

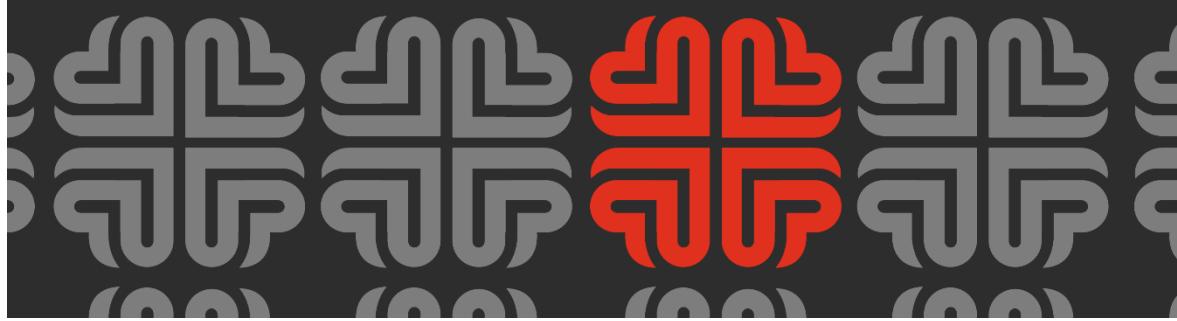


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Botswana budget

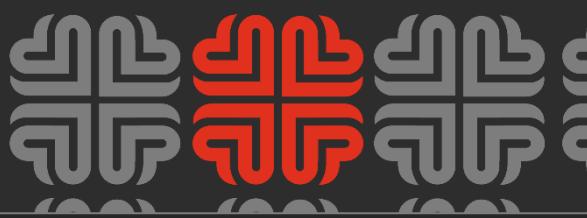
2025/2026

February 2025





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Botswana's Vice President and Minister of Finance, Hon. Ndaba Nkosiath Gaolathe, presented the 2025/26 National Budget at a time of significant economic challenges. The country faces a substantial fiscal deficit, overdependence on a struggling diamond sector, and declining foreign exchange reserves (most notably in the Government Investment Account). The new administration, led by President Advocate Duma Boko, inherited an unsustainable fiscal position and a pressing need for structural reforms to restore economic stability and growth.

Budget Outrun

		Budget 2023/2024 BWP' billion	Revised 2024/2025 BWP' billion	Current 2025/2026 BWP' billion	
		Total revenues and grants	74.26	68.69	75.49
		Total expenditures and net lending	85.37	93.42	97.61
		Deficit	11.11	24.73	22.12

In his recent State of the Nation Address, President Advocate Boko built on the aspirational economic promises made in the Umbrella for Democratic Change's 2024 election manifesto. These promises included job creation, economic diversification, and extensive infrastructure development. The strategic imperatives outlined by President Boko emphasised the need for fiscal sustainability, social welfare enhancements, governance and transparency improvements, and environmental sustainability. These imperatives underscored the necessity of a balanced approach that addresses immediate fiscal concerns while laying the foundation for long-term sustainable growth.

Hon. Gaolathe's budget speech had to strike a delicate balance between addressing the pressing fiscal challenges and fulfilling the government's strategic imperatives and election promises.

The budget needed to restore fiscal sustainability, support economic recovery, and drive long-term growth, all while managing limited resources and navigating a complex global economic environment.

He highlighted Botswana's vision to become a beacon of unity, fairness and prosperity, despite facing significant challenges like inefficiencies in the state apparatus, unemployment and growing corruption.

The government plans to tackle these issues through structural reforms, such as unbundling the Botswana Power Corporation into separate generation and transmission entities, and reimagining state-owned enterprises like Botswana Agricultural Marketing Board, Botswana Meat Commission, and the Botswana Vaccine Institute to support agriculture and become globally competitive.

A major focus is on increasing Public-Private Partnerships (PPPs) to speed up infrastructure development and economic growth. The government aims to use PPPs to modernize roads, railways, power, and water networks, and to upgrade schools, hospitals, clinics, and housing. Finalising the legal framework for PPPs will help foster strong private sector partnerships.

Focused Social Interventions



Probing and considering options for the overhaul funding models for a comprehensive form of national health insurance

The old age pension fund is to increase from BWP830 to BWP1,400 monthly

Introduction of BWP300 grant for a year for newborn babies

Free sanitary pads for female students

The importance of megaprojects, such as the Namibia to Botswana Copperbelt railway line and the Chobe-Zambezi Water Transfer Scheme, are also envisaged to accelerate growth in future periods. The government seeks partners with patient capital, deep financial resources, and a long-term outlook to help drive these projects, which are expected to diversify the economy and create jobs.

Indeed, the Minister identified that improving government service delivery must be a key focus area, creating a culture of efficiency across all levels of government. This includes strengthening oversight entities, conducting audits of key infrastructure projects and addressing mismanagement of contracts to maximise income generation. Enhancing tax compliance, strengthening debt recovery strategies and increasing public awareness of tax obligations are also priorities.

