



# Nurturing sustainable economic growth

Botswana  
2024/2025 Budget Highlights





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# 2024/2025 Budget Speech Highlights

The Honourable Minister of Finance and Economic Development, Ms Peggy O. Serame presented the 2024/2025 Budget Proposals to the National Assembly on 5 February 2024.

## Budget Focus

The 2024/2025 budget builds on the second Transitional National Development Plan (TNDP) theme, **“Towards a High-Income Economy: Transformation Now and Prosperity Tomorrow”** and focuses on the following key priorities which are aimed at stimulating growth and creating job opportunities:

- *Infrastructure Development and Spatial Planning;*
- *Sustaining Livelihoods;*
- *Agriculture Development;*
- *Supporting the Private Sector through Business Environment Reforms and Value Chain Development;*
- *Research and Development;*
- *Innovation and Digital Transformation;*
- *Green Transition;*
- *Education and Human Capital Development; and*
- *Tourism Development”.*

## Economic Indicators

- The projected domestic economic growth rates are 4.2% and 5.4% for 2024 and 2025, respectively.
- Inflation reached 3.5% in December 2023 and is expected to remain within the target range of 3% to 6% over the medium term.
- Monetary Policy rate of 2.65% was reduced to 2.4% in December 2023 in response to lower inflationary pressures.

- The estimated budget deficit for 2024/2025 is P8.7 billion which is equivalent to 9.3% of GDP.
- Preliminary data indicates that in the first 9 months of 2023, an overall balance of payments surplus of P5.1 billion was recorded compared to P5.4 billion in the corresponding period of 2022.
- Foreign exchange reserves amounted to P64.9 billion as at 31 October 2023 compared to P60.8 billion during the same period in the prior year.

## Fiscal Highlights and Proposals

The Minister outlined the following ongoing measures:-

- Reviewing fiscal laws to consolidate, simplify and modernise them to deal with the evolving nature of the global business environment.
- Introduction of digital tax on electronic transactions.
- Implementation of electronic invoicing (E-Billing) for efficient VAT collection which is scheduled for completion in December 2024.
- Implementation of a "track and trace" solution to mark and track excisable goods by July 2024.
- Enhancement of e-services platforms to simplify tax compliance and foster a business-friendly environment.



# Income Tax – Salient Features

## Business taxable income

- Income from or deemed to be from a source within Botswana is taxable in Botswana.
- Income accruing from different businesses is deemed to accrue from one business except for capital gains and income from farming and mining.
- Income from farming, mining and prospecting and capital gains is ascertained separately.
- Business expenses wholly, exclusively and necessarily incurred in the production of assessable income are allowed as deductions.
- Transactions with connected parties should be consistent with the arm's length principle. Companies are required to prepare and submit contemporaneous transfer pricing documentation together with their corporate tax returns.
- Deduction of interest expenditure incurred by companies (other than variable rate loan stock companies, micro, small or medium enterprises, banking and insurance companies) is restricted to 30% of tax EBITDA. Any excess interest disallowed is carried forward for 10 years in the case of mining companies and for 3 years in all other cases.
- Deduction of expenditure relating to interest, royalties, management or consultancy fees paid or payable to non-residents is allowed in the year in which the related withholding tax is paid over to BURS.
- Specific deductions include capital allowances, expenditure on lease improvements, bad debt provisions, contributions to an approved mine rehabilitation fund. Capital allowance claims on assets procured from or through a non-resident related party should be supported by third-party invoices.
- Assessed losses from business can be carried forward for no more than five years, except for mining and prospecting losses, which can be carried forward indefinitely.
- Capital losses can be carried forward for one year only.

