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Botswana budget

2023/24



February 2023





Background

The 2023/2024 Budget marked the first year of the two-year Transitional National Development Plan (TNDP) deferring NDP 12 to the financial year 2025/2026. Delivering the 2023/2024 Budget Speech, Minister of Finance and Economic Development Honourable Peggy O Serame highlighted that the TNDP is of strategic significance and is guided by the following national priorities:

- Digital Transformation
- Business Environment Reform
- Infrastructure Development
- Value Chain Development
- Sustaining Livelihoods
- Climate Change.

The International Monetary Fund's (IMF) January 2023 "World Economic Outlook " estimates the global growth to slow down to 3.4% in 2022 from 6.2% in 2021, before decelerating further to 2.9% in 2023. Growth in the Sub-Saharan African region is expected to drop from 4.7% in 2021 to 3.8% in both 2022 and 2023. Growth in the Southern African Development Community (SADC) is, on average, expected to slow down from 4.5% in 2021 to 3.0% and 2.8% in 2022 and 2023 respectively.

The Botswana Gross Domestic Product (GDP) grew at the rate of 11.8% in 2021 and continued to grow at 6.7% year-on-year over the first three quarters of 2022, confirming the resilience of the domestic economy. Such continuing resilience and the ability to sustain economic growth will be tested through the twin challenges of a markedly weaker global economy, with recession expected in a number of large economies and the slow speed of implementing domestic reforms and initiatives and long-standing issues relating to the quality of projects.

Income from the Southern African Customs Union's (SACU) revenue pool remains the largest contributor to the public purse. This revenue varies annually, mainly depending on the performance of the South African economy. The global downside growth risks could have adverse effects on the economic activities of most SACU member states through trade and exchange rate channels, placing strain on this source of income.





A targeted economic stimulus budget

Against this background, the Minister proposes to chart a targeted economic stimulus budget, underpinned by:

- extensive infrastructure investment;
- investment in human resource development; and
- strengthening domestic project management and revenue collection disciplines.

At the same time, the budget proposes to provide improved social protection to support not only the most vulnerable groups in society but also to further cushion against the rising cost of living.

The largest share of the proposed development budget goes to the Ministry of Lands and Water Affairs, mainly to implement major water projects to rehabilitate and expand existing water networks.

Recognising that the six national priorities underpinning TNDP require human capital development, the Ministry of Education and Skills Development has been allocated an additional BWP3bn to focus on skills development and the provision of quality education, thus addressing gaps in human capital and the provision of resources to support the education system.

The Botswana Unified Revenue Service (BURS) is expected to complete a number of initiatives aimed at improving domestic revenue mobilisation:

- Electronic billing/invoicing platforms to improve VAT compliance.
- A digital marking and tracking solution for excisable goods to ensure that legitimate duties and taxes are paid on imported and manufactured products.
- Enhanced use of scanners to curb cases of non-compliance by importers at ports of entry.
- Focussed tax debt recovery efforts.
- Strengthening of the tax audit function and the capacity of the Large Taxpayers Unit.

Following the expiry of the extended tax amnesty on 30 June 2022, these initiatives all confirm that there is an ever-increasing need for taxpayers to actively ensure compliance with tax legislation, and to work with BURS on a proactive basis to ensure that their tax records are in order.

Limited tax reforms

While no significant amendments to existing tax legislation were announced, we anticipate that the long-awaited Income Tax Bill, Value Added Tax (VAT) Bill and Tax Administration Bill will serve before Parliament during the TNDP period. These Bills are expected to modernise the Botswana Code and support revenue mobilisation efforts.

Following the re-enactment of the Tribal Land Act, 2018 and the Deeds Registry (Amendment) Act, 2017, all tribal land grants are required to be registered with the Deeds Registry. This had inadvertently resulted in an allocation of land made by land boards now being subject to transfer duty and requiring a valuation certificate for each grant. The Honourable Minister indicated that the Transfer Duty Act (TDA) will be amended to alleviate the bottleneck which has resulted from this requirement. It remains to be seen whether any other amendments will be made to the TDA to clarify areas of uncertainty or interpretation which have arisen in practice following the most recent (2019) amendments to the Act.

The temporary reduction in the VAT rate from 14% to 12% will come to an end on 31 March 2023. It is expected that a number of additional items will be added to the list of VAT exempt or zero-rated items. The Honourable Minister referenced sanitary products, baby feeding formula and private medical services as examples of items which may be so considered. At the same time, other items currently exempted or zero-rated may be subjected to standard rating.



