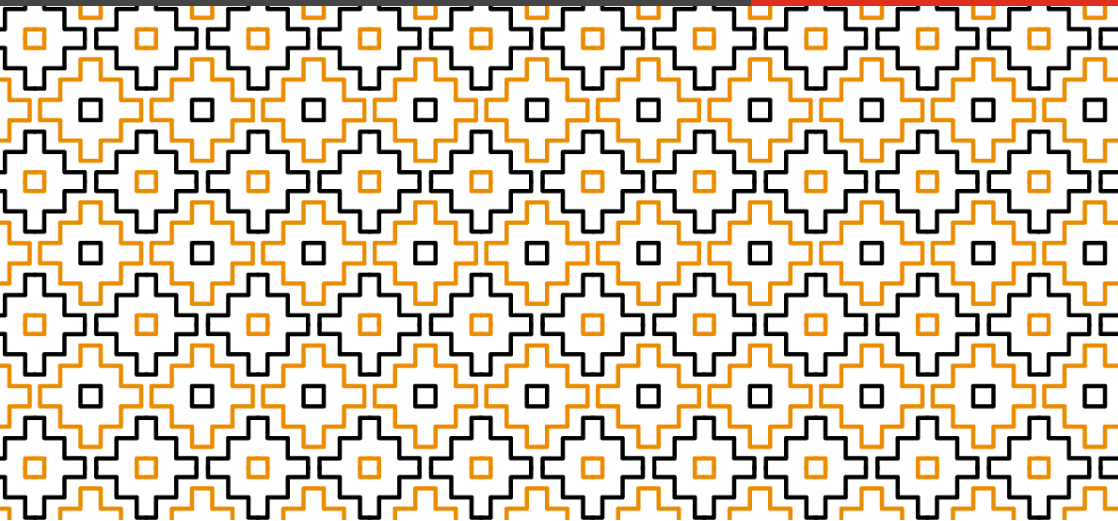


# Botswana budget 2021/22

1 February 2021



## Services that we provide

PwC has a number of service divisions 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	
<ul style="list-style-type: none"> <li>• Audit services</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting and regulatory advice</li> </ul>
<ul style="list-style-type: none"> <li>• Attest and attest-related services</li> </ul>	<ul style="list-style-type: none"> <li>• Public services audit and advisory</li> </ul>
<ul style="list-style-type: none"> <li>• Company secretarial services</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer secretarial services</li> </ul>
<ul style="list-style-type: none"> <li>• Internal audit outsourcing services</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit co-sourcing services</li> </ul>
<ul style="list-style-type: none"> <li>• Internal audit effectiveness and quality assurance reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit staff augmentation/secondment</li> </ul>
Tax services	
Corporate Tax Advisory	
<ul style="list-style-type: none"> <li>• General tax advice</li> </ul>	<ul style="list-style-type: none"> <li>• Capital gains tax</li> </ul>
<ul style="list-style-type: none"> <li>• Pre-issuance and pre-filing reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Reorganisation/mergers and acquisitions</li> </ul>
<ul style="list-style-type: none"> <li>• Corporate tax management and tax planning</li> </ul>	<ul style="list-style-type: none"> <li>• Tax due diligences</li> </ul>
Human Resource Services	
<ul style="list-style-type: none"> <li>• Employment tax services</li> </ul>	<ul style="list-style-type: none"> <li>• International assignment services</li> </ul>
<ul style="list-style-type: none"> <li>• Tax-based rewards, including share schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Organisation effectiveness and development</li> </ul>
Indirect Taxes Advisory	
<ul style="list-style-type: none"> <li>• Value-added taxation, Customs and excise duty reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Value-added tax, customs and excise duty reviews</li> </ul>
Tax Compliance Centre	
<ul style="list-style-type: none"> <li>• Income tax, value-added tax, withholding tax and other withholding compliance process</li> </ul>	<ul style="list-style-type: none"> <li>• Timely and efficient delivery of tax returns</li> <li>• Tax management advisory</li> </ul>
<ul style="list-style-type: none"> <li>• Robust tax risk governance and management procedures</li> </ul>	
Advisory services	
Transaction Services	
<ul style="list-style-type: none"> <li>• Due diligence reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Sell-side due diligence</li> </ul>
<ul style="list-style-type: none"> <li>• Post-deal services</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic deal services</li> </ul>
<ul style="list-style-type: none"> <li>• Realising value on complex disposals</li> </ul>	<ul style="list-style-type: none"> <li>• Bid support services</li> </ul>
