

Global Mobility Services: Taxation of International Assignees - Botswana

*Taxation issues
& related
matters for
employers &
employees
2018/19*



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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Country: Botswana

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Additional Country Folios can be located at the following website:
Global Mobility Country Guides

Introduction:

International assignees working in Botswana

PwC is the world's leading provider of professional services. The People and Organisation group works together with its clients to find solutions for the challenges they encounter when transferring people from one country to another.

This brochure is intended to inform foreign nationals and their employers

about tax, social security and immigration issues in Botswana.

This guide is not exhaustive and cannot be regarded as a substitute for professional advice addressing individual circumstances.

Nevertheless, answers will be found to most of the questions raised by an expatriate or his/her employer. More detailed advice should be sought

before any specific decisions are made about these issues.

More information can be obtained from our Botswana office specializing in People and Organisation, Global Mobility (see Appendices).

Step 1:

Understanding basic principles

The scope of taxation in Botswana

1. A foreign national working in Botswana will, in general, become liable to Botswana tax on Botswana income. The main taxes are:
 - Income tax;
 - PAYE tax;
 - Dividend tax;
 - Withholding tax on rentals
 - Withholding tax on interest
 - Withholding tax on commission
 - Capital gains tax;

The tax year

2. The Botswana tax year runs from 1st July to 30th June. The filing deadline for personal income tax returns is 30th September.

Partners

3. The Botswana legislation will apply equally to the assignee's spouse if the spouse earns income in Botswana.

Determination of residence

An individual, resident in Botswana for tax purposes is subject to tax in Botswana, on his gross income, whether in cash or otherwise, accrued or deemed to have accrued to him in that tax year, from every source situated or deemed to be situated in Botswana.

However, it should be noted that a resident citizen of Botswana is taxed on all his world wide income.

An individual will be considered to be a resident in Botswana for tax purposes if

- i. his or her permanent place of abode is in Botswana;
- ii. he or she is physically present in Botswana for not less than 183 days in that tax year, whether or not he maintains a place of abode in Botswana;
- iii. he or she maintains a place of abode and is physically present in Botswana for not less than 183 days in that tax year;

- iv. he or she is physically present in Botswana for any period of time in that tax year and such period is continuous with a period of physical presence in the immediately preceding or immediately succeeding tax year in which he or she is treated as resident;

Determining tax residency for individuals who are deemed to be exclusively resident in another country for the purposes of the application of a double tax agreement is complex and professional advice should be sought in this regard.

Step 2:

Understanding the Botswana tax system

Employment income

Any amount paid to the individual during the course of the employment and as per the terms of the contract will be deemed as income from employment.

These include, but are not limited to, the following:

- a. Wages, salary, leave pay, fee, commission, bonus, gratuity, compensation
- b. Commutation of moneys due
- c. Pension
- d. Travelling, entertainment, or any other allowance
- e. Any other cash or non-cash benefits

It should also be noted that the following are not taxable in the hands of the employees:

- a. Medical aid costs/health insurance paid for by the employer
- b. Contributions to an approved retirement fund by an employee (upon retirement there may be taxes payable).
- c. Value of free passage provided for the employee

and immediate dependents, pursuant to the terms of employment

- d. 1/3 of an approved gratuity or severance
- e. 1/3 of a retrenchment package
- f. Reimbursement of actual expenditure wholly, exclusively and necessarily expended for purposes of employment

There is no social security or other payroll levies.

Structuring remuneration packages

Remuneration packages may, subject to certain restrictions, be structured in a tax efficient manner as well as potentially reducing the cost of employment to the employer. The structure should take into account the policies and procedures of the international assignment policy of the employer as well as the provisions of the employment contract.

The following benefits and allowances may be considered in a remuneration package:

- Relocation allowance;
- Cost of living allowance;

Provision of accommodation;

- Provision of a company car
- School fees;
- Utilities

Travel allowance.

Your PwC tax specialist may assist you in the structuring of a tax efficient remuneration package.

Taxation of investment income

Foreign nationals working in Botswana who are tax resident in Botswana are not taxed on their investment income from sources outside Botswana. However, Botswana sourced investment income will be subject to Botswana income tax.

Interest

Interest income of a resident individual is taxed in the hands of the individual at the normal individual tax rates applicable for resident individuals, subject to the following exemptions:

- a. Interest received from the Botswana Savings Bank, including interest on Botswana Savings Bank Certificates.

- b. Interest received on national development bonds exempt under the National Development Bank Act.
- c. Interest on bonds exempt under the Development Loan Act.
- d. Interest on any subscription shares issued by any building society resident in Botswana.
- e. Interest received by a resident from any banking institution or building society in Botswana up to BWP 7,800 per annum.

A withholding tax at the rate of 10% is deducted at source from interest payments greater than BWP 1,950 per quarter. Any withholding tax is considered as final tax and will not be taxed further.

Dividends

Dividends received from a Botswana source will not be subject to tax, provided that withholding tax at 7.5% is deducted at source.

However, foreign dividends are subject to income tax at the rate of 15 % where, a foreign tax credit for withholding tax may be claimed subject to certain limits.

Rental income

Rental income is classified as business income. Any rental income, less expenses incurred wholly, necessarily and exclusively in the production of such rental income, would be taxed at the rates applicable to individuals.

A Withholding tax at the rate of 5% is deducted at source from rental

payments greater than BWP 3,000 per month, except where such rental is paid by an individual and such rent is not claimed as business expenditure by that person. Amount so the deduction can be claimed as a credit against the final tax liability of the Landlord.