Budget outturn

Tax type	2021/2022 BWP' billion	Revised estimates 2022/2023 BWP' billion	Budget 2023/2024 BWP' billion
Total revenues and grants	68.57	71.53	79.79
Total expenditures and net lending	73.57	76.41	87.38
Deficit	0.12789	4.88	7.59
Deficit as a % of GDP	0.1%	2.13%	3.06%

Existing tax information

Corporate taxes

Resident company	22%
Resident manufacturing (approved)	15%
Non-resident company	30%
Approved business operations in the SPEDU region	
– First five years of operations	5%
– Thereafter	10%
Capital gains – Resident	22%
– Non-resident	30%
International Financial Services Centre Company (IFSC)	
• Income from approved financial transactions with non-residents, IFSC companies and specified collective investment undertakings	15%
• All other income	22%
Pension and provident fund not approved by the Commissioner General	7.5%
Dividends accruing outside Botswana	10%

Capital allowances

Plant and machinery for construction/self-propelled plant and machinery for manufacturing	25%
Aircrafts and motor vehicles (luxury vehicle limit – P175,000)	25%
Other plant and machinery for manufacturing	15%
Computer hardware	25%
Computer software	
• Developed	10%
• Off the shelf computer applications	100%
Other machinery and office equipment	10%
Furniture and fittings	10%
Buildings industrial	
• Initial allowance	25%
• Annual allowance	2.5%
Other commercial buildings	2.5%
Residential buildings	No allowance



Resident individuals

Taxable income (Pula)	Tax
0 – 48,000	0
48,001 – 84,000	0 + 5% of excess over 48,000
84,001 – 120,000	1,800 + 12.5% of excess over 84,000
120,001 – 156,000	6,300 + 18.75% of excess over 120,000
156,001 and above	13,050 + 25% of excess over 156,000

Non-resident individuals, trusts (s.14(2)) and estates of deceased persons

Taxable income (Pula)	Tax
0 – 84,000	5%
84,001 – 120,000	3,600 + 12.5% of excess over 84,000
120,001 – 156,000	8,100 + 18.75% of excess over 120,000
156,001 and above	15,450 + 25% of excess over 156,000

Employment income – valuation of benefits

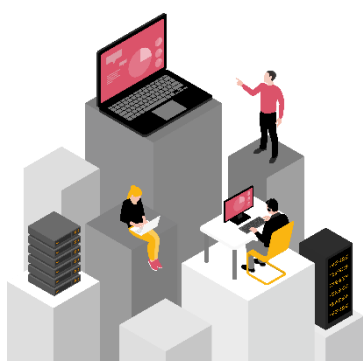
Housing

Lower of:

- (a) Set percentage of employee's income excluding housing benefit; and
- (b) (if rated) 10% of rateable value
(if unrated) no. of square metres of the house x 250 x 8%

Motor vehicle

Cost of vehicle (Pula)	Annual benefit (Pula)	Fuel adjustment (Employee bears fuel cost)
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 above	10,000 + 15% on excess of 200,000	Maximum 5,000



Furniture

Cost of furniture < 15,000 – No benefit
 Cost of furniture > 15,000 – 10% of excess over 15,000

Medical contribution

Employer's contribution up to 100% is not taxable

Other benefits e.g. school fees, gardeners, security, utilities, etc.

Value of the benefit will be higher of the cost to the employer or cost reimbursed by the employer or market value of the benefit

Terminal gratuities

Expatriate employees

Two-thirds taxable and one-third exempt.

The amount of gratuity to be exempted will not exceed:

- 25% of total salary for the first contract;
- 27.5% of total salary for the second contract; and
- 30% of total salary for the third contract.

A minimum of two years should have been completed. The amount of gratuity should be stated in the employment contract.

Severance pay citizen employees

Two-thirds taxable and one-third exempt.

Capital gains tax

Resident and non-resident individuals from tax year 2012/2013

Taxable income (Pula)	Tax
0 – 36,000	0
36,001 – 84,000	0 + 5% of excess over 36,000
84,001 – 120,000	2,400 + 12.5% of excess over 84,000
120,001 – 156,000	6,900 + 18.75% of excess over 120,000
156,000 and above	13,650 + 25% of excess over 156,000

Value-added Tax

Standard rate – 12 % until 31 March 2023

Threshold and registration (with effect from 23 January 2015) with taxable supplies:

- Less than P500,000 – registration not required.
- More than P500,000 but less than P1,000,000 – voluntary registration.
- More than P1,000,000 – compulsory registration.

