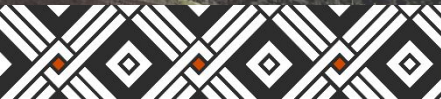


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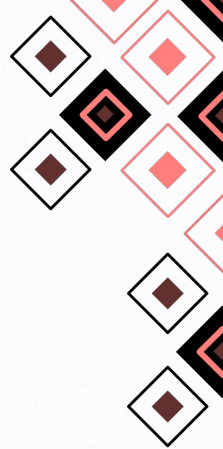
# Botswana budget

2024/25



February 2024





# Background

The 2024/2025 Budget marked the end of the second Transitional National Development Plan (“TNDP”) deferring National Development Plan 12 to the financial year 2024/2025. Delivering the 2024/2025 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:

- 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
- Tourism development

The International Monetary Fund’s January 2024 “World Economic Outlook” estimates global economic growth to slow down to 3.1% in 2023 and 2024 from 3.5% in 2022. Growth in the Sub-Saharan African region is expected to decrease to 3.3% in 2023, from 4.0% in 2022, before picking up to 3.8% in 2024. Average growth in the Southern African Development Community (“SADC”) and Southern African Customs Union (“SACU”), is estimated to have slowed down to 2.5% and 1.2% respectively. Growth is expected to pick up to 3.2% and 2.0% respectively in both regions in 2024 as the regional economic conditions remain positive.

Botswana’s income from the SACU revenue pool remains the largest revenue contributor to the budget, followed by mining revenue (estimated at 25.05% of total revenue).

Due to slow or slowing revenue growth in the SACU region, combined with global threats to demand and pricing for Botswana’s main mining exports (diamonds, copper and coal), the Government will need to step up its revenue maximisation drive through economic diversification and improving operational efficiencies to close domestic revenue leakages. Ongoing geopolitical tensions which continue to disrupt global economic prospects have strong negative outcomes on Botswana’s economic growth through both demand-side and supply-side pressure.





## A stimulus budget

Against this background, the Minister proposes to chart a course towards economic stimulus, underpinned by:

- extensive infrastructure investment;
- investment in human resource development; and
- research and development.

The budget highlights the importance of delivering on the key priorities of transforming the economy and ensuring inclusive growth with emphasis on creating sustainable jobs and eliminating abject poverty.

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 and complete existing sanitation projects. Other land management projects include the preparation of spatial plans, surveying of plots and land acquisitions in preparation for land allocation.

A development budget of P1.02 billion is being proposed for Research and Development compared to P267.80 million in the 2023/2024 financial year. This is an increase of P752.20 million or 280.9 percent. This initiative will require close partnership between Government, research institutions and industry to ensure that there is a solid and inseparable link between IP and entrepreneurship.

## Tax Amendments during the year

### Terminal payouts

The Income Tax Act was amended with effect from 15 January 2024 to:

- Increase the exempt portion arising from gratuity, severance and retrenchment payouts from 33.3 percent to 50 percent; and
- Exempt from income tax:
  - Any amount withdrawn by a deferred member under the Retirement Funds Act towards payment for medical treatment.
  - 50 percent of the amount withdrawn from deferred benefits in a pension fund to settle a loan and where, by reason of such tax payable, the amount is not enough to settle the amount payable, the whole amount will be exempt.

The first P20,000 received from annual pension or annuity.

## Revision of existing tax laws

As had been indicated in previous budget presentations, existing tax legislation must be reviewed to meet the demands of an increasingly globalised, digital economy. Through the ongoing review process, the intention is to enact and operationalise revised Income Tax and Value Added Tax (“VAT”) Acts, and to introduce for the first time, a new Tax Administration Act.

This process remains a priority but has taken longer than anticipated, not least because the process is complex, requires wide consultation and alignment with developments in international tax.

The extent and possible impact of proposed changes were evident from the draft bills published for comment during the course of 2023, for example:

The Income Tax Bill proposed greater clarity on the timing of accrual of income, with alignment between the rules for VAT and income tax, while also proposing that expenses subject to any kind of withholding tax (including PAYE) will only be tax deductible if the underlying withholding tax has been paid within stipulated timelines.





## Revision of existing tax laws cont'd

Furthermore, tax on international transport income earned by non-residents and insurance premiums paid to non-resident insurers through final taxes on such income and premiums were proposed. If the Bill is enacted, individuals will be required to pay Self-Assessment Tax under certain circumstances, while employment income will be taxed (and employment expenses allowed as deduction) on a cash basis.

The VAT Bill provides for a revised definition of the supply of services, while also specifically including aspects associated with the global digital economy such as digital currencies, card settlements, electronic marketplaces and e-invoicing. These proposals will likely widen the VAT base and assist in improving compliance monitoring.