Capital gains

Any capital gain realized by an individual in respect of the disposal of any property including any movable/immovable property of a business, any shares or debentures or any residential property will be taxed in the hands of the individual, subject to the following exemptions:

- a. Any property owned by a business, except land and buildings, on which a capital allowance has been granted under the Income Tax Act of Botswana.
- b. The principal private residence of an individual who has owned the residence for last 5 years prior to the date of disposal (no exemption will be granted for 5 tax years subsequent to the tax year in which the first exemption was granted)
- c. Shares, units or debentures of a resident public company, trading in the Botswana stock exchange, or in a company which has released 49% or more of its equity shares for trading in the Botswana Stock Exchange, which have been held by the individual for at least 1 year prior to the date of disposal

- d. Bonds and debentures issued by the Government of Botswana, Bank of Botswana, a statutory body or a special purpose vehicle formed by the Government for the securitization of public debt
- e. Shares in an International Financial Services Centre company.

If the property disposed of is immovable property, 100% of the net capital gain will be taxable.

In case of any property other than immovable property, only 75% of the net capital gain will be taxed. (provided that the sale of shares of a company owning immovable property as the dominant underlying asset of the company shall be deemed to be a sale of immovable property.)

Assessed capital losses fall away unless utilized in the following tax year.

For capital gains rates please see appendices:

Exchange controls

There are no exchange control regulations in Botswana.

Tax for residents' vs non residents

As detailed in Appendix A, the first P36,000 of earnings for residents is taxed at 0%. Non resident individuals do not benefit from this exemption

Step 3: **What to do before you arrive in Botswana**

Immigration formalities in Botswana

Botswana has strict visa and work permit requirements.

A visa only allows a person to report at the port of entry, to request admission, whereas a “permit” is the permission to reside inside the borders of a country for a specific purpose.

All foreign nationals wishing to work in Botswana should apply for

a work permit from their country of residence and must await the outcome of the application in their country of residence prior to entering the country or apply for a permit from inside Botswana. Individuals are not entitled to work in Botswana prior to obtaining a work permit. Work permits are usually given depending on the contract period (2-3 years). Therefore, the permits will have to be renewed when they get expired. Further, they are issued company

and position specific and are not transferable.

The application for the issue of a resident permit to an employee will be subject to and will follow the issue of the work permit. Application for resident permits for the rest the accompanying family, could be made at the same time.



Step 4:

What to do when you arrive in Botswana

Registration as a taxpayer

Any individual whose taxable income exceeds P36,000 per annum is required to register as a tax payer at the Botswana Unified Revenue Service (BURS) and obtain a Taxpayer Identification Number (TIN).

Application for registration must be made by completing the BURS 1 (REVISED 2015). This should be completed and returned to your PwC tax consultant, together with the required documentation. Upon registration, BURS will allocate you a TIN.

The tax legislation states that an individual failing to register for tax within the prescribed period may be liable to a penalty not exceeding P10,000.

PAY AS YOU EARN (PAYE)

Every Employer has an obligation to deduct PAYE from remuneration paid to the employees and remit the same to BURS within 15 days after the end of month during which that tax was deducted.

The amount of PAYE tax deducted is calculated in accordance with the prescribed tables.

PAYE so deducted can be claimed as a credit against the final tax liability.

Important tax compliance dates to remember

- Submission of annual income tax return (ITA20/96): 30 September each year

Failure to do so may give rise to a penalty not exceeding the tax chargeable for the year.

Tax returns

Individuals should collate all records necessary to complete the tax return including those forms detailing remuneration for the tax year (form ITW 8).

Your PwC tax consultant will prepare the tax return for you, if authorized to do so.

Notice of assessment

An income tax assessment is issued by BURS after submission of an income tax return.

Objections may be lodged against the assessment, within 60 days of the date of assessment, if the individual does not agree with the calculation of the taxable income, the tax assessed or the tax rebates allowed. Each notice of objection should clearly state the grounds for the objection.

Payment of taxes

Where the final tax liability in the notice of assessment exceeds the tax deducted at source, the balance of the tax will be due and payable within 30 days from the date of assessment.

Penalties for non-compliance

If the outstanding amount is not settled by that date, interest at 1.5% (compounded) per month or part thereof will be charged by BURS on the outstanding amount.

Step 5: **What to do when you leave Botswana**

Reporting departure

4. It is advisable to discuss the date of your departure with a tax adviser, as the timing can alter your tax liability. Furthermore, all reasonable steps should be taken to

avoid the possibility of dual residence or double taxation after your departure. Any payments or bonuses received after departure in respect of Botswana employment may be liable to tax in Botswana under

certain conditions. Planning for such payments, if any, should be undertaken with care.



Appendix A:

Rates of tax

Personal income tax rates for 2015/16

This table applies to resident individuals

Taxable income (In Pula)		Tax (In Pula)
More than	But not exceeding	
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

This table applies to non-resident individuals, trust falling under Sec.14(2) and estates of deceased persons

Taxable income (In Pula)		Tax (In Pula)
More than	But not exceeding	
0	72,000	5% of every Pula
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

This table applies to net aggregate gains of individuals

Taxable income (In Pula)		Tax (In Pula)
More than	But not exceeding	
0	18,000	0
18,001	72,000	0 + 5% of excess over P18,000
72,001	108,000	2,700+ 12.5% of excess over P72,000
108,001	144,000	7,200+ 18.75% of excess over 108,000
144,001 and above		13,950+ 25% of excess over 144,000

Appendix B:

Double-taxation agreements

Barbados
France
India
Mauritius
Namibia
Russian
Seychelles
South Africa
Sweden
United Kingdom
Zimbabwe

Appendix C: Botswana contacts and offices

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