

Botswana budget 2020/21

3 February 2020



Services that we provide

PricewaterhouseCoopers 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 service lines, both locally and internationally.

Assurance services

- Audit services
- Attest and attest-related services
- Company Secretarial services
- Internal Audit outsourcing services
- Internal Audit effectiveness & quality assurance reviews
- Accounting and regulatory advice
- Public services audit and advisory
- Transfer Secretarial services
- Internal Audit co-sourcing services
- Internal Audit staff augmentation/secondment

Tax services

Corporate Tax

- 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
- International assignment services
- Organisation effectiveness and development

Indirect Taxes

- Value-added taxation

Tax Compliance Centre

- Income tax compliance processes
- Robust risk management procedures in a complex regulatory environment
- Timely and efficient delivery of tax returns

Remchannel

- Surveys
- Consulting Solutions
- Job evaluations

Advisory services

Transaction Services

- Due diligence reviews
- Post-deal services
- Realising value on complex disposals
- Assistance with price negotiations for acquisitions
- Sell side due diligence
- Strategic deal services
- Bid support services

Governance, Risk and Compliance

- Governance compliance reviews
- Corporate governance trainings
- ERM workshops & development of risk registers
- ERM framework design & implementation
- Development/review of board charters
- Regulatory compliance review & readiness

Forensic Services

- Commercial crime investigations
- Business ethics advisory service
- Asset recovery
- Fraud risk and prevention management

Corporate Finance

- Corporate finance
- Corporate Value Consulting
- Project Finance and Privatisation
- Business Recovery Systems

Fixed Asset Management Services

- Creation of asset registers
- Maintenance of asset registers and physical counts, month-end runs and month-end depreciation runs
- Linking and balancing the asset register with the general ledger
- Bar-coding and scanning of fixed assets (helps with the accurate maintenance of revaluations, depreciation, purchases and disposals)

Background

The 2020 Budget Speech was delivered by Dr Thapelo Matsheka, the Minister of Finance and Economic Development on 3 February 2020, this being his maiden speech to the National Assembly

The Minister emphasised Government commitment to transforming the economy through refocusing existing policies, strategies and programmes, such as service delivery through ICT, creating sustainable jobs, fighting corruption, attracting local and international investors, improving education and training, quality health care in order to create an inclusive economy with greater citizen participation

He said the proposed initiatives underpinning this year's budget are aligned to the country's Vision 2036, which Vision advocates for a transformed Botswana. Accordingly it is Government goal to transform Botswana economy from a middle-income status to high income status by year 2036

The MidTerm Review of NDP 11 has come up with four national policy priorities

- promotion of export-led growth
- ensuring more efficient government spending and financing
- building human capital
- provision of appropriate infrastructure

In addition, other interventions Government plans to pursue during 2020/21 in connection with the Transformation Agenda are:

- delivering public infrastructure through Public Private Partnerships (PPP)
- review of the Environmental Impact Assessment (EIA) Act
- developing a vibrant agricultural sector
- promoting citizen economic empowerment
- reforming the regulatory business environment for investment
- inclusive social protection and poverty eradication

Fiscal Legislation

There are no proposals in respect of changes to the fiscal legislations

2020/2021 Budget Proposals

Development Fund Ministerial Budget	BWP' Billion
Ministry of Land Management, Water and Sanitation	2.1
Ministry of Defence, Justice and Security	1.9
Ministry of Transport and Communications	1.6
Ministry of Local Government and Rural Development	1.3
Ministry of Mineral Resources, Green Technology and Energy Security	1.1
Other	4.03
Total	12.03

Budget Outturn

	2018/2019 BWP' Billion	Revised estimates 2019/2020 BWP' Billion	Budget 2020/2021 BWP' Billion
Total revenue and grants	53.47	60.71	62.39
Total expenditures and net lending	62.35	68.64	67.62
Deficit	8.88	7.93	5.23
Deficit as a % of GDP	4.6%	3.9%	2.4%

Amendments to the Income Tax Act

Following amendments to the Income Tax Act, became effective during the year:

1. Transfer pricing (TP) regulations

Income tax (TP) regulations, 2019 were published on the 12 July 2019. Following are the key points;

Approved TP methods under the regulations

Traditional methods	Transactional methods
<ul style="list-style-type: none">• The comparable uncontrolled price method	<ul style="list-style-type: none">• The transactional net margin method
<ul style="list-style-type: none">• The resale price method	<ul style="list-style-type: none">• The transactional profit split method
<ul style="list-style-type: none">• The cost plus method	

- TP regulations on domestic transactions is applicable for transactions with connected person where one or both persons to the transactions are IFSC entities
- TP documentation requirements
 - Local file (no threshold) to be submitted with the annual income tax return
 - Master file (affected transactions over 5Mn) to be submitted upon request
- Relevant source of interpretation – OECD TP guidelines