## Employment income

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

# Income Tax – Salient Features

## Exempt income for individuals

Exempt income/earnings include:

- The value of contractual travel benefits for employees and their families.
- Medical fund contributions and medical attention paid for by the employer.
- Fifty percent of severance pay and certain gratuities payable to employees.
- The greater of P48,000 or 50% of a retrenchment package.
- Annual pension or annuity not exceeding P20,000 or amounts paid in commutation thereof.
- Accrued severance or gratuity payments transferred to an approved pension or retirement fund.
- The full amount withdrawn from pension entitlement for medical treatment.
- Fifty percent of the amount withdrawn from pension entitlement for medical treatment.
- Bank and building society interest of P7,800 per annum, for resident individuals.

## Benefits Valuation

<b>Housing</b>	<ul style="list-style-type: none"> <li>• 10% of municipal valuation or</li> <li>• 8% of current capital valuation, (P 250 × floor area)</li> </ul>
<b>Use of employer’s furniture</b>	10% of the excess over P 15 000 of the cost to the employer
<b>Loans</b>	The difference between the concessionary rate and the rate prescribed by the Commissioner General as at 1 July of each tax year
<b>Other benefits</b>	Such as school fees and utilities: cost to the employer or market value, whichever is the greater

## Motor Vehicle Scale of Values

Cost of Vehicle			Value of Benefit		Fuel Cost Adjustment	
1	-	50 000	2 500		1 000	
50 001	-	100 000	5 000		2 000	
100 001	-	150 000	7 500		3 000	
150 001	-	200 000	10 000		4 000	
200 001	-	and over	10 000 +15% on the excess of P 200 000		5 000	maximum

# Income Tax – Salient Features

## Capital Allowances

<b>Straight Line</b> (The rates of straight line annual allowances on plant or machinery range between 10% and 25% as fixed by the Commissioner General)	<b>Rate</b>
Heavy plant or machinery used in construction	25%
Motor vehicles and aircraft (for passenger motor vehicles, limited to expenditure of P 175 000)	25%
Plant or machinery used directly in manufacturing or production	25%
Other plant or machinery including farming equipment	15%
Computer hardware	25%
Computer software - off the shelf	100%
Furniture and fittings including soft furnishings	10%

<b>Statutory Straight Line Allowances:</b>	<b>Rate</b>
Industrial buildings    - initial allowance - annual allowances	25% 2.5%
Commercial buildings    - annual allowances	2.5%
Farm buildings, improvements, water supplies and other farm capital works	100%



# Income Tax – Corporate Taxation

## Corporate tax rates – resident company

Description	Rate
Corporate tax rate - taxable income including capital gains	22%
Mining taxable income (excluding diamond mining income)	22%-55%
Approved manufacturing business taxable income	15%
Foreign dividends	10%
Accredited Innovation Hub business taxable income	15%
IFSC company – taxable income from approved services	15%
IFSC company – other taxable income	22%
SPEDU business taxable income – first 5 years	5%
SPEDU business taxable income – after the first 5 years	10%
Special Economic Zone entity	See *

## Corporate tax rate - non-resident company

Standard rate on taxable income, including capital gains	30%
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## \*Special Economic Zone entities

The incentive package for entities operating in Special Economic Zones includes:

- 5% corporate tax for the first 10 years and 10 percent thereafter;
- Waiver of transfer duty on land and property; and
- Property tax exemption for the first five (5) years of operation.

These incentives are available to export-oriented businesses.

## Self Assessment Tax (SAT)

Corporate tax is payable via the self-assessment system in quarterly SAT instalments on a financial year basis. Companies with annual income tax liabilities of less than P 50 000 may elect to make one payment within 4 months of end of the financial year.

## Filing deadline

The Income Tax Return must be filed within four months of the company's financial year-end.