At the same time, proposals were made to allow additional input tax credits in areas where taxpayers have long requested relief (for example, with respect to VAT on food and beverages provided to employees while away from home). It is also proposed that VAT refunds will not be paid automatically, but only on specific application by the taxpayer.

The draft Tax Administration Bill proposed extended document retention periods (of up to 40 years), limiting the time period allowed for late submission of tax returns to 28 days (other than in exceptional circumstances) and introduces specific rules around tax registration, including time periods for initial registration and for notifying the tax authorities of changes in tax status, and proposes to shorten the period during which tax objections must be submitted from 60 to 45 days.

It is also proposed that taxpayers will be able to place formal reliance on public rulings issued by Botswana Unified Revenue Service (BURS) provided that fact patterns are analogous, while private rulings – which may not be binding on BURS – will be issued to taxpayers for a fee.

The proposals highlighted above are not a complete listing of all the changes envisaged, nor is it guaranteed that all the proposals will make their way to the final legislation.

However, the draft legislation and time taken in the drafting process make it evident that the revised and new laws will serve to widen Botswana's tax net, seek to improve tax compliance and potentially place an increased tax governance responsibility on taxpayers. We encourage taxpayers to familiarise themselves with these proposals, and where necessary, to seek advice on how these may impact them.

## Focus on compliance and enforcement

Following the expiry of the extended tax amnesty on 30 June 2022, 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. Taxpayers can expect increasing levels of tax audits and scrutiny of tax returns by BURS as efforts to ensure compliance are intensified. In this regard, we advise that taxpayers continue to pay particular attention to:

- transfer pricing, including the maintenance and submission of comprehensive policies, adherence to such policies and maintaining records to prove such adherence – non-compliance to transfer pricing requirements can bring especially hefty fines;
- requirements relating to deduction of withholding tax on technical, consulting, management, royalty and similar fees paid to non-residents – failure to deduct and pay such withholding taxes when due will impact on the income tax deductibility of the underlying expense, and the definition of such fees in the Income Tax Act and relevant Double Tax Agreements mean that BURS may argue that withholding taxes are due on a wide range of fees;
- whether expenses (especially those that have not been settled in cash) have been wholly, exclusively and necessarily incurred in the production of taxable income; and
- reconcile gross income per income tax returns to revenue per VAT returns as these are areas where BURS pay specific attention and often make adverse findings against taxpayers.

## Budget outturn

Tax type	2022/2023 BWP' billion	Revised estimates 2023/2024 BWP' billion	Budget 2024/2025 BWP' billion
Total revenues and grants	74.10	81.67	93.58
Total expenditures and net lending	74.10	88.79	102.28
Deficit	0.12	7.13	8.69

## Existing tax information

Corporate tax income tax rates	
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



### Individual tax rates - 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

### Individual tax rates - non-resident individuals, trusts (s.14(2)) and estates of deceased persons

Taxable income (Pula)	Tax
0 – 84,000	5%
84,001 – 120,000	4,200 + 12.5% of excess over 84,000
120,001 – 156,000	8,700 + 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:

- Set percentage of employee's income excluding housing benefit; and
- (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

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.

## Individual - capital gains tax

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

Taxable income (Pula)	
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 – 14 %

Threshold and registration 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 3 May 2023

Taxable person of property	Rate
Botswana citizen	5%
Non-citizen	10%
a) The purchase price or value of the property up to P2,000,000	15%
b) The purchase price or value of the property in excess of P2,000,000	5%
c) An entity which is neither a natural person nor a company	
The first P1,500,000 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
Director Fees	10%	15%	Final tax for non –residents Advanced tax for residents
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%
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%
Malta	5% or 6%	8.5%	5%/ 7.5%	7.5%
Mozambique	10%	10%	10%	10%



