



Botswana budget

2026/2027

February 2026



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Budget Outturn

	Outturn 2024/2025 BWP' billion	Revised 2025/2026 BWP' billion	Budget 2026/2027 BWP' billion
Total revenues and grants	69.61	71.22	77.22
Total expenditures and net lending	88.62	96.70	103.58
Deficit	19.01	25.48	26.35

Botswana's Vice President and Minister of Finance, Hon. Ndaba Nkosinathi Gaolathe, delivered the 2026/27 National Budget at what may be the country's most challenging economic moment since independence.

The economy has contracted for two consecutive years, the fiscal deficit remains large, public debt is approaching its statutory ceiling, foreign exchange reserves have diminished significantly, and the country's sovereign credit ratings have been downgraded by both S&P and Moody's — each with a negative outlook. At the same time, global conditions — from trade disruptions to geopolitical instability — continue to test the resilience of commodity-dependent economies.

This is the second budget of the UDC-led government under President Advocate Duma Boko. It arrives at a moment that demands not only clear-sighted policy, but decisive implementation.

As he did last year, the Minister framed the budget around a deliberate four-phase approach: halt the financial bleeding, stabilise and prepare, initiate change, and build a new Botswana.

Anchored in the 12th National Development Plan and the Botswana Economic Transformation Programme (BETP), the framework is conceptually sound.

As always, its value will be determined by execution.



The Economic Context

Botswana's historical success was built on natural diamonds. For decades, the country was warned that this resource was finite — with the so-called "diamond cliff" representing the expected depletion of Debswana's mines. In practice, factors such as slowed production and confirmation of additional resources have extended this timeline. What could not have been foreseen, however, was the convergence of external shocks that would accelerate and deepen the crisis well before that cliff was expected to arrive.

The rise of laboratory-grown diamonds has structurally undermined natural diamond pricing and demand, particularly at the lower end of the market. Layered on top of this are the cumulative effects of COVID-19, the conflict in Ukraine, ongoing instability in the Middle East, and weakening demand from China and imposition of tariffs by the USA.

The government moved rapidly to stabilise the longstanding relationship with De Beers — a renewed 25-year mining licence and 10-year sales agreement were concluded in early 2025 — but this came in the context of a fundamentally weaker diamond market. Anglo American's subsequent decision to divest its stake in De Beers compounded the disruption, placing at risk revenue streams that Botswana had long been taken as assured.

It is worth noting that other gemstones — notably emeralds and rubies — experienced similar disruption from synthetic alternatives and eventually rebounded. Whether and when such a recovery may occur for natural diamonds, and what the implications would be for Botswana, remains to be seen. What is clear, is that we cannot sit back, waiting for this to happen.

The increased emergence of copper mining activity, along with investments in manganese, nickel and other critical minerals, provides a source of hope — particularly given favourable copper pricing. Indeed, mineral diversification is welcome, but it is not a substitute for the broad-based economic diversification that Botswana has long needed but not achieved. Sustained diversification to agroprocessing and green energy generation offer a generational opportunity so shift economic focus.

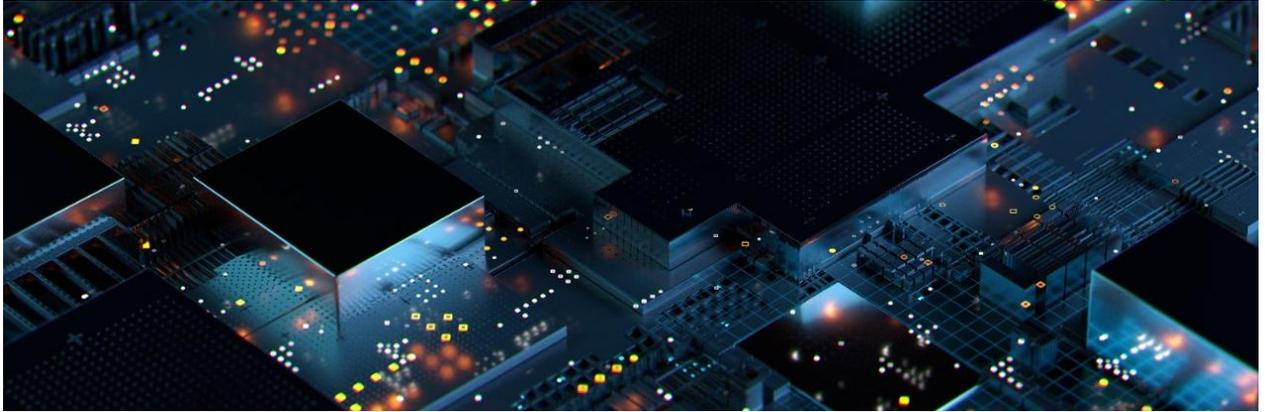
The cumulative effect of these developments is that the country faces deep fiscal challenges. While diamond revenues were flowing, Botswana did not sufficiently diversify its domestic economy. Revenues, which historically reached as high as 40% of GDP, now stand at approximately 23% — well below the 30% that had come to be regarded as the norm.