These structural reforms and initiatives aim to restore fiscal stability, support economic recovery, and drive long-term growth. The success of these measures will depend on effective implementation and the government's ability to navigate the complex economic landscape.

The Hon. Minister set ambitious goals for the Botswana Unified Revenue Service (BURS), aiming for the collection of over BWP26 billion in non-mining and non-SACU income annually. This target is based on average revenue for the last five years. Improved management and systems at BURS could potentially increase this revenue by 30% to 40% over the next five years.

To modernise and simplify the Botswana tax system, the government will present three new tax bills to Parliament: the Tax Administration, the Value Added Tax and the Income Tax Acts.

These revisions are long overdue, with consultation processes on early draft bills having taken place some time back. Although it is unclear whether the bills to be considered by Parliament in its current sitting will align with those earlier drafts, PwC's 2024/25 Budget Synopsis highlighted several proposals from those.

The intention with these reforms is to create a robust and efficient tax system, fit for a modern, globally integrated economy.

Taxpayers, who have struggled with the cost of compliance due to limitations of BURS' systems and administrative processes for some time, will hope that the Tax Administration Act will bring improved response times from BURS and greater equity for taxpayers.



Emerging Tax Administration Challenges



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When taxpayers submit their 2025 Corporate Income Tax (CIT) returns, the BURS system automatically calculates Self-Assessment Tax (SAT) payments for the 2026 Tax Year, charging these at 25% of the final 2025 tax liability per quarter. Payments made by taxpayers, even those intended to settle 2025 taxes, are applied to 2026 SAT dues. This misallocation can result in penalties and interest for the 2025 Tax Year.

The BURS system imposes penalties for late CIT return submissions even if an extension has been granted.

Legislation allows taxpayers to apply for remission of penalties and interest levied on the late submission of returns. However, if there are unallocated tax credits available, the BURS system automatically uses these credits to settle the penalties and interest. Once the penalties and interest are recorded as settled, no remission is possible.

These matters may increase the cost of compliance for taxpayers and serve to underscore the importance of proactive monitoring of tax status on the BURS system, as well as the need for improvement to the systems.

BURS will follow the example of other countries, such as Egypt and Brazil, in implementing an eInvoicing system by March 2026. eInvoicing typically mandates the transition from traditional paper-based invoicing to a digital format, requiring all invoices to be transmitted to the tax authority in real-time before being sent to the customer. This system enhances efficiency, improves tax compliance, and combats tax evasion by ensuring real-time data exchange and reducing errors associated with manual input. The expected benefits for Botswana include streamlined transactions, reduced processing times, and improved financial transparency.

Modernising the Value Added Tax Act to include digital services aligns the country with many others addressing tax base erosion in the integrated global economy. This change aims to capture revenue from the growing digital economy, ensuring fair taxation for both local and foreign digital service providers.

Over 100 countries have implemented similar measures to broaden their tax base and promote fairness in the tax system.

Additionally, BURS will implement a track and trace system for excisable goods. Track and trace systems use identifiers like barcodes or RFID tags to follow the life cycle of products through the supply chain, enhancing inventory management and regulatory compliance.



The government will collaborate with the World Customs Organization and the European Union (Africa) to automate an advance ruling system for customs duties. An advance ruling system provides binding decisions on specific aspects of trade transactions before goods are shipped. This ensures compliance with customs regulations, reduces the risk of errors and minimises disputes during clearance. The benefits include greater compliance certainty, cost savings through accurate classifications and valuations, and improved operational efficiency with faster customs clearance and reduced delays.

Notably, the corporate income tax and the highest personal income tax rates will be increased by 1.5%, respectively. Despite this increase, Botswana's corporate and top personal income tax rates remain comparatively low and should not impact the country's attractiveness as an investment destination.

The 2025/26 budget speech will undoubtedly be debated and analysed to determine the extent to which it will support the government in achieving its objectives. However, irrespective of such analysis, the real success or failure of the budget will depend on its implementation. The government's ability to effectively execute the proposed measures will be crucial in setting Botswana on a path towards sustainable economic recovery and growth. This will require concerted efforts in several key areas.

To drive economic diversification and job creation, the government must foster a conducive environment for private sector growth. This includes encouraging public-private partnerships, enhancing access to finance for small and medium-sized enterprises, streamlining regulatory processes, and supporting market expansion efforts. These initiatives will help reduce dependency on the diamond sector and promote a more diversified and resilient economy.

Effective implementation of the budget will hinge on the capacity of the state sector to deliver on its commitments. Strengthening performance monitoring and evaluation, investing in capacity building for public sector employees, and implementing institutional reforms are essential steps.

BURS must enhance its own performance to increase tax compliance, strengthen debt recovery strategies, conduct targeted audits and increase public awareness of tax obligations. By focusing on these areas, the government can enhance its implementation capabilities and ensure that the budget's objectives are met, ultimately determining whether Botswana can achieve sustainable economic recovery and growth.