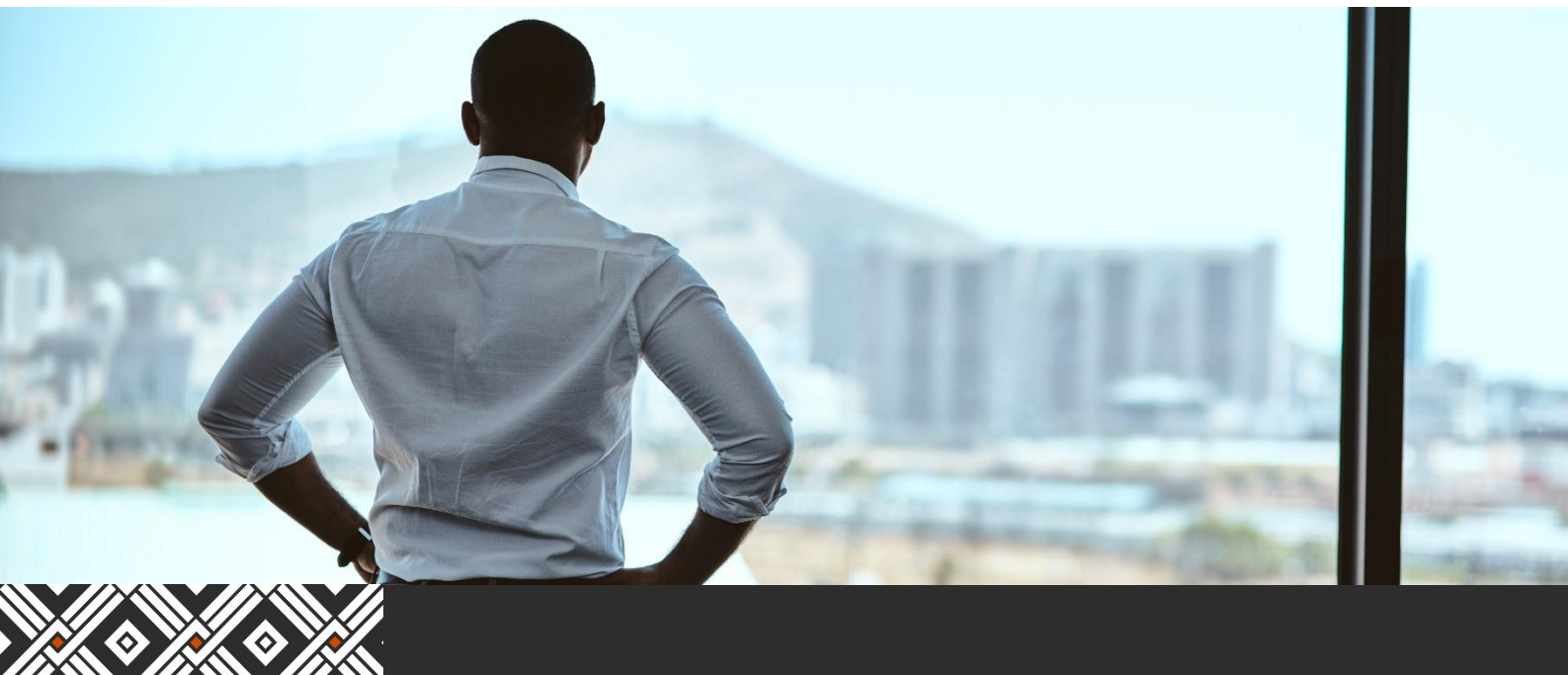
## Rates applicable to DTA countries

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% in 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	
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**

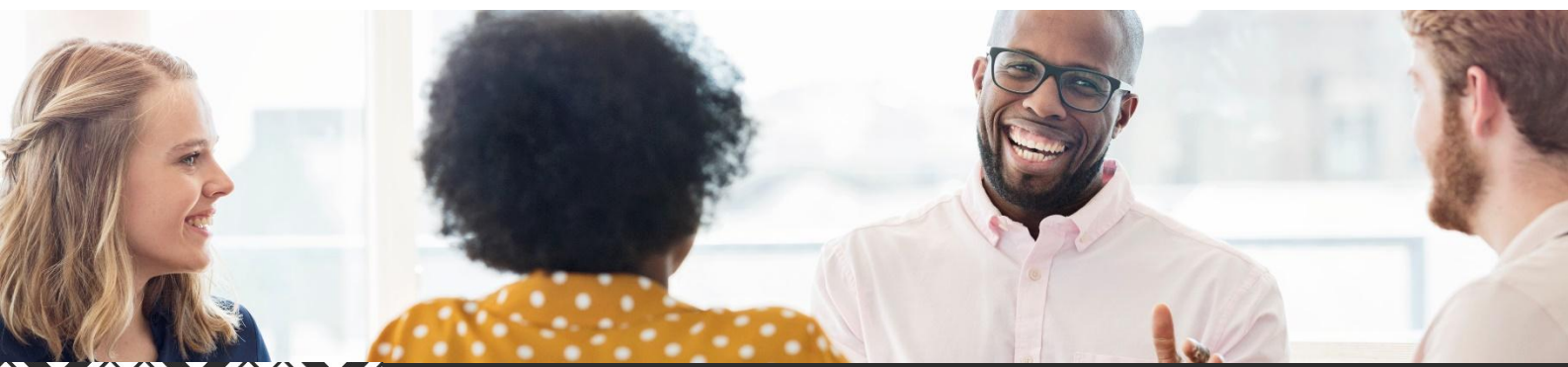
• Enterprise risk management maturity assessment	• Enterprise risk assessment and risk registers development
• Enterprise risk management framework and policy development	• Enterprise risk management training for board and management

**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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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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