# Income Tax – Individuals Taxation

## Residents – Business and Employment income tax rates

Taxable Income (P)		Tax Payable					
P		P					P
0	-	48 000	0				
48 001	-	84 000	0	+	5%	over	48 000
84 001	-	120 000	1 800	+	12.5%	over	84 000
120 001	-	156 000	6 300	+	18.75%	over	120 000
156 001		and over	13 050	+	25%	over	156 000

## Non-Residents – Business and Employment income tax rates

Taxable Income			Tax Payable				
P		P	P				P
0	-	84 000			5%	of each Pula	
84 001	-	120 000	4 200	+	12.5%	over	84 000
120 001	-	156 000	8 700	+	18.75%	over	120 000
156 001		and over	15 450	+	25%	over	156 000

## Director's Fees

Withholding tax on director's fees accruing to:	Rate
Resident director	10%
Non-resident director (final tax)	15%

## Foreign Dividends

On gross foreign dividends	10%
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# Income Tax – Individuals Taxation

## Capital Gains Tax Rates

Taxable Income			Tax Payable				
0	-	36 000	0				
36 001	-	84 000	0	+	5%	over	36 000
84 001	-	120 000	2 400	+	12.5%	over	84 000
120 001	-	156 000	6 900	+	18.75%	over	120 000
156 001		and over	13 650	+	25%	over	156 000

## Return filing deadline and SAT

The individual income tax return must be filed within three months of the end of the tax year. SAT is optional for individual taxpayers.

# Taxation of other entities

## Unapproved Pension and Provident Funds

Investment income	7.5%
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## Deceased Estates and Testamentary Trusts

Taxable Income			Tax Payable				
0	-	84 000			5%	of each Pula	
84 001	-	120 000	4 200	+	12.5%	over	84 000
120 001	-	156 000	8 700	+	18.75%	over	120 000
156 001		and over	15 450	+	25%	over	156 000



# Transfer pricing

Botswana Transfer Pricing Regulations are based on the OECD Guidelines and specifically cite the guidelines as a relevant source of interpretation.

The law requires transactions between directly or indirectly connected persons to be consistent with the arm's length principle. TP applies to transactions with non-residents and transactions with Botswana resident IFSC accredited related companies.

The terms "connected person" and 'control' are defined in the Income Tax Act.

A transaction with a connected party is considered to be consistent with the arm's length principle if the conditions of the transaction do not differ from the conditions that would have applied between independent persons in a comparable transaction carried out in comparable circumstances.

Below is a list of some of TP documentation/information that taxpayers are required to submit within four months of the end of the financial year:

- An overview of the person's business operations, which includes, the history, recent evolution, general overview of the relevant markets of reference and an organizational chart;
- Description of the group's operational structure including general description of the role that each of the group members carries out with respect to the group's activities, which are relevant to the controlled transaction;
- A general business strategy pursued which includes business restructuring or intangible transfer in the present or immediate past year and an explanation of the effects of such transaction;
- Details of the taxpayer's key competitors;
- Description of controlled transactions, including analysis of the comparability factors etc;
- The amount of intra-group payments and receipts for each category of controlled transactions broken down by the tax jurisdiction of the foreign payer or recipient;
- Copies of all material inter-company agreements;
- A detailed comparability and functional analysis and the relevant connected persons with respect to each documented category of controlled transactions;
- A summary of the important assumptions made in applying the transfer pricing methodology;
- Comparability analysis which includes details of industry and economic analysis, budgets or projections relied on; and
- Any other information that may have material impact on the determination of the taxpayer's compliance with the arm's length principle.

# Transfer pricing

The Commissioner General is empowered to:

- request the taxpayer to submit the equivalent of an OECD Master File within 7 days from the date of the request in cases where transactions with a connected person exceed BWP5 million; and
- restate taxable income in line with the arm's length principle.

Failure to comply with transfer pricing legislation attracts the following penalties:

- the greater of BWP10,000 or 200% of the additional tax arising from a TP adjustment or;
- an amount not exceeding BWP500,000 for failure to comply with TP

documentation filing obligations which may be reduced to no less than BWP250,000 upon mitigation; and

- criminal penalties, upon conviction, of up to BWP10,000 or imprisonment for one year for failure to furnish documentation or returns as required under the Income Tax Act or failure to comply any written notice from the Commissioner General.