Botswana's tax-to-GDP ratio of 13.4% sits below both the African average of 16.1% and the Southern African Customs Union (SACU) average of 20.5%, leading the country to become increasingly reliant on SACU revenue pool transfers — projected at P26.79 billion for 2026/27 and now the single largest revenue line — and on borrowing.

The Government Investment Account stands at just P2.91 billion. Domestic debt has reached its statutory threshold of 20% of GDP. The Minister was candid in explaining that - without the recent exchange rate interventions - foreign exchange reserves would have been exhausted by the first half of 2026.

The Pula exchange rate adjustments reduced the Bank of Botswana's monthly forex sales from over P4 billion to approximately P3 billion and strengthened interbank trading activity. However, driven by higher import costs, inflation has risen from 1.7% in December 2024 to 3.9% in December 2025 and may temporarily breach the 6% upper target by mid-2026. Devaluation does not, by itself, create a competitive export economy — it must be accompanied by the structural reforms the budget articulates.

The State, Its Efficiency, and the Role of Technology



Public Administration and Defence are the single largest sectors of the economy at approximately 19% of GDP. Government — central and local, together with parastatals and SOEs — remains the country's largest employer.

The Minister was direct in acknowledging systemic weaknesses. The Public Financial Management System was described as dysfunctional. The Development Manager Model, introduced in 2023, was found to increase project costs markedly compared to traditional methods. Of 63 parastatals, only 5 have been consistently profitable.

A public health emergency was declared in August 2025, and foot and mouth disease threatens the gains being made in the beef sector. The Minister's announcement of a government-to-government arrangement with the United Arab Emirates to stabilise the healthcare system, and the reform of the Central Medical Stores using digital tools, are pragmatic responses to deep institutional challenges.

Encouragingly, P1.85 billion has been allocated to maintaining and rehabilitating existing infrastructure, with a firm commitment that no virements from maintenance votes will be permitted. An eProcurement system is to be operational by the end of the fiscal year. The transition from cash to accrual accounting is being progressed. The 1Gov1Citizen platform now has 52 eServices live, with a further 179 in integration testing. A national digital identification system will underpin broader e-government initiatives.

These are the right investments. Technology — in public financial management, procurement, tax administration, healthcare supply chains and citizen services — can unlock the efficiencies that the state apparatus has failed to deliver through headcount alone. Many of these investments can be structured as Public Private Partnerships (PPPs) or managed service arrangements. Our domestic mobile money ecosystem — with transaction values exceeding P33 billion — demonstrates that Botswana already engage digitally at scale.

The budget does, however, stop short of directly confronting the public sector wage bill.

The Minister acknowledged that expenditure measures aimed at containing the wage bill are "warranted," but specific commitments were not made. Recurrent expenditure of P80.32 billion continues to dwarf development spending of P23.38 billion, and the P1.82 billion increase in the ministerial recurrent budget is driven substantially by salary incremental creep, housing and upkeep allowances, and termination costs. This remains the most consequential — and most difficult — fiscal lever available to government.

Tax Reform: Landmark Legislation, Implementation Risk

The budget confirms what is arguably the most significant overhaul of Botswana's tax system for decades. Four Bills — the Income Tax Bill, the Value Added Tax Bill, the Customs Amendment Bill, and the Tax Administration Bill — will be presented to Parliament during the current sitting.

The key fiscal measures include:

- **Corporate income tax:** an increase of 3 percentage points, from 22% to 25%.
- **Individual income tax:** an additional 2.5% on taxable income exceeding P400,000 per annum, bringing the effective top marginal rate to 27.5%.
- **Value Added Tax (VAT):** the standard rate remains at 14%, but the zero-rated list is to be reduced, effectively raising the effective VAT rate.
- **eInvoicing:** mandatory electronic invoicing to be introduced from April 2026.

It is notable that the 1.5% increases to corporate and individual income tax rates announced in the 2025/26 budget were not implemented. The Minister explained that this followed extensive stakeholder feedback, particularly regarding the top-earner threshold, and that government paused implementation to allow for deeper reflection and consultation. The announcement of a Tax Pitso is a positive step toward structured engagement.

Beyond rates, the legislative substance is transformative: residence-based taxation, formal recognition of intangibles, interest deduction limitations (30% of EBITDA), enhanced transfer pricing and anti-avoidance provisions, OECD-aligned permanent establishment rules, a permanent Tax Tribunal, mandatory tax agent registration, a formal public and private rulings framework, and a Domestic Minimum Top-up Tax implementing OECD Pillar Two.

These reforms will broaden the tax base, improve compliance, and position Botswana for the demands of a modern, globally integrated economy.





Implementation, however, is the critical risk.

The Botswana Unified Revenue Service (BURS) has been undergoing a process of institutional reform and structural redesign, and this process remains a work in progress. The Minister acknowledged that systems upgrades required for the new Bills have not been completed. Existing system challenges continue to affect taxpayers' experience and the cost of compliance.