<ul style="list-style-type: none"> <li>• Assistance with price negotiations and acquisitions</li> </ul>	
Governance, Risk and Compliance	
<ul style="list-style-type: none"> <li>• Governance compliance reviews</li> </ul>	<ul style="list-style-type: none"> <li>• ERM framework design and implementation</li> </ul>
<ul style="list-style-type: none"> <li>• Corporate governance trainings</li> </ul>	<ul style="list-style-type: none"> <li>• Development/review of board charters</li> </ul>
<ul style="list-style-type: none"> <li>• ERM workshops and development of risk registers</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance review and readiness</li> </ul>
Forensic Services	
<ul style="list-style-type: none"> <li>• Commercial crime investigations</li> </ul>	<ul style="list-style-type: none"> <li>• Asset recovery</li> </ul>
<ul style="list-style-type: none"> <li>• Business ethics advisory services</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud risk and prevention management</li> </ul>
Corporate Finance	
<ul style="list-style-type: none"> <li>• Corporate finance</li> </ul>	<ul style="list-style-type: none"> <li>• Project finance and privatisation</li> </ul>
<ul style="list-style-type: none"> <li>• Corporate value consulting</li> </ul>	<ul style="list-style-type: none"> <li>• Business recovery systems</li> </ul>
Fixed Asset Management Services	
<ul style="list-style-type: none"> <li>• Creation of asset registers</li> </ul>	<ul style="list-style-type: none"> <li>• Linking and balancing the asset register with the general ledger</li> </ul>
<ul style="list-style-type: none"> <li>• Maintenance of asset registers and physical counts, month-end runs and month-end depreciation runs</li> </ul>	<ul style="list-style-type: none"> <li>• Bar-coding and scanning of fixed assets (helps with the accurate maintenance of revaluations, depreciation, purchases and disposals)</li> </ul>

## Background

The 2021/2022 Budget was prepared under extraordinary circumstances, amidst an extraordinarily challenging global and domestic environment brought about by the COVID-19 pandemic. The pandemic has brought about public finance challenges, as revenues are down on the one hand, whereas on the other hand, expenditures are up as Government spends on controlling the disease and supporting businesses and households.

The IMF January 2021 World Economic Outlook estimates that global output contracted by 3.5%. However, the global economy is projected to recover and grow by 5.5% in 2021. On the other hand, in the second quarter of 2020, the domestic economy was 24% lower than the same period in 2019. Overall, the domestic economy is expected to contract by 7.7% in 2020 as a whole. In 2021 the local economy is projected to grow by 8.8%.

## Budget outturn

Tax type	2019/2020 BWP' billion	Revised estimates 2020/2021 BWP' billion	Budget 2021/2022 BWP' billion
Total revenues and grants	54.3	48.33	64.58
Total expenditures and net lending	65.4	69.36	70.61
Deficit	11.1	21.03	6.03
Deficit as a % of GDP	5.6%	11.61%	2.87%

## Fiscal legislation

The following fiscal legislations were proposed in the current year budget:

- The VAT rate is to be increased by 2% from 12% to 14%, with effect from 1 April 2021.
- In line with the increase in the VAT rate, the fuel levy will be increased by P1 to P1.12 per litre, with effect from 1 April 2021.
- The dividend withholding tax rate of 7.5% will also increase to 10%, with effect from 1 July 2021.
- The minimum income tax threshold will be increased from P36,000 to P48,000 per annum, with effect from 1 July 2021.
- To ease the burden of tax, Government has decided to provide tax amnesty to those taxpayers who settle their principal tax liability by writing off interest and penalties charged during previous tax periods.
- A tax on sugar sweetened beverages be introduced at a rate of 2 thebe per gram of sugar above a content of 4g of sugar per 100ml, effective from 1 April 2021.
- Although the levy was proposed some time ago, Botswana is looking to implement collection of the plastic levy by Botswana Unified Revenue Service ('BURS') with effect from 1 April 2021, by introducing the necessary statutory instruments to ensure the levy comes into operation.
- Botswana is working on the effective implementation of imposing a levy on second-hand vehicles imported into Botswana, with the dual objectives of raising revenue and addressing environmental concerns regarding pollution.
- Government continues to review the fees and levies charged for its services. The first group of Ministries y adjusted their fees last year already. The aim is to revise the fees of the next group of six Ministries, to take effect on 1 April 2021.

## Other important changes during the year

### New tax management and revenue collection system – Lekgetho Live

During the year, BURS introduced the new tax management and revenue collection system 'Lekgetho Live'. The following are the salient features of the new system:

- All taxpayers will receive a new tax registration number ('TIN').
- VAT registered taxpayers are to be given with new VAT numbers.
- A new and simplified Online Reference Number ('ORN') has been implemented for all tax payments.
- Submitting monthly PAYE and OWHT returns via BURS eServices has been made compulsory where the number of payees are over ten.
- Registration of tax agents with BURS is pending implementation.

### New tax registration number

With effect from 1 March 2021, the following tax services will not be offered without the new CIPA number. Therefore, all companies registered for tax purposes should ensure that the new CIPA number is available for tax purposes by 28 February 2021:

- Submission of tax returns
- Registration for tax purposes
- Application for tax clearance certificate
- Tax refunds payments
- Import and export of goods and services in and out of Botswana
- Submission and processing of Customs declarations
- Clearance of goods on behalf of others
- Registration as a clearing agent
- Renewal of clearing and bonded warehouse licenses.

### Reliefs granted due to the COVID-19 pandemic

#### SAT deferment

- Under Statutory Instrument No. 73 of 2020, Income Tax (COVID-19) (Deferment of Self-Assessment Tax), Order 2020, eligible taxpayers were granted deferment up to 75% of any two quarterly SAT payments between March and September 2020, including any final payment.
- Such deferred amount shall be paid from 1 March 2021 to 31 December 2021.

#### Suspension of collection of training levy

The training levy ('TL') was waived for six months, depending on the relevant tax period, for VAT purposes as follows:

Category of taxpayer	TL relief applicable for VAT returns submitted
A – Bimonthly	April, June and August 2020
B – Bimonthly	May, July and September 2020
C – Monthly	April, May, June, July, August and September 2020

#### Extension of due date for return submission and payment

Tax type	Due date	Extended due date
Pay As You Earn (PAYE) and Other withholding taxes (OWHT)	15 April 2020 and 15 May 2020	30 June 2020
Value-added Tax (VAT)	25 April 2020 and 15 May 2020	30 June 2020
Corporate income tax (CIT)	30 April 2020 and 15 May 2020	30 June 2020

## Extension of validity of tax clearance certificate ('TCC')

BURS extended the validity of TCCs that have expired or are due to expire during the period 1 April 2020 to 31 March 2021, as valid up to 31 March 2021.

