Botswana Taxes Overview

Botswana Income Tax Rates

Botswana personal income tax rates are progressive, up to 25%.

Botswana personal tax regime is based on taxable income brackets. Botswana tax rates for individuals have been amended so that the non-taxable threshold for resident individuals is increased from BWP 25,000 to BWP 30,000 per year and the top marginal tax rate of 25% will now apply to income over BWP 120,000 per year. Nonresident individual tax rates and rates for net aggregate gains of the individuals have also been amended. The new tax rates and the new tax bands are in the following tables:

**Botswana Income Tax Rates for Resident Individuals, 2009**

<table>
<thead>
<tr>
<th>Taxable Income (BWP) / Tax Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BWP 0 – 30,000 Exempt</td>
</tr>
<tr>
<td>BWP 30,000 – 60,000 BWP 0 + 5% of the excess over BWP 30,000</td>
</tr>
<tr>
<td>BWP 60,000 – 90,000 BWP 1,500 + 12.5 % of excess over BWP 60,000</td>
</tr>
<tr>
<td>BWP 90,000 – 120,000 BWP 5,250 + 18.75% of excess over BWP 90,000</td>
</tr>
<tr>
<td>Above BWP 120,000 BWP 10,875 + 25% of excess over BWP 120,000</td>
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</tbody>
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Botswana Income Tax Rates for Nonresident Individuals, Trusts Falling under Botswana Tax Law Section 14 (2) and Estates of Deceased Persons, 2009

<table>
<thead>
<tr>
<th>Taxable Income (BWP) / Tax Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BWP 0 – 60,000 5% of every Pula</td>
</tr>
<tr>
<td>BWP 60,000 – 90,000 BWP 3,000 + 12.5% of excess over BWP 60,000</td>
</tr>
<tr>
<td>BWP 90,000 – 120,000 BWP 6,750 + 18.75% of excess over BWP 90,000</td>
</tr>
<tr>
<td>Over BWP 120,000 BWP 12,375 + 25% of excess over BWP 120,000</td>
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The definition of ‘employment income’ has been modified while that of ‘retrenchment package’ no longer makes reference to the Employment Act.

Non-corporate taxpayers that are obliged to file income tax returns have the option to self assess their tax liabilities for a tax year and to pay the taxes in one lump sum when they file their returns for the tax year.

The exemption limit of interest income for resident individuals has been increased from BWP 2,500 per year to BWP 6,000 per year.

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**Tax Table for Net Aggregate Gains of Individuals in Botswana**

<table>
<thead>
<tr>
<th>Taxable Income (BWP)</th>
<th>Tax Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BWP 0 – 15,000</td>
<td>Exempt</td>
</tr>
<tr>
<td>BWP 15,000 – 60,000</td>
<td>BWP 0 + 5% of the excess over BWP 15,000</td>
</tr>
<tr>
<td>BWP 60,000 – 90,000</td>
<td>BWP 2,250 + 12.5% of the excess over BWP 30,000</td>
</tr>
<tr>
<td>BWP 90,000 – 120,000</td>
<td>BWP 6,000 + 18.75% of excess over BWP 60,000</td>
</tr>
<tr>
<td>Over BWP 120,000</td>
<td>BWP 11,625 + 25% of excess over BWP 120,000</td>
</tr>
</tbody>
</table>

**Basis** – Resident and nonresident individuals are liable for tax only on Botswana-source income. Residence status is nevertheless important because nonresidents are subject to tax at different rates.

**Residence** – A resident is an individual who has resided in Botswana for 183 days or more in any tax year.

**Filing status** – Spouses are taxed separately on income.

**Taxable income** – Taxable income comprises employment, business income, passive income (e.g. dividends, interest, royalties, etc.) and capital gains.

**Capital gains** – Capital gains are treated as taxable income subject to the normal personal income tax rate.
Tax Deductions and allowances – Few deductions are allowed. Contributions to a pension or superannuation fund are deductible. Taxpayers with business income are allowed the same deductions as for companies.

Tax Rates – Tax Rates are progressive to 25%.

**Other taxes on individuals:**

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – See under “Other taxes on corporations”.

Inheritance/estate tax – Donations, other gratuitous disposals (such as inter vivos gifts) and estates of deceased individuals are subject to capital transfer tax. The rate is graduated up to 5% for individuals.

