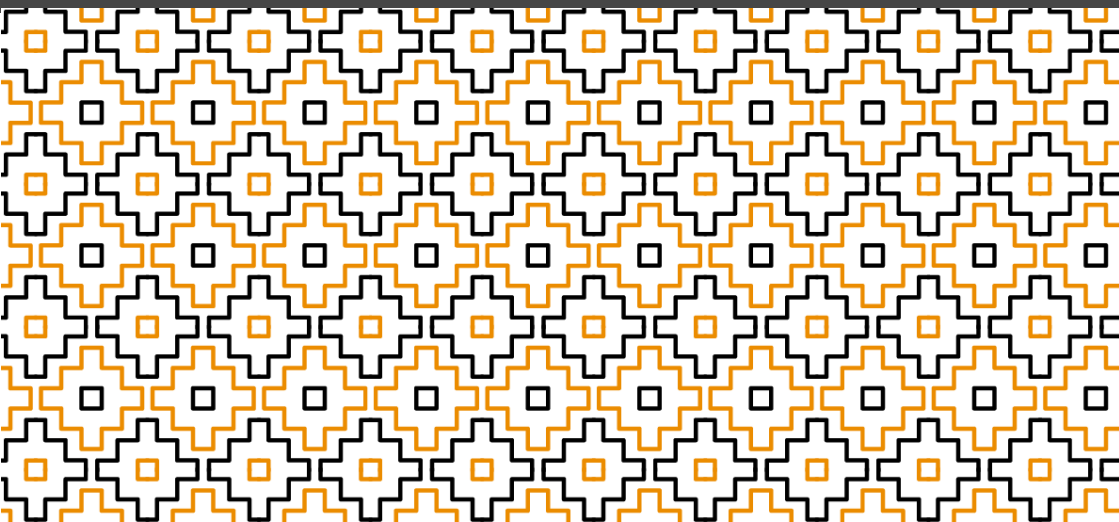


# Botswana Budget 2022/23

7 February 2022



## Background

The 2022/2023 Budget marked the first Budget Speech delivered by a female Minister of Finance and Economic Development, Honourable Peggy O Serame.

The 2022/2023 budget period marks the final year of the National Development Plan 11, and the following national priorities and objectives were highlighted:

- saving Botswana's population from COVID-19;
- refocus spending;
- support livelihoods; and
- service delivery reforms.

The IMF January 2022 World Economic Outlook estimates that the global economic output contracted by 3.1% in 2020, before rebounding by 5.9% in 2021, and moderating to 4.4% in 2022. The global economic recovery is facilitated by vaccine rollouts, allowing for normalisation of economic activity, as restrictions on movements and business are rolled back. This pattern of economic recovery may be uneven and will be impacted by the emergence of new COVID-19 variants.

The domestic economy is estimated to have grown by 13.5% in the first three quarters of 2021, albeit off a low base after contracting 10.1%. Overall the domestic economy is expected to grow by 9.7% in 2021 and projected to grow by 4.3 % in 2022.

The impact on COVID-19 on the Botswana economy has accentuated structural trends and weaknesses, which had been developing over a number of years. These include a reduction of revenue from minerals and fluctuations in revenue from the Southern African Customs Union. These two sources have historically contributed two thirds of total government revenues. These trends require increased domestic revenue collection and spending in order to avoid continuing deficits.

While the Ministry of Health and Wellness will receive the majority share of this year's Ministerial recurrent budget allocations, the Honourable Minister also signalled an important expenditure switch, which will see a greater proportion of the total annual expenditure budget being allocated to development projects and the maintenance of social and economic infrastructure.

This switch, which aims to better align spending to public needs, - will be achieved over the longer term, with the 2022/23 budget allocating more money to the completion of on-going development projects and maintenance of existing assets as a first step.

