.
• Late payment of VAT: Compound interest at 1.5% per month or part thereof on both outstanding tax, penalties and interest charged.
• VAT refunds: Interest at 1% per month or part of a month is payable if the refund is not made within two calendar months from the due date of the return (1 month for IFSC companies, approved manufacturers and exporters).

LOCAL TAXES

There are no local, provincial government or state taxes on income in Botswana.

B. DETERMINATION OF TAXABLE INCOME

Normal business expenses wholly, exclusively and necessarily incurred in the production of assessable income are allowed as deductions for tax purposes.

CAPITAL ALLOWANCES

Capital Allowances Straight Line

The rates of straight line annual allowances on plant or machinery range between 10% and 25%.
Rate | Asset Detail
--- | ---
10%  | Furniture and fittings including soft furnishings
15%  | Other plant or machinery including farming equipment
25%  | Heavy plant or machinery used in construction
25%  | Motor vehicles and aircraft (limited to BWP 175,000 for passenger motor vehicles)
25%  | Plant or machinery used directly in manufacturing or production
25%  | Computer hardware
100% | Computer software - off the shelf

**Statutory Straight Line Allowances**

Rate | Asset Detail
--- | ---
25.0% | Industrial buildings - initial allowance
2.5%  | Industrial buildings - annual allowances
2.5%  | Commercial buildings - annual allowances
100%  | Farm buildings, improvements, water supplies and other farm capital works

**DISALLOWED EXPENSES**

Standard disallowable expenditure exists which are not deductible against taxable profits such as donations, general provisions, school fees, etc.

**CAPITAL GAINS AND LOSSES**

Capital gains are taxed at a rate of 22%. Capital losses can be carried forward for one year.

**LOSSES**

Company tax losses (except farming, mining and prospecting losses) can only be carried forward for five years and if not utilised within five years they are lost.

Farming, mining and prospecting losses can be carried forward indefinitely until utilised by set off against available taxable profits arising in subsequent periods.

**C. WITHHOLDING TAX**

Withholding tax must be deducted from certain payments made to a resident or non-resident, subject to any relieving provisions of an applicable tax treaty.

Generally, payments made to a resident which are:

1) Due under certain construction contracts, are subject to 3% withholding tax;

2) Interest, are subject to 10% withholding tax;

3) Dividends, are subject to 7.5% withholding tax;
Generally, payments made to a non-resident which are:

1) Due under certain construction contracts, are subject to 3% withholding tax;

2) Interest, are subject to 15% withholding tax;

3) Dividends, are subject to 7.5% withholding tax;

4) Royalties, management or consultancy fees, are subject to 15% withholding tax;

5) Entertainment fees, are subject to 10% withholding tax.

Withholding tax on interest is deducted at source.

D. PERSONAL TAX

Botswana citizens are taxed on their worldwide income whereas non-citizens are only taxed on income generated in Botswana.

Employment Income includes salaries, wages, terminal payments, directors and other fees, bonuses, commissions, allowances and the value of benefits. Employment income from, or deemed to be from a source within Botswana is taxable in Botswana. All employment income, including benefits in kind, is subject to monthly withholding tax (PAYE).

Exemption and Tax Free Benefits for Individuals:

- The value of contractual travel benefits for employees and their families;
- Medical fund contributions and medical attention paid for by the employer;
- Contractual terminal gratuities payable to expatriate employees are exempt to the extent of one-third. Bank and building society interest of BWP 7,800 per annum, for resident individuals;
- Severance pay and certain gratuities payable to citizen employees are exempt to the extent of one third;
- Investment of such payments directly into an approved pension or retirement annuity fund results in 100% exemption;
- Retrenchment package: one third or BWP 36,000 whichever is greater is exempt.

Benefits Valuation:

- Housing: 10% of municipal valuation or 8% of current capital valuation, (BWP 250 x floor area);
- Use of employer’s furniture: 10% of the excess over BWP 15,000 of the cost to the employer;
- Loans: Difference between the concessionary rate interest and the prime lending rate announced by Bank of Botswana on 1 July of the tax year;
• Other benefits such as school fees and utilities: Cost to the employer or market value, whichever is the greater.

Business and employment income rates:

<table>
<thead>
<tr>
<th>Earnings (BWP)</th>
<th>Tax</th>
</tr>
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<tbody>
<tr>
<td>0 - 36 000</td>
<td>BWP 0</td>
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<tr>
<td>36 001 - 72 000</td>
<td>BWP 0 + 5% over BWP 36 000</td>
</tr>
<tr>
<td>72 001 - 108 000</td>
<td>BWP 1,800 + 12.5% over BWP 72 000</td>
</tr>
<tr>
<td>108 001 - 144 000</td>
<td>BWP 6,300 + 18.75% over BWP 108 000</td>
</tr>
<tr>
<td>144 001 and over</td>
<td>BWP 13,050 + 25% over BWP 144 000</td>
</tr>
</tbody>
</table>

E. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Botswana has concluded tax treaties with the following countries: Barbados, France, India, Lesotho, Mauritius, Mozambique, Namibia, Russia, Seychelles, South Africa, Swaziland, Sweden, United Kingdom, and Zimbabwe.