Net wealth/net worth tax – No

Social security – No

**Administration and compliance:**

Tax year – The tax year runs from 1 July to 30 June.

Filing and payment – Only individuals earning non-employment income are required to file a return. Tax on employment income is deducted at source. The income tax return must be filed within 3 months of the end of the tax year, although reasonable extensions may be granted. Any balance of tax due when the tax authorities issue an assessment is payable within 30 days of receipt of the assessment. Unincorporated businesses pay tax on the same basis as individuals.

Tax Penalties – Failure to pay tax or late filing may give rise to interest or penalties. Late payment interest is 1.5%
per month and currently there are no penalties for late filing of returns by individuals.

**Botswana Corporate Tax Rates**

Botswana corporate tax rate is 15% or 25%.

The corporate income tax rate in Botswana is split into 2 tiers:

1) A basic company tax of 15%, or
A special tax rate of 5% for manufacturing, and for companies in Botswana International Financial Services Centre (IFSC)

2) An Additional Company Tax (ACT) of 10%, which applies to both tax rates above.

So,

Botswana corporate income tax rate for basic companies is:
Basic Company Tax: 15%
Additional Company Tax (ACT): 10%
TOTAL TAX RATE: 25%

Botswana corporate income tax rate for for Manufacturing and IFSC Companies is:
Tax for Manufacturing and IFSC Companies: 5%
Additional Company Tax (ACT): 10%
TOTAL TAX RATE: 15%

The 2 tier tax system becomes relevant when a company pays dividends. A resident company paying dividends must withhold tax at 15%. This withholding tax can be set off against the company’s 10% Additional Company Tax (ACT) liability for the tax year, and any unused Additional Company Tax (ACT) is accumulated and may be carried forward for 5 years. The 15% withholding tax, which is considered part of the corporate tax structure and not a tax on dividends, can be reduced by Additional Company Tax (ACT) not previously used. In effect, the 2-tier tax system has the result that a Botswana resident
company incurs no additional tax cost on the distribution of profits, provided the withholding tax payable does not exceed the current year’s Additional Company Tax (ACT) liability.

Low Tax Regime

A low taxation environment has been in place in Botswana for some years to encourage inward investment and expansion by local business, and will be maintained for the foreseeable future. Corporate income tax is capped at 25%, while a special 15% rate is available for certain categories of manufacturing and all companies operating within the jurisdiction of the International Financial Services Centre (IFSC).

The 15% tax for manufacturing and companies operating within the jurisdiction of the International Financial Services Centre (IFSC) comprises of 10% additional company tax (ACT) and 5% basic company tax.

Botswana has one of the simplest and comprehensive tax regimes in the world. Corporate tax rates in Botswana are the lowest in the SADC region at 15% for all manufacturing concerns and all companies operating within the jurisdiction if the BIFSC and 25% for other non-manufacturing. VAT is imposed comprehensively on an end-user basis and the rate of 10% on standard rated supplies and 0% on zero-rated supplies.

Corporate Tax Incentives – Specific Tax Benefits Applicable to Botswana International Financial Services Centre (IFSC) Companies

- A special corporate tax rate of 15% (includes 10% Additional Company Tax – ACT) guaranteed until June 2020
- Exemption from withholding taxes on interest, dividends, commercial royalties & management or consultancy fees in Botswana
- Unilateral credits for withholding taxes levied in other jurisdictions (up to 15%)
- Access to Botswana’s Double Taxation Treaty Network
- Exemption from Capital Gains Tax (CGT)
- Collective Investment Undertakings (CIU’s) are tax exempt. This applies to unit trusts and other collective investment structures.
- IFSC companies are exempt from Botswana Value Added Tax (VAT)

Requirements for Foreign Investment in Manufacturing in Botswana

According to the Ministry of Trade and Industry of Botswana, foreign investors wishing to invest in the manufacturing sector are required to meet the following conditions:
- If the investment is wholly owned by non-citizens, investors must bring a minimum investment of $100,000 into Botswana.
- For joint ventures with Botswana citizens the minimum investment is $75,000.
- For enterprises with more than two shareholders an additional $50,000 is required per shareholder.

