



Botswana

Fiscal Guide 2015/2016

Tax





INTRODUCTION

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Income tax

Business income

Income tax is levied under the Income Tax Act (Chapter 52:01) on all income accruing to a person from a source or deemed source within Botswana. For income tax purposes, a person includes an individual, a company, a partnership, a trustee, etc. Certain specified types of income and/or persons are exempt from tax.

The taxable income of non-resident companies is computed in the same manner as that of a resident company. Certain income is subject to withholding tax.

Rates

Resident companies	
Corporation tax	
- resident company	22%
- international financial services centre company (approved activities)	15%
- approved manufacturing activities	15%
- persons licensed to operate in the Botswana Innovation Hub	15%
Capital gains	22%
Dividends paid (local – WHT deducted at source)	7.5% **
Dividends received (foreign)	15% (less foreign tax suffered up to 15%)
Interest	- Taxed as ordinary income - 10% *
Royalties	Taxed as ordinary income
Fees	Taxed as ordinary income
Payments under construction contracts valued over BWP5 000 unless contractor registered under class A, B or C with PPADB (value under 2 million)	3% *
Payments to farmers in respect of livestock sold for slaughter or ultimate slaughter	4% *

Resident individuals

Individual income tax	0 – 25% ***
Capital gains	0 – 25%

*Provisional tax is withheld at source and credited against the final liability

**Final tax withheld at source

***Resident Individuals Income Tax table

Taxable income	Tax (P)
up to – 36 000	0
36 001 – 72 000	0+ 5% of excess over 36 000
72 001 – 108 000	1800 +12.5% of excess over 72 000
108 001 – 144 000	6300 +18.75% of excess over 108 000
Over 144 000	13 050 + 25% of excess over 144 000



Resident individuals

Dividends (foreign)	15% (less foreign tax suffered up to 15%)
Dividends (local – WHT deducted at source)	7.5% **
Bank and building society interest	10% **
Other interest	Taxed as ordinary income 10% *
Royalties	taxed as ordinary income
Fees	taxed as ordinary income
Payments under construction contracts valued over BWP 5, 000 unless contractor registered under class A, B or C with PPAD (value under 2 million)	3% *
Payments to farmers in respect of livestock sold for slaughter or ultimate slaughter	4% *

Non-residents

Individual income tax	5 – 25% ****
Corporation tax	30%
Capital gains (companies)	30%
Capital gains (individuals)	0 – 25%
Dividends	7.5% **
Interest	15% **
Royalties	15% **
Management or consultancy fees	15% **
Entertainment fees	10% **
Payments under contracts valued over BWP5 000	3% *

*Provisional tax is withheld at source and credited against the final liability

**Final tax withheld at source (rate may be varied by applicable tax treaty)

***Non-resident Individuals Income Tax table

Taxable income			Rate of tax
0	–	72 000	5%
72 001	–	108 000	3600 + 12.5% of excess over 72 000
108 001	–	144 000	8100 + 18.75% of excess over 108 000
Over		144 000	14 850 + 25% of excess over 144 000



Capital gains tax

There is no separate capital gains tax legislation – this being regulated in the Income Tax Act (Chapter 52:01 'The Act'). Generally, gains arising from the disposal of property and marketable securities are taxable.

Proceeds on the disposal of certain capital assets such as allowance assets and mining assets, including shares in mining companies, are taxed as normal business income. Disposals of principal private residences, shares or debentures traded on the Botswana Stock Exchange or in an International Financial Services Centre (IFSC) company, are exempt from tax – subject to certain conditions being met. In addition, the Act contains provisions permitting the transfer of capital assets in pursuance of restructures and mergers between group companies to be effected at cost, provided certain conditions are met.

Capital losses may only be set off against capital gains in the year incurred and the immediately-succeeding year. Thereafter, the loss is not available for set off.

Transfer pricing and thin capitalisation rules

Botswana has no transfer pricing rules. However, in terms of the domestic law, the Commissioner General has the power to adjust the liability of a taxpayer where he is of the opinion that a transaction, scheme or operation has not been entered into or carried out by persons dealing at arm's length and has the effect of avoiding, reducing or postponing tax liability.

There are no specific thin capitalisation rules except for mining and IFSC-accredited companies. Where the debt-to-equity ratio of a foreign controlled resident mining company exceeds 3:1, interest paid by the mining company on the excess debt is disallowed and treated as a dividend on which withholding tax is payable. In the case of an IFSC company the debt to equity ratio is 12:1 for banks and 3:1 for all other accredited companies.

Inheritances and donations

Inheritances and donations are subject to capital transfer tax on a sliding scale of 2% – 5% for both resident and non-resident individuals and at a flat rate of 12.5% for companies.

Transaction taxes

Value Added Tax ("VAT") is payable under the Value Added Tax Act (Chapter 50:03) at the standard rate of 12% of the value of taxable goods and services supplied in or imported into Botswana. Certain specified supplies are exempt from tax. Exports and the supply of certain specified goods and services are zero-rated. The registration threshold is 12 months taxable turnover of BWP500 000.

Stamp and transfer duty

No stamp duties are levied in Botswana but transfer duty is levied on the transfer of immovable property under the Transfer Duty Act (Chapter 53:01) at a rate of 5% on property other than transfers of agricultural land to non-citizens. A rate of 30% applies to transfers of agricultural land to a non-citizen.