Please note that a restatement of related party transactions by the Commissioner General may give rise to additional VAT, Withholding Tax and other tax liabilities plus penalties and interest charges.



# Capital Transfer Tax

## Donee - Company

Rate of tax payable on aggregate taxable value - 12.5%

## Donee - Other than company

Taxable Income			Tax Payable				
0 -	100 000	0.00	+	2%			
100 001 -	300 000	2 000.00	+	3%	over	100 000	
300 001 -	500 000	8 000.00	+	4%	over	300 000	
500 001	and over	16 000.00	+	5%	over	500 000	



# Transfer Duty - immovable property transfers

## Transfer duty rates

Category of buyer	Rate
Citizen	5%
Non-citizen: <ul style="list-style-type: none"><li>Value of property up to P2 million</li><li>Value of property in excess of P2 million</li></ul>	10% 15%
Entities that are neither a natural person or a company	5%
Specified land grants, leases or concessions are subject to transfer duty.	
Certain specified transactions are exempt from transfer duty.	
Citizens are exempt from transfer duty on the first P1.5 million of the value of the immovable property purchased.	
Transfer duty is payable on the transfer of control in or entitlement to benefit from immovable property through the transfer of shares in company.	







# Value Added Tax

Standard rate	14%
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- VAT is imposed comprehensively on an end-user basis. Certain specified supplies are either zero rated or exempt from VAT.
- Registration is mandatory where 12 months taxable supplies exceed or are expected to exceed P 1 000 000.
- Threshold for voluntary registration set at P500 000 turnover from taxable supplies.
- 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 supplies of second hand goods.
- Input tax claims should be made within the following time limits:
  - For those who file monthly returns, within a period of four months.
  - For those who file returns bi-monthly, within two tax periods.
  - For tax paid in respect of imports, within two tax periods.
- Late VAT returns penalty - the greater of P50 per day or 10% per month or part thereof of the tax due or a penalty not exceeding P5,000 for a late NIL or refund return.
- Late payment of VAT - compound interest of 1.5% per month or part thereof on both outstanding tax, penalties and interest charged.
- VAT refunds – Compound interest at 1% per month or part of a month is payable if the refund is not made within two calendar months of the due date of the return (1 month for IFSC companies, approved manufacturers and exporters).

# Value Added Tax - Continued

## Zero-Rated Supplies

- 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
- Supplies to the Head of State
- First 5,000ltrs per month of water supplied to a residential dwelling by the Water Utilities Corporation (with exceptions)
- Brown bread, bread flour
- Vegetables and fruits in their natural state
- Uncooked samp and rice
- Milk – as specified
- Cooking oil
- Liquid petroleum gas
- Salt
- Infant formula
- Baby diapers
- Sanitary pads or tampons
- Condoms
- Agricultural implements

## Exempt Supplies

- Certain 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
- Tractors used for agricultural purposes
- Private medical supplies

## Filing Deadline

The VAT Tax returns must be filed on or before the 25th of the month following the end of the tax period.





# Withholding Taxes

## Withholding tax obligations

- Employers are required to withhold tax (PAYE) at the prescribed rates from all payments of remuneration and issue an annual certificate of tax withheld to the employee.
- Payers of dividends, interest, management or consultancy fees (technical fees), entertainment fees, commercial royalties or construction contract related payments, to a non-resident, are required to withhold tax at the statutory rate and issue a certificate of tax withheld to the recipient. The obligation to withhold may be varied or removed by an applicable double taxation avoidance agreement.
- Payers of dividends, interest, rent, construction contract related payments, commission or brokerage fees, to a resident, are required to withhold tax at the statutory rate and issue a certificate of tax withheld to the recipient.
- Any person who makes payment for the purchase of livestock for slaughter or feeding for slaughter is required to withhold tax from such payments at the rate of 4%.
- Tax withheld should be paid over the Commissioner General within 15 days of the month following that of making payment to the payee.
- PAYE and Other Withholding Tax Annual returns must be filed within one month of the end of the tax year.