Incentives for manufacturing industries include:
- All machinery and equipment imported for purposes of manufacturing is duty free
- Manufacturing companies are eligible for the exemption of sales tax on imported raw materials provided the produce is for export outside the customs area
- A duty drawback facility is available to manufacturing companies that export outside the customs area
- Companies securing development approval order can get a tax holiday and special treatment of capital expenditure

Tax Year: Tax year in Botswana is a period of 12 months from 1st July to 30th June.

Botswana Withholding Tax (WHT) – Interest

Interest payments to nonresidents are subject to a 15% withholding tax, unless the withholding tax rate is varied by a Double Taxation Avoidance Agreement.
A 10% withholding tax applies to all interest payments to residents over BWP 6,000 per year or BWP 1,500 per quarter or BWP 500 per month.

The withholding tax must be deducted by the payer of the interest before making the payment.

– Persons exempt from taxation and International Financial Services Centre companies, banking companies or financial institutions receiving interest in the ordinary course of their business will not be affected by the interest withholding tax.
– Interest paid by Collective Investment Undertakings to a unit holder or that accrued from foreign currency bank accounts is subject to interest withholding tax.

Botswana Withholding Tax (WHT) – Dividends

A withholding tax of 15% is levied on all dividends paid by a resident company to a resident or nonresident. The withholding tax is a final tax and may be set off against the 10% Additional Company Tax (ACT) liability of the paying company for the tax year.

Botswana Withholding Tax (WHT) – Royalties

Botswana withholding tax on royalty payments made to nonresidents is 15%. The withholding tax on royalty payments may not be offset against the corporate liability.

Branch Remittance Tax: There is no branch remittance tax in Botswana.

Real Property Tax: Botswana local authorities levy a property tax known as ‘rates’, on property owners. A 5% transfer tax is levied on all property sales in Botswana.

Transfer Tax: A transfer tax of 5% is levied on the transfer of immovable property in Botswana.
Capital Transfer Tax: A capital transfer tax at a rate of 12.5% is imposed on the transfer of assets. Company registration fees are levied at varying rates.

Taxation of Dividends: Dividends received are specifically excluded from the definition of gross income and, therefore, constitute exempt income. Dividends received from sources outside Botswana are subject to a flat 15% tax.

Disposal gains in Botswana

– The income accruing from the disposal of a principal private residence will be exempt from tax if the proceeds are re-invested in another residential property within 24 months of the disposal of the principal private residence. However, if the disposal gains are not so reinvested within a period of 24 months, the exemption would be available only in respect of the most recent disposal of the principal private residence.
– Shares, units or debentures of a public company or those actually traded on the Botswana Stock Exchange are exempt from disposal gains tax. For companies that have released 49% or more of their equity shares for trading on the Botswana Stock Exchange sale of any of their equity shares are eligible for tax exemption from the disposal gains tax.
– This exemption excludes proceeds arising from sales of shares, units or debentures undertaken by investment or similar companies where the shares, units or debentures are disposed of for profit generation in the ordinary course of business.
– Disposal of shares of International Financial Service Centre companies are tax exempt.
– Sale of shares of companies, whose underlying dominant assets are immovable properties that result in effectively transferring the property, will be deemed to be the sale of the immovable properties and subject to tax on disposal gains.

Residence – A corporation is resident if it is incorporated in Botswana or managed in Botswana.
Basis – Corporate income tax is levied on the Botswana-source taxable income of all companies, other than tax-exempt bodies (such as pension funds or charities) and small companies that elect to be treated as partnerships or sole proprietorships. A company, for income tax purposes, includes any body corporate and any association or society (whether or not incorporated or registered), but excludes a partnership.

Foreign-source dividends and interest are deemed to be from a Botswana-source and are taxable on accrual, while business profits are taxable only when remitted to Botswana.

Nonresident entities carrying on business in Botswana (e.g. branches of foreign companies) are liable for tax in Botswana on the same basis as resident companies, except that the 2-tier system of taxation is not applicable. Instead, these branches are subject to tax at a single rate of 25%. There is no further tax on the remittance of branch profits to a foreign head office.

Taxable income – Taxable income is gross income, including capital gains, less exempt income and allowable deductions.

Taxation of dividends – Dividends received are specifically excluded from the definition of gross income and, therefore, constitute exempt income. Dividends received from sources outside Botswana are subject to a flat 15% tax.