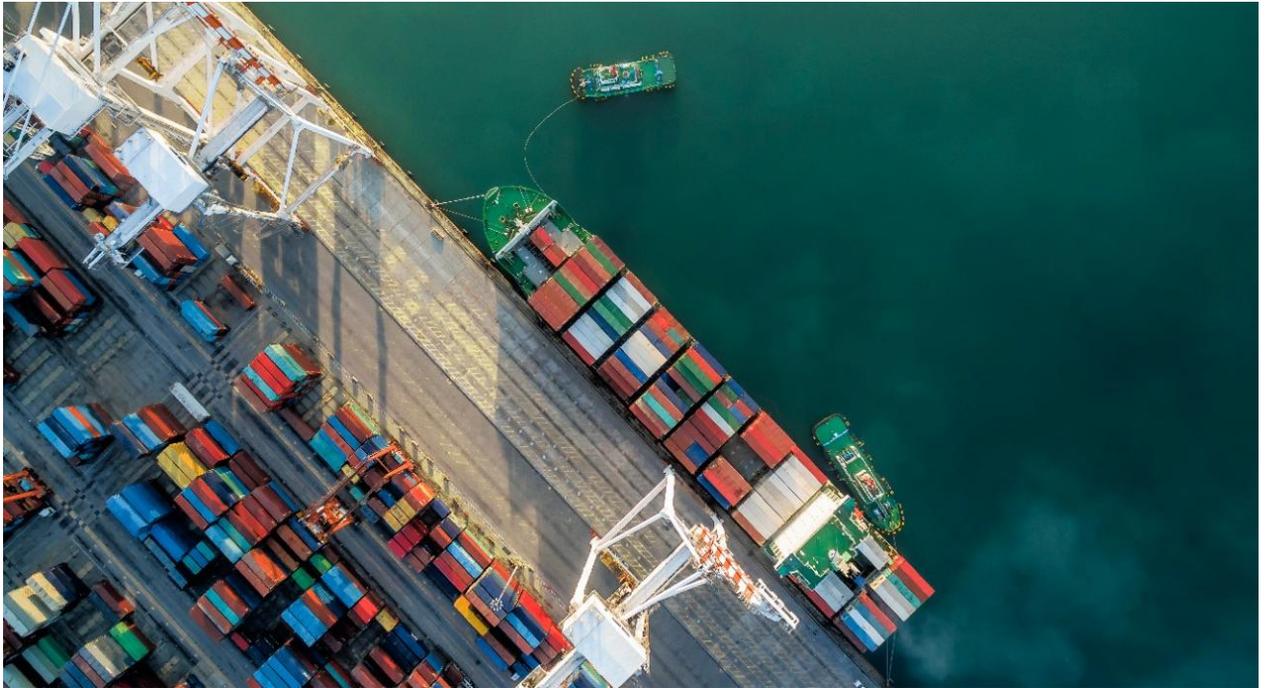
The new legislation presupposes a digitally capable, structurally sound revenue authority. Ensuring that institutional capacity keeps pace with legislative ambition will be essential to the success of the reform programme.

At the same time, there has been a notable and welcome increase in BURS's audit activity. Many of these audits are raising substantive points, including matters that may not have been actively pursued in the past. This signals a meaningful shift in BURS's posture toward compliance enforcement — and taxpayers should take notice.

The message is clear: the compliance environment is tightening materially. Taxpayers should not wait for the new Acts to take effect before reviewing their affairs. In particular, attention should be paid to transfer pricing documentation and adherence, withholding tax obligations on payments to non-residents, reconciliation of income tax and VAT positions, and any historical positions that relied on a less active compliance environment or opaque legislation.

Proactive engagement with the evolving tax landscape — under both existing and incoming legislation — is now essential, not optional.

Looking Forward: Execution Is Everything



The BETP — with 186 identified projects, a ringfenced Secretariat reporting directly to the Vice President and President, and a stated commitment to private sector leadership — represents the government's most substantive attempt at economic transformation.

The philosophical shift from government as central actor to government as enabler is significant and welcome. There are genuine bright spots: citrus exports have surged 390%, new mining investments are materialising, and targeted trade negotiations with South Korea, the US and India are underway.

The Minister's candour about the scale of the fiscal challenge was notable — acknowledging the unfinanced gap of P18.6 billion, the need to raise the debt ceiling, and the reality that failure to secure financing will lead to the accumulation of arrears. His emphasis on fiscal consolidation, value for money and results-driven implementation strikes the right tone.

Botswana, however, has never lacked for plans. What it has lacked is consistent execution. The four-phase framework provides a credible roadmap.

The test now is the success with which government will match its words with the difficult decisions that implementation demands: investing in the technology and systems that underpin modern governance, holding institutions to account, creating the conditions in which the private sector can genuinely lead — and confronting the structural cost of a state apparatus that the country can no longer afford in its current form.

The budget's success will not be measured by what was announced in Parliament, but by what Botswana experiences in practice.

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

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

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

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 7%	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
- Accounting and regulatory advice
- Attest and attest-related services
- Public services audit and advisory
- Company secretarial services

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
- 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 processes
- 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 training
- 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

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



Let's talk

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