## Exemptions from withholding tax

The following payments are exempt from withholding tax:

- Payments of dividends, commercial royalties, management or consultancy fees or interest, by an IFSC company or an exempt Collective Investment Undertaking (CIU) to a non-resident person, IFSC company or another CIU.
- Payments of interest to a financial institution, banking company or IFSC company receiving such interest in the ordinary course of business.
- Payments in respect of accommodation in a hotel, motel, lodge or guesthouse.
- Rental payments and commission payments amounting to less than P48,000 in any tax year.
- Payments to an exempt entity.
- Payments in respect of which Botswana has no taxing rights under an applicable tax treaty.

# Withholding Tax Rates

## Statutory Withholding Tax Rates on certain payments

Nature of payment	Payment to a:	
	Resident	Non-resident (no treaty protection)
Construction contracts payments <sup>(1)</sup>	3%	3%
Dividends <sup>(9)</sup>	10%	10%
Interest <sup>(2)</sup>	10% <sup>(5)</sup>	15%
Commercial Royalties <sup>(2)</sup>	-	15%
Management or Consultancy fees (Technical fees) <sup>(2)</sup>	-	15%
Director's fees	10% <sup>(13)</sup>	15% <sup>(13)</sup>
Payments to Entertainers and Sports persons	-	10%
Rent (land or buildings)	5% <sup>(6)</sup>	5% <sup>(8)</sup>
Commission / brokerage fees	10% <sup>(7)</sup>	10% <sup>(8)</sup>
Livestock purchases	4% <sup>(10)</sup>	4% <sup>(10)</sup>
Surplus mine rehabilitation funds	10%	10%

# Withholding Tax Rates

## Treaty withholding tax rates on certain payments to non – residents

Payments to a resident of:	Dividends <sup>(9)</sup>	Interest <sup>(2)</sup>	Commercial Royalties <sup>(2)</sup>	Management or Consultancy fees <sup>(2)</sup>	Entertainment fee
Barbados	5% / 10% <sup>(4)</sup>	10%	10%	10%	10%
China	5%	7.5%	7.5%	7.5% <sup>(11)</sup>	10%
Czech Republic	5%	7.5%	7.5%	7.5%	10%
France	5% / 10% <sup>(4)</sup>	10%	10%	7.5%	10%
India	7.5% / 10% <sup>(4)</sup>	10%	10%	10%	10%
Ireland	5%	7.5%	5% / 7.5% <sup>(12)</sup>	7.5%	10%
Lesotho	10%	10%	10%	10%	10%
Luxembourg	5% / 10% <sup>(4)</sup>	7.5%	7.5%	7.5%	10%
Malta	5% / 6% <sup>(4)</sup>	8.5%	5% / 7.5% <sup>(12)</sup>	7.5%	10%
Mauritius	5% / 10% <sup>(4)</sup>	12%	12.5%	15%	10%
Mozambique	10%	10%	10%	10%	10%
Namibia	10%	10%	10%	15%	10%
Russia	5% / 10% <sup>(4)</sup>	10%	10%	10%	10%
Seychelles	5% / 10% <sup>(4)</sup>	7.5%	10%	10%	10%
South Africa	10%	10%	10%	10%	10%
Kingdom of Eswatini	10%	10%	10%	10%	10%
Sweden	5% <sup>(3)</sup>	7.5% <sup>(3)</sup>	10% <sup>(3)</sup>	15%	10%
United Arab Emirates	5% / 7.5% <sup>(14)</sup>	7.5%	7.5%	5%	10%
United Kingdom	5% / 10% <sup>(4)</sup>	10%	10%	7.5%	10%
Zambia	5% / 7% <sup>(4)</sup>	10%	10%	10%	10%
Zimbabwe	5% / 10% <sup>(4)</sup>	10%	10%	10%	10%