Transfer duty

Rates applicable from 1 March 2020

Taxable person of property	Rate
Botswana citizen	5%
Non-citizen	30%
The first P1,000,000 is exempt in the case of a transfer to a citizen of Botswana	

Capital transfer tax

Taxable person	Aggregate taxable value	Rate
Person (other than a company)	First P100,000	2%
	Next P200,000	3%
	Next P200,000	4%
	Balance	5%
Resident/non-resident company		12.5%



Withholding tax Rates applicable to residents and non-DTA countries

Payment	Rate applicable to resident	Rate applicable to non-resident	Final or advance tax
Interest	10%	15%	Final tax for non –residents Advanced tax for residents
Dividends	10%	10%	Final tax
Commercial royalties	-	15%	Final tax
Management and consultancy fee	-	15%	Final tax
Entertainment fees	-	10%	Final tax
Construction	3%	3%	Advanced tax
Mine rehabilitation	10%	10%	Final tax
Payment of rent	5%	5%	Advanced tax
Brokerage or commission	10%	10%	Advanced tax

Rates applicable to DTA countries

Payment to resident of	Dividend	Interest	Royalties	Management, consultancy/technical fees
Barbados	*5 % or 10%	10%	10%	10%
Belgium	*5 % or 10%	10%	8%/10%	7.5%
China (People's Republic)	5%	0%/7.5%	5%	5%
Czech Republic	5%	7.5%	7.5%	7.5%
Eswatini	10%	10%	10%	10%
France	*5 % or 10%	10%	10%	7.5%
India	10%	10%	10%	10%
Ireland	5%	7.5%	5%/7.5%	7.5%
Lesotho	10%	10%	10%	10%
Luxembourg	*5 % or 10%	7.5%	7.5%	7.5%
Mauritius	*5 % or 10%	12%	12.5%	15%
Malawi	*5 % or 10%	10%	12%	10%
Malta	5% or 10%	8.5%	5%/ 7.5%	7.5%
Mozambique	10%	10%	10%	10%



Rates applicable to DTA countries

Payment to resident of	Dividend	Interest	Royalties	Management, consultancy/technical fees
Namibia	10%	10%	10%	15%
Russia	*5 % or 10%	10%	10%	10%
Seychelles	*5 % or 10%	7.5%	10%	10%
South Africa	10%	10%	10%	10%
Sweden	10%	15%	15%	15%
UK	*5 % or 10%	10%	10%	7.5%
United Arab Emirates (UAE)	*5 % or 10%	7.5%	7.5%	5%
Zambia	*5 % or 10%	10%	10%	10%
Zimbabwe	*5 % or 10%	10%	10%	10%

Note: *5% if the beneficial owner is a Company and holds 25% or more of shares. 10% other cases

Filing due dates

Return type	Due date
Corporate income tax return	Four months after the financial year end
Individual income tax return	Three months after the tax year end
Annual PAYE and OWHT return	31 July
Monthly PAYE and OWHT returns	On or before 15 of the following month
VAT return	Within 25 days after the end of the tax period
Transfer pricing (TP) documents	Four months after the financial year end