## Budget outturn

Tax type	2021/2022 BWP' billion	Revised estimates 2021/2022 BWP' billion	Budget 2022/2023 BWP' billion
Total revenues and grants	64.58	63.40	67.87
Total expenditures and net lending	70.61	73.57	74.84
Deficit	6.03	10.16	6.98
Deficit as a % of GDP	2.87%	5.09%	3.2%

## Key measures aimed at restoring fiscal sustainability

The key steps proposed to restore fiscal sustainability include:

- Increasing domestic revenue mobilisation by extending the tax net through improved use of technology, increased tax audits, a review of tax laws, enhanced taxpayer education and devolution of revenue collection responsibility (and accountability) to local authorities and relevant agencies (much of which will likely take the form of usage / service charges).
- Reducing fiscal expenditure through a combination of:
  - reducing the government wage bill (over a period of up to three years);

- reducing the cost of supporting commercial state owned enterprises (including through rationalisation in the form of closure, merger and divestiture and requiring improved financial self-sustenance from remaining state owned enterprises);
- reducing revenue support grants to local authorities (in the hope of driving improved efficiencies in the collection of existing revenue streams such as property taxes, while also requiring the development of alternative revenue streams at local authority level); and
- general cost containment across government and the improved execution of development projects (some of which - notably in the energy and transport sectors - will include increasing opportunities for public-private partnerships).

These measures will have as ultimate aim the rebuilding of fiscal buffers, with a short-term aim being to restore the government investment account to pre-COVID levels. Such fiscal measures will be supported by an extensive, and continuing legislative reform programme, aimed at ensuring that Botswana's laws keep abreast with global and domestic developments. Key reforms envisaged include changes to the Retirement Funds Act, the Bank of Botswana and Banking Acts, the NBFIRA Act, and the Public Finance Management Act.

The Honourable Minister acknowledged that the domestic economy is still plagued by weak implementation of programmes and projects, therefore emphasising the need for a strengthened legislative framework as the backbone to accountability for implementation of policies.

## Other important changes during the last year

### **Tax Amnesty**

While many taxpayers have expressed frustration with the recordkeeping by the Botswana Unified Revenue Service (BURS), the Botswana Tax Amnesty offers an opportunity to reconcile individual tax records with those maintained by the BURS, ensuring a 'clean slate' and in the process clearing any outstanding balances without incurring interest and penalties.

The amnesty covers all tax periods to 30 June 2021 and has been extended to run to 30 June 2022.

BURS has engaged 95 temporary employees to assist with this reconciliation process, and taxpayers are expected to liaise with BURS to ensure that their tax compliance status – as reflected on the BURS system – shows full compliance with all tax filing and principle tax obligations. In our experience, this is a time-consuming process, often requiring the taxpayer to provide detailed records to assist in the process. We recommend that taxpayers wishing to make use of the Amnesty allow sufficient time for this reconciliation process

### **Special Economic Zone (SEZ) Order, October 2021**

This Order confirmed that income accruing to an investor or developer from SEZ-licensed operations is to be taxed at a special rate of five percent for the first 10 years of operation in a special economic zone and thereafter 10 percent.

### **Threshold for preparation and submission of transfer pricing documentation**

BURS issued a blanket ruling setting a threshold for the preparation and submission of transfer pricing documentation. Only taxpayers with a cumulative arms length value of connected party transactions of BWP 5 million are required to prepare and submit the transfer pricing documentation. The ruling is retroactive from 1 July 2019 and will continue in force until revised.

### **Draft Value Added Tax and Tax Administration Bills 2021**

The above two Bills, which aim to improve the Botswana tax code (and are expected to be implemented together with a revised Income Tax Act), were published for comment by stakeholders. This legislation is expected to be finalised in the near future as part of the package of legislative reforms referenced in the budget.

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 fund not approved by the Commissioner General	7.5%
Dividends accruing outside Botswana	10%
<b>Capital allowances</b>	
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

<b>Non-resident individuals, trusts (s.14(2)) and estates of deceased persons</b>	
<b>Taxable income (Pula)</b>	<b>Tax</b>
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

<b>Employment income – valuation of benefits</b>		
<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>Annual 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.**

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.