Existing tax information

Corporate tax income 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 allowance	No

The rates applicable to companies are expected to increase by 1.5% with effect from 1 July 2025.

Existing tax information

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

The maximum marginal tax rate for individuals is expected to increase to 26.5% with effect from 1 July 2025.

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

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

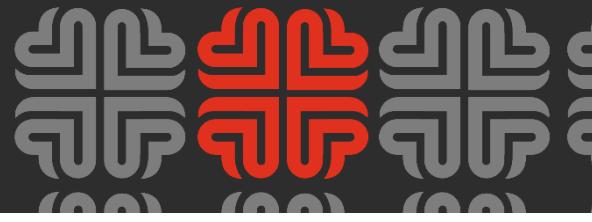
Taxable person of property	Rate
Botswana citizen	5%
Non-citizen	10%
a) The purchase price or value of the property up to P2,000,000	15%
b) The purchase price or value of the property in excess of P2,000,000	5%
c) An entity which is neither a natural person nor a company	

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 or 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	*7.5% or 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

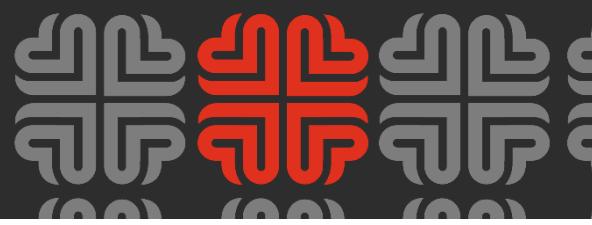
Payment to resident of	Dividend	Interest	Royalties	Management, consultancy/technical fees
Namibia	10%	10%	10%	15%
Russia	*5 % or 10%	10%	10%	10%
Seychelles	*5 % or 10%	7.5%	10%	10%
South Africa	10%	10%	10%	10%
Sweden	10%	15%	15%	15%
UK	*5 % or 10%	10%	10%	7.5%
United Arab Emirates (UAE)	*5 % or 10%	7.5%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

Note: *5%/7.5% 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
- Attest and attest-related services
- Company secretarial services
- Accounting and regulatory advice
- Public services audit and advisory

Information technology related services

- DPA – Gap analysis and implementation
- Cybersecurity services
- Data migration and transformation
- Data/Risk analytics
- IT project management/assurance
- Strategy and transformation
- IT audits and application reviews
- ISAE 3402 and ISAE 3000 engagements
- ISO 27001 / ISO 22301 assessments and implementations
- Revenue assurance services

Tax services

Corporate Tax Advisory

- General tax advice
- Pre-issuance and pre-filing reviews
- Corporate tax management and tax planning
- Capital gains tax
- Reorganisation/mergers and acquisitions

Human Resource Services

- Employment tax services
- Tax-based rewards, including share schemes
- Payroll services
- International assignment services
- Organisation effectiveness and development

Transfer Pricing

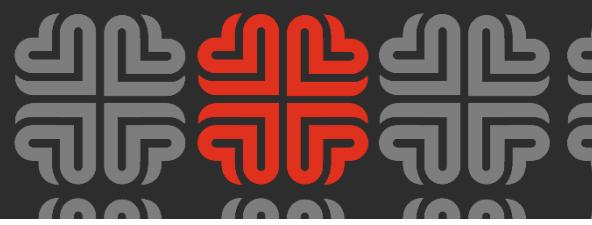
- Transfer pricing documentation review
- Transfer pricing documentation preparation

Indirect Taxes Advisory

- Value-added taxation, customs and excise duty advisory
- Value-added tax, customs and excise duty reviews
- Calculating apportionment ratio on the provision of mixed supplies
- Legal opinion / Ruling requests from BURS

Tax Compliance Centre

- Income tax, value-added tax, withholding tax and other withholding compliance processes
- Robust tax risk governance and management
- Timely and efficient delivery of tax returns
- Tax management advisory



Broader Assurance services

Corporate Governance Services

- King III and King IV gap analysis/assessments
- Governance director board training
- Drafting board charter and various other documents
- King IV readiness and implementation services
- Non-executive director remuneration benchmarking
- Board evaluation and assessment services
- Combined assurance framework/model development
- Corporate governance strategy and gap assessment

Enterprise Risk Management Services

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

Internal Audit Services

- Outsourced and co-sourced internal audit services
- Internal audit staff secondment services
- Internal audit function establishment and setup
- Internal audit policy and framework development
- Internal audit quality assurance reviews (QAIP)
- Internal audit training and workshops
- Internal audit charter development and review
- Performance audits and value for money audits

Anti-money Laundering (AML) and Forensic Services

- AML policies and framework development services
- AML regulatory compliance
- AML and terrorist financing risk assessment
- Special reviews and fraud investigations
- AML training and awareness
- Forensic accounting and analysis services
- Anti-fraud policies, standards and operating procedures
- Fraud training and awareness programmes

We also provide training on

- Anti money laundering
- Data Protection Act and implementation of the Act in the workplace
- Enterprise risk management and corporate governance
- Finance for non-finance professionals



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