Existing tax information	
<b>Corporate taxes</b>	
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 funds not approved by the Commissioner General	7.5%
Dividends accruing outside Botswana	15%
<b>Capital allowances</b>	
Plant and machinery for construction/self-propelled plant and machinery for manufacturing	25%
Aircraft and motor vehicles (luxury vehicle limit – P175,000)	25%
Other plant & 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

<b>Resident individuals</b>	
<b>Taxable income (Pula)</b>	<b>Tax</b>
0 – 36,000	0
36,001 – 72,000	0 + 5% of excess over 36,000
72,001 – 108,000	1,800 + 12.5% of excess over 72,000
108,001 – 144,000	6,300 + 18.75% of excess over 108,000
144,001 and above	13,050 + 25% of excess over 144,000

<b>Non-resident individuals, trusts (s.14(2)) and estates of deceased persons</b>	
<b>Taxable income (Pula)</b>	<b>Tax</b>
0 – 72,000	5%
72,001 – 108,000	3,600 + 12.5% of excess over 72,000
108,001 – 144,000	8,100 + 18.75% of excess over 108,000
144,001 and above	14,850 + 25% of excess over 144,000

### **Employment income – valuation of benefits**

<b>Housing</b>
Lower of:
(a) set percentage of employees income excluding housing benefit; and
(b) (if rated) 10% of rateable value (if unrated) no. of square meters of the house x 250 x 8%.

<b>Motor vehicle</b>		
<b>Cost of vehicle (Pula)</b>	<b>Benefit (Pula)</b>	<b>Fuel adjustment (Employee bears fuel cost)</b>
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.**

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

## Terminal gratuities

### Expatriate employees

One third of gratuities paid for expatriate employees under employment contracts will be exempted and the remaining two third is taxable.

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.

### Severance pay citizen employees

One third of severance paid to a citizen employee is exempt from tax and the remaining two thirds are taxable.

## Capital gains tax

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

Taxable income (Pula)	Tax
0 – 18,000	0
18,001 – 72,000	0 + 5% of excess over 18,000
72,001 – 108,000	2,700 + 12.5% of excess over 72,000
108,001 – 144,000	7,200 + 18.75% of excess over 108,000
144,000 and above	13,950 + 25% of excess over 144,000
Value-added Tax	
Standard rate	– 12 % with effect from 1 April 2010
Threshold and registration (with effect from 23 January 2015) with taxable supplies:	
<ul style="list-style-type: none"> <li>• less than P500,000 – registration not required;</li> <li>• more than P500,000 but less than P1,000,000 - voluntary registration; and</li> <li>• more than P1,000,000 - compulsory registration.</li> </ul>	

## 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%

## 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 the 15th 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

## 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	7.5%	7.5%	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 7.5%	10%	10%	10%
Belgium	*5 % or 7.5%	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	7.5%	10%	10%	10%
France	*5 % or 7.5%	10%	10%	7.5%
India	7.5%	10%	10%	10%
Ireland	5%	7.5%	5%/7.5%	7.5%
Lesotho	7.5%	10%	10%	10%
Luxembourg	*5 % or 7.5%	7.5%	7.5%	7.5%
Mauritius	*5 % or 7.5%	12%	12.5%	15%
Malawi	*5 % or 7.5%	10%	12%	10%
Malta	5% or 6%	8.5%	5%/ 7.5%	7.5%
Mozambique	7.5%	10%	10%	10%
Namibia	7.5%	10%	10%	15%
Russia	*5 % or 7.5%	10%	10%	10%
Seychelles	*5 % or 7.5%	7.5%	10%	10%
South Africa	7.5%	10%	10%	10%
Sweden	7.5%	15%	15%	15%
UK	*5 % or 7.5%	10%	10%	7.5%
United Arab Emirates (UAE)	*5 % or 7.5%	7.5%	7.5%	5%
Zambia	*5 % or 7.5%	10%	10%	10%
Zimbabwe	*5 % or 7.5%	10%	10%	10%

Note - \*5% if the beneficial owner is a company and holds 25% or more of shares; 7.5% in all other cases.

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The information contained in this booklet is based on our interpretation of the existing legislation and budget proposals. Whilst we have taken every care in preparing this booklet we cannot accept responsibility for any inaccuracies that may arise. We suggest that you use this booklet as a guide, but that you consult us before taking any decisions based on the information contained herein.

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