Minimum two years should have been completed. Should be stated in the employment contract

### **Severance pay citizen employees**

Two thirds taxable and one third exempt

<b>Capital gains tax</b>	
<b>Resident and non-resident individuals</b>	
<b>Taxable income (Pula)</b>	<b>Tax</b>
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
<b>Value-added Tax</b>	
Standard rate – 14 % with effect from 1 April 2021	
Threshold and registration 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</li> <li>• more than P1,000,000 – compulsory registration</li> </ul>	

<b>Transfer duty</b>	
<b>Rates applicable from 1 March 2020</b>	
<b>Taxable person of property</b>	<b>Rate</b>
Botswana citizen	5%
Non-citizen	30%
The first P1,000,000 is exempt in the case of a transfer to a citizen of Botswana	

<b>Capital transfer tax</b>		
<b>Taxable person</b>	<b>Aggregate taxable value</b>	<b>Rate</b>
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
Non - executive directors' fees or similar fees	10%	15%	Final tax for non –residents Advanced tax for residents

### 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%
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. 7.5% in all 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.



<b>Assurance services</b>	
<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>
<p><b>Information Technology related services</b></p> <ul style="list-style-type: none"> <li>• Data/Risk analytics</li> <li>• ISO 27001 / ISO 22301 assessments and implementations</li> <li>• IT project management/assurance</li> <li>• Data migration and transformation</li> <li>• IT audits and application reviews</li> <li>• Revenue assurance services</li> </ul>	<ul style="list-style-type: none"> <li>• Cyber security services</li> <li>• Strategy and transformation</li> <li>• Implementation</li> <li>• Managed services</li> <li>• Privacy</li> <li>• Incident and threat management</li> </ul>
<b>Tax services</b>	
<b>Corporate Tax Advisory</b>	
<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>	
<b>Human Resource Services</b>	
<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>
<ul style="list-style-type: none"> <li>• Payroll services</li> </ul>	
<b>Transfer Pricing</b>	
<ul style="list-style-type: none"> <li>• Transfer pricing documentation review</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer pricing documentation preparation</li> </ul>
<b>Indirect Taxes Advisory</b>	
<ul style="list-style-type: none"> <li>• Value-added taxation, customs and excise duty advisory</li> </ul>	<ul style="list-style-type: none"> <li>• Calculating apportionment ratio on the provision of mixed supplies</li> </ul>
<ul style="list-style-type: none"> <li>• Value-added tax, customs and excise duty reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Legal opinion / Ruling requests from BURS</li> </ul>
<b>Tax Compliance Centre</b>	
<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> </ul>
<ul style="list-style-type: none"> <li>• Robust tax risk governance and management</li> </ul>	<ul style="list-style-type: none"> <li>• Tax management advisory</li> </ul>
<b>Broader Assurance services</b>	
<b>Corporate Governance Services</b>	
<ul style="list-style-type: none"> <li>• King III and King IV gap analysis/assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Non-executive director remuneration benchmarking</li> </ul>
<ul style="list-style-type: none"> <li>• Governance director board trainings</li> </ul>	<ul style="list-style-type: none"> <li>• Board evaluation and assessment services</li> </ul>
<ul style="list-style-type: none"> <li>• Drafting board charter and various other documents</li> </ul>	<ul style="list-style-type: none"> <li>• Combined assurance framework/model development</li> </ul>
<ul style="list-style-type: none"> <li>• King IV readiness and implementation services</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance strategy and gap assessment</li> </ul>

<b>Enterprise Risk Management Services</b>	
• 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
<b>Internal Audit Services</b>	
• 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
<b>Anti-money Laundering (AML) and Forensic Services</b>	
• 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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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 making decisions based on the information contained herein.

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