Capital gains – Capital gains on the sale of shares and debentures, including those of unincorporated businesses and on the sale of immovable property, are taxable in Botswana at normal corporate rates. However, a 25% allowance is permitted in the calculation of capital gains on the sale of shares. Gains from the sale of shares listed on the Botswana stock exchange are exempt from tax, provided the shares are in the hands of the general public.

Losses – Losses may be carried forward 5 years. Farming and mining enterprises may carry forward their losses
indefinitely.

Tax Rate – For residents, the corporate income tax rate is split into 2 tiers: a basic company tax of 15% (5% for manufacturing companies) and an additional company tax (ACT) of 10%. Hence, the effective rate of corporate income tax is 25% (15% for manufacturing companies and IFSC companies). This 2-tier system becomes relevant when a company pays dividends. A resident company paying dividends must withhold tax at 15%. This withholding tax can be set off against the company’s ACT liability for the tax year, and any unused ACT is accumulated and may be carried forward for 5 years. The 15% withholding tax, which is considered part of the corporate tax structure and not a tax on dividends, can be reduced by ACT not previously used. In effect, the 2-tier system has the result that a resident company incurs no additional tax cost on the distribution of profits, provided the withholding tax payable does not exceed the current year’s ACT liability.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Relief from double taxation is provided in the form of a credit against Botswana tax for foreign tax paid on the same income. The credit may be granted under a tax treaty or unilaterally under Botswana domestic tax law. In the latter case, the credit is limited to the amount of Botswana tax applicable on the foreign income.

Participation exemption – No

Holding company regime – No

Tax Incentives – A reduced tax rate of 15% applies in respect of manufacturing and IFSC companies.

Withholding tax:

Dividends – A withholding tax of 15% is levied on all
dividends paid by a resident company to a resident or nonresident. The withholding tax is a final tax and may be set off against the 10% ACT liability of the paying company for the tax year.

Interest – A 15% withholding tax is levied on interest paid to nonresidents and 10% on interest paid to residents. The withholding tax on interest may not be offset against the corporate liability.

Royalties – The withholding tax on royalty payments made to nonresidents is 15%. The withholding tax on royalties may not be offset against the corporate liability.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Local authorities levy a property tax, known as “rates”, on property owners. A 5% transfer duty is levied on all property sales.

Social security – No

Stamp duty – No

Transfer tax – A transfer duty of 5% is levied on the transfer of immoveable property.

Other – A capital transfer tax at a rate of 12.5% is imposed on the transfer of assets. Company registration fees are levied at varying rates.

Administration and compliance:

Tax year – The tax year runs from 1 July to 30 June, although a company may choose any day as its financial year end.
Consolidated tax returns – Botswana tax law treats every company within a group as a separate and independent taxpayer. No provision is made for group companies to file a consolidated tax return, nor are there provisions for the transfer of losses between group companies. However, relief is provided in respect of dividends paid out of dividends received.

Filing requirements – A self-assessment system applies. Each company is required to estimate the tax it will pay at the beginning of each year. Under self-assessment, a company that has a tax liability over BWP 50,000 is required to pay the tax in 4 quarterly payments commencing the first quarter after its financial year end. A final, or fifth instalment, can be made 4 months after its year end at the same time that the company submits its return. A company with liability of less than BWP 50,000 is required to pay the full liability 4 months after its year end at the same time that the company submits its return.

Tax Penalties – BWP 100 per day for late filing of the corporate tax return. Interest of 1.5% per month for late payment may be imposed.

Botswana Value Added Tax (VAT) Rates

The standard rate of Botswana Value Added Tax (VAT) is 10%.

Taxable transactions – VAT is charged on the supply of goods or services made by a vendor in the course of doing business and on the importation of goods or services by any person.

VAT Rates – The standard rate is 10%. A zero tax rate applies to, among other items, exports, the international transport of passengers or goods and the insurance or arrangement of those services, and various services rendered directly to nonresidents that are not registered for Botswana VAT purposes. In addition, certain goods and services are exempt from VAT, including certain financial services, educational
services, the letting of residential accommodation and certain medical services.

VAT Registration – Taxpayers with annual turnover of at least BWP 250,000 must register for VAT purposes.

Filing and payment – A person registered for VAT purposes must submit a VAT return in respect of each tax period within 25 days after the end of the relevant tax period. The tax period is generally 1 calendar month.