Other taxes

Mineral rights tax	Higher of BWP40 per km ² of land or part thereof or 10% of the value of the mineral rights held
Mining royalties	10%, 5% and 3% of gross market value of precious stones, precious metals and other minerals and mineral products, respectively
Prospecting licence fees	BWP5 per km ² subject to a minimum of BWP500 for industrial minerals and BWP1 000 for other minerals
Retention licence fees	BWP5,000 for the first year increasing by BWP5,000 for the second and subsequent years
Mining licence or mineral permit fees	BWP100 per square kilometre or part thereof
Cattle export tax	BWP2.25 on each head exported from Botswana
Export duty	Duty at various rates, payable by the exporter, is levied on the export of hides and skins, bonemeal, bloodmeal and carcass meal and animals, trophies and meat exports.

Double tax treaties and reduced rates

Country	Dividends (%)	Interest (%)	Technical	Royalties
	Qualifying Companies		Management & Consultancy fees (%)	
Barbados	7.5/5*	10	10	10
France	7.5/5	10	7.5	10
India	7.5/7.5*	10	10	10
Mauritius	7.5/ 5*	12	15	12.5
Namibia	7.5	10	15	10
Russia	7.5/5*	10	10	10
Seychelles	7.5/5*	7.5	10	10
South Africa	7.5	10	10	10
Sweden	7.5/5*	7.5**	15	10**
United Kingdom	7.5/5*	10	7.5	10
Zimbabwe	7.5/5*	10	10	10
Mozambique	7.5	10	10	10

*Lower rate of tax applicable (as agreed with other countries), where beneficial owner is a company with a least 25% shareholding.

**Lower rate of tax applicable (as agreed with other countries).

Treaties with China, Zambia, Ireland, Swaziland and Lesotho have been signed and are awaiting ratification. Negotiations with Malawi, Tanzania, Serbia and Montenegro, Luxembourg, Belgium, Lesotho and Malta are at an advanced stage.

Investment information

Investment rules

Botswana has a positive attitude towards private investment, whether from local or foreign sources. Investment is encouraged through four development agencies – National Development Bank (agriculture), Botswana Development Corporation (partners with local and foreign investors) and the Botswana Investment Trade Centre.

Generally, there are no restrictions for foreign investment nor is there government control of certain economic sectors.

A general system of trading and industrial licensing is instituted by the Trade and Liquor Act (Chapter 43:02) and the Industrial Development Act (Chapter 43:01), respectively.

Investment incentives

Taxation

Development Approval Orders:

- The Minister of Finance may issue an order granting additional tax relief to any project which he considers beneficial to the economic development of Botswana. The extent of relief can take any form and is entirely negotiable.
- An order may also be granted to an approved manufacturing business of a lower corporate tax rate of 15%.
- 15% tax rate applies to approved companies trading in the Botswana Innovation Hub.

The Citizen Entrepreneurial Development Agency (“CEDA”) provides low-interest loans to citizens.

Tax agreements

The Minister of Finance and Development Planning can enter into a tax agreement with any taxpayer other than non-diamond mining companies. The agreement, once approved by the National Assembly, can provide for additional deductions, tax holiday, exemption from tax of certain types of income, etc.

Citizen training expenditure

A special training allowance of 200% of approved citizen training expenditure which does not qualify for reimbursement from the Human Resources Development Council is available for deduction against taxable income.

Exchange controls

All exchange controls were abolished with effect from 8 February 1999.

Residence and work permits

All foreign citizens are required to obtain work permits which are granted for a period of up to 5 years. Self-employed investors will not generally encounter problems but employees will only be granted permits if it can be demonstrated that there are no suitable citizens available to take up the position.

Annual budget announcement

The Minister of Finance generally announces the annual Budget and Taxation Proposals in February of each year for the tax year commencing on 1 July thereafter.

Trade and bilateral agreements

Membership – WTO, ACP-EU Partnership Agreement, **The Southern African Global Competitiveness Hub**, SACU and SADC.

Trade agreements concluded with Malawi, Zambia and Zimbabwe.

Investment treaties concluded with USA, Malaysia, Switzerland, Germany and China

Botswana is a signatory to the 1965 World Bank Convention on Settlement of Investment Disputes between States and Nationals of Other States (ICSID).

Economic statistics

Central Bank interest rate (November 2015)	6%
US\$ Exchange Rate (November 2015)	BWP10.7296
Inflation (September 2015)	3%
GDP (2013)	US\$14.78 billion

Travel information

Visa requirements	Up to 12 flights between Gaborone and Johannesburg (South Africa)
Flights	Up to 12 flights between Gaborone and Johannesburg (South Africa) daily. There are also regular direct flights between Gaborone and Cape Town, Lusaka, Harare, Nairobi and Addis Ababa
Inoculations	Standard requirements

Currency

The Pula (BWP) divided into 100 thebe.

Languages

The official and commercial language is English. The other main language used is Setswana.

Official holidays

- 1 – 2 January (New Year's Day and Public Holiday)
- Good Friday (Varies between March and April)
- Easter Sunday (Varies between March and April)
- Easter Monday (Varies between March and April)
- 1 May (Labour Day)
- 14 May (Ascension Day)
- 1 July (Sir Seretse Khama Day)
- President's Day Holiday (Third Monday in July)
- President's Day Holiday (Third Tuesday in July)
- 30 September (Botswana Day)
- 1 October (Botswana Day Holiday)
- 25 December (Christmas Day)
- 26 December (Boxing Day)





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