2. Penalties on non-compliance

- Non-compliance with section 36 and 36A of the Income Tax Act shall have severe penalties. The penalties will be greater of 200% of the amount of tax that would have been avoided/payable or a fine of P10,000
- Further, a penalty not exceeding P500,000 will be imposed on failure to furnish the Commissioner with the transfer pricing documentation

3. Restriction on claiming interest expenses in arriving at the taxable income (Sec.41A & 43A)

- Maximum net interest expense claimable by a company (except a variable rate loan stock company, a micro, small or medium enterprise or a company whose main business is banking or insurance) is 30% of earnings before interest, tax, depreciation and amortisation (EBITDA)
- Tax EBITDA means the sum of taxable income, net interest expense, depreciation and amortization
- Interest for this section has a wide definition and includes expenses relating to raising of such finance
- Disallowed interest if any to be carried forward for 3 years and claimed within this 3 years. In respect of mining companies such denied interest to be carried forward and claimed in 10 years

Amendment to Capital Transfer Tax (CTT) Act

The Capital Transfer Tax (CTT) Act, was amended by the CTT (Amendment) Act, 2019. This Act was assented on 28 August 2019, however the Minister is yet to announce the date of commencement. Following changes were introduced under the Amendment Act

Description	Current	Proposed
Value of any property to a person on his marriage or in consideration of the performance of any customary rites	Exempt upto P5,000	Exempt in full
Transfer of property consisting of household goods, chattels and personal belongings from a deceased person to their inheritors	Exempt upto P15,000	Exempt in full
Aggregate value of casual gifts in any tax year	Exempt upto P5,000	Exempt upto P25,000
Any transaction involving transfer of immovable property which is exempted from payment of transfer duty under Transfer Duty Act	N/A	Exempt in full
Value of all property disposed of by the donor for the maintenance, education or training of a child upto the child attain stipulated age or until full time education/training is completed	21 years	18 years

Amendments to the Transfer Duty Act

The Transfer Duty Act was amended by the Transfer Duty Act, 2019. This Act was assented on 28 August 2019 however the Minister is yet to announce the commencement date. Following changes were introduced under the under the amendment Act.

Description	Current	Proposed
Tax rate – for citizen of Botswana	5%	5%
Tax rate – for non-citizen of Botswana	Transactions involving agriculture land 30% All other properties 5%	All transaction at 30%
When the duty is payable?	6 months from the transaction	<i>60 days from the date of assessment</i>
Where the duty is payable?	Registrar of Deeds	<i>Commissioner General</i>
Interest on late payment	12% per annum	1.5% compounded per month or part thereof, shall not exceed the amount of the unpaid duty
tax exempt threshold for citizen of Botswana	P200,000	P1,000,000
Citizen of Botswana includes a company where;	51% or more of equity shares held by citizens	100% of equity shares are held by citizens of Botswana
First time citizen home owner	Liabe	Exempt
Purchase or other mode of taking over of property of a deceased spouse by surviving spouse is exempt if	Spouses are married in community of property	No requirement to married in community of property
Transfer of property registered under the name of one spouse to the other spouse is exempt where	Spouses are married in community of property	No requirement to married in community of property
Transfer of property between divorcees	Liabe	Exempt
Individual of citizen of Botswana transfers immovable property from himself or herself to a company owned 100% by that individual or jointly by that individual and his or her spouse and vice versa. The individual and his or spouse should be married in community of property	Liabe	Exempt
Land held under a customary land grant in the form of a registered lease <i>which runs or is capable of running at the option of the lessee for 10 years or more</i> <i>Or a registered grant, lease or concession of tribal land.</i>	N/A	Liabe

Existing tax information

Corporate Taxes

Resident company	22%
Resident manufacturing (approved)	15%
Non-resident company	30%
Approved business operations in the SPEDU region	
• First 5 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	15%

Capital allowances	
Plant & machinery for construction/self-propelled plant & machinery for manufacturing	25%
Aircrafts & 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 & office equipment	10%
Furniture & 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 – 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

Non-resident individuals, trusts (s.14(2)) and estates of deceased persons

Taxable income (Pula)	Tax
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

Housing

Lower of:

- Set percentage of employees income excluding housing benefit; and
- (if rated) 10% of rateable value
(if unrated) no. of square meters of the house x 250 x 8%

Motor vehicle

Cost of Vehicle (Pula)	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 & 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 and 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 1st contract
- 27.5% of total salary for the 2nd contract
- 30% of total salary for the 3rd contract

Minimum 2 years should have been completed. Should be stated in the employment contract

Severance pay citizen employees

Two thirds taxable and one third exempt

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): Taxable supplies in a 12 month period

- 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

Taxable person of property	Type of property	Rate
Botswana citizen	Agricultural land	5%
Non – citizen	Agricultural land	30%
Citizen/non-citizen of Botswana (The first P200,000 is exempt in the case of a transfer to a citizen of Botswana)	Other than agricultural land	5%

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%

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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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