Services that we provide

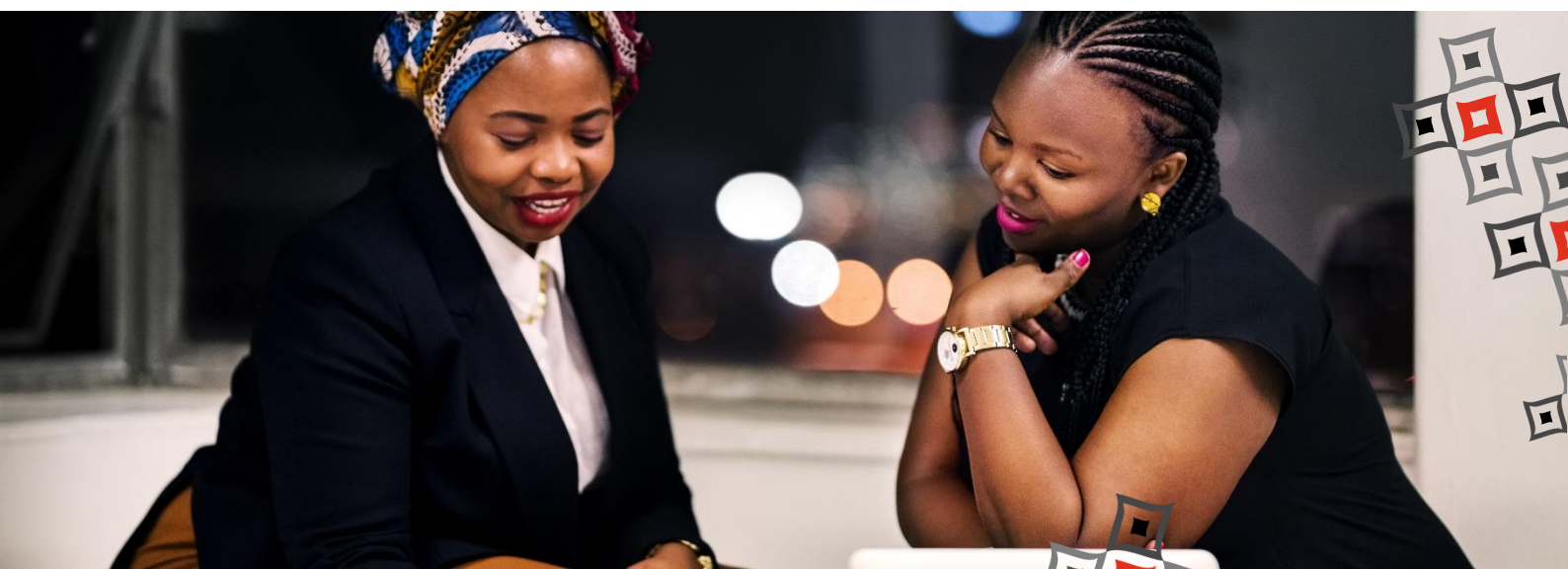
PwC offers a number of services that could add real value to your business. We have vast experience in providing independent professional services to a wide range of industries and organisations, both locally and internationally.

Assurance services	
• Audit services	• Accounting and regulatory advice
• Attest and attest-related services	• Public services audit and advisory
• Company secretarial services	• Transfer secretarial services
Information Technology related services	
• Data/Risk analytics	• Cyber security services
• ISO 27001 / ISO 22301 assessments and implementations	• Strategy and transformation
• IT project management/assurance	• Implementation
• Data migration and transformation	• Managed services
• IT audits and application reviews	• Privacy
• Revenue assurance services	• Incident and threat management
Tax services	
Corporate Tax Advisory	
• General tax advice	• Capital gains tax
• Pre-issuance and pre-filing reviews	• Reorganisation/mergers and acquisitions
• Corporate tax management and tax planning	
Human Resource Services	
• Employment tax services	• International assignment services
• Tax-based rewards, including share schemes	• Organisation effectiveness and development
• Payroll services	
Transfer Pricing	
• Transfer pricing documentation review	• Transfer pricing documentation preparation
Indirect Taxes Advisory	
• Value-added taxation, customs and excise duty advisory	• Calculating apportionment ratio on the provision of mixed supplies
• Value-added tax, customs and excise duty reviews	• Legal opinion / Ruling requests from BURS
Tax Compliance Centre	
• Income tax, value-added tax, withholding tax and other withholding compliance process	• Timely and efficient delivery of tax returns
• Robust tax risk governance and management	• Tax management advisory



Broader Assurance services

Corporate Governance Services	
• King III and King IV gap analysis/assessments	• Non-executive director remuneration benchmarking
• Governance director board trainings	• Board evaluation and assessment services
• Drafting board charter and various other documents	• Combined assurance framework/model development
• King IV readiness and implementation services	• Corporate governance strategy and gap assessment
Enterprise Risk Management Services	
• Enterprise risk management maturity assessment	• Enterprise risk assessment and risk registers development
• Enterprise risk management framework and policy development	• Enterprise risk management training for board and management
Internal Audit Services	
• Outsourced and co-sourced internal audit services	• Internal audit quality assurance reviews (QAIP)
• Internal audit staff secondment services	• Internal audit training and workshops
• Internal audit function establishment and setup	• Internal audit charter development and review
• Internal audit policy and framework development	• Performance audits and value for money audits
Anti-money Laundering (AML) and Forensic Services	
• AML policies and framework development services	• AML training and awareness
• AML regulatory compliance	• Forensic accounting and analysis services
• AML and terrorist financing risk assessment	• Anti-fraud policies, standards and operating procedures
• Special reviews and fraud investigations	• Fraud training and awareness programmes





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