# Withholding Tax – Notes

## Notes - Statutory and Double Taxation Agreement Withholding Tax Rates

- (1) Provisional tax - subject to DTA provisions.
- (2) Payments by an IFSC company or exempt CIU to a non-resident, IFSC company or CIU are not subject to withholding tax. Payments to a financial institution, banking company or IFSC company receiving interest in the ordinary course of business are exempt.
- (3) Lower rates agreed between Botswana and any other state apply.
- (4) 5% applies where beneficial owner is a company with at least 25% shareholding.
- (5) This is a final tax where the interest is paid by a bank and building society to a resident individual. In all other cases the tax is credited against the final tax payable on assessment.
- (6) Provisional tax credited on assessment. Applicable where payments amount to at least P48,000 per tax year. Excludes non-business payments by individuals and payments to exempt persons.
- (7) For residents this is a provisional tax credited on assessment and is applicable only if payments amount to at least P48,000 per tax year.
- (8) Provisional tax applicable only on Botswana-sourced income.
- (9) Payments by an IFSC company or exempt CIU to a non-resident, another IFSC company or to a CIU are exempt from withholding tax.
- (10) Final tax where livestock sales are not in the ordinary course of business.
- (11) Rate applies to technical and consultancy fees only.
- (12) Lower rate applies to payments for the right of use of industrial, commercial or scientific equipment.
- (13) This is a final tax.
- (14) 5% applies where beneficial owner is a company with at least 10% shareholding.

## DTA's still to come into force

Progress towards concluding Double Taxation Avoidance Agreements with the following States is at an advanced stage:

- Belgium
- Malawi
- Portugal
- Serbia and Montenegro
- Singapore
- Tanzania



# Tax Information Exchange Agreements

Country	Date of entry into force
Norway	26 March 2016
The Faroes	26 March 2016
Iceland	18 August 2015
Finland	16 May 2015
Denmark	14 May 2015
Greenland	11 October 2015
Isle of Man	05 March 2016
Guernsey	26 July 2019





# KPMG Botswana - Tax Services

Tax represents a significant risk to organisations both as a financial cost as well as increased financial exposures through non-compliance with laws and regulations. Tax authorities are increasingly conducting audits and investigations into high risk and this calls for a more efficient and effective management of the tax compliance process. Harsh penalties, arising from audit and investigation findings, negatively impact the entity's cash flow and consequently the shareholder funds.

Companies need to:

- Be aware of the tax risks/opportunities associated with business decisions in order to plan and manage the tax cost;
- Ensure that they are compliant with tax obligations in order to minimise or avoid the risk of penalties; and
- Keep abreast with changes in the tax laws in order to enhance effective tax cost management and compliance.

At KPMG, we believe that effective management of tax issues is integral to your core business.

Our team of professionals together with our Principles for a Responsible Tax Practice bring to life KPMG's values and our Global Code of Conduct in a way that is meaningful for the everyday situations we face as professionals.

## KPMG Botswana tax services

- Tax compliance services including:
  - Preparation of tax computations and tax returns;
  - Review of tax computations prepared in-house and in-house tax computation templates; and
  - Assistance with management of the tax compliance process across all tax heads.
- Tax advisory services on various transactions including:
  - International taxation (cross-border transactions);
  - Project specific tax advice and investment structuring;
  - Group restructuring including amalgamations;
  - Tax health checks; and
  - Tax due diligence.
- Transfer pricing (TP) services including:
  - Assistance with bench-marking studies and preparation of TP policy documentation'
  - Preparation of TP documentation;
  - Assistance with the preparation of proposals for advance pricing agreements; and
  - Assistance during BURS audits.
- Other tax services
  - Global Mobility Services;
  - Payroll services;
  - Tax training of in-house staff
  - Review of in-house tax compliance processes.

For further information about our services please contact our professionals.

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