

Botswana

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A. At a glance

Corporate Income Tax Rate (%)	22 (a)
Capital Gains Tax Rate (%)	22 (b)
Branch Tax Rate (%)	30
Withholding Tax (%)	
Dividends	7.5
Interest	15
Royalties	15
Management and Technical Fees	15
Payments under Construction Contracts	3 (c)
Brokerage Commission	10 (d)
Rent paid for use of buildings and land	5 (d)
Branch Remittance Tax	0
Net Operating Losses (Years)	
Carryback	0 (e)
Carryforward	5

- (a) For approved manufacturing companies, the rate is 15%.
(b) See Section B.
(c) This tax is imposed on gross receipts derived from construction contracts. This tax is an advance payment that may be offset against the actual tax due.
(d) This tax is an advance payment that may be offset against the actual tax due.
(e) Farming enterprises may carry back losses for two years.

B. Taxes on corporate income and gains

Corporate income tax. All companies operating in Botswana are subject to tax on earnings in Botswana.

Rates of corporate tax. The corporate tax rate for companies other than manufacturing companies is 22%. Approved manufacturing companies are subject to tax at a reduced tax rate of 15%.

The tax rate for a branch is 30%. The reduced 15% rate for approved manufacturing companies does not apply to branches. Botswana does not impose a branch remittance tax.

International Financial Services Centre (IFSC) companies (as defined) are taxed at a rate of 15%.

Diamond-mining companies are taxed in accordance with tax agreements entered into by the companies with the government. Other mining companies are taxed at a rate of 22% or at a rate determined by a formula, whichever is higher. The following is the formula:

$$x = \frac{70 - \frac{1500}{x}}{\frac{\text{Taxable income}}{\text{Gross income}}} \times 100$$

Capital gains. The capital gains tax applies to gains on the sale of capital assets of a business carried on in Botswana and on the sale of corporate shares and debentures of private companies.

For computing gains on sales of immovable property acquired before 1 July 1982, the cost of acquisition and improvements is first increased by a 10% rate, compounded for each complete 12-month period from the date of acquisition to 1 July 1982. It is then indexed for inflation from 1 July 1982 to the date of sale. For computing gains on immovable property acquired on or after 1 July 1982, the cost of acquisition and improvements is indexed for inflation during the period of ownership.

Only 75% of the gain derived from the sale of shares is subject to capital gains tax. Gains on the sale of shares held for at least one year that are listed on the Botswana Stock Exchange are exempt from capital gains tax if the seller holds no more than 49% of the shares. Sales of shares in IFSC companies are exempt from capital gains tax.

Taxable capital gains are subject to tax at a rate of 22%.

Administration. The tax year ends on 30 June. Companies are taxed on the profits reported in their latest completed accounting period.

Under an advance payment of tax and self-assessment system, companies must estimate their tax in advance and pay the estimated tax in four equal quarterly installments. The first payment is due three months after the beginning of the accounting period and the subsequent payments are due at the end of every subsequent three-month period. Tax returns must be filed, and any balance of tax due must be paid, within four months of the end of the tax year, or in the case of a company with an accounting period that is different from the tax year, within four months from the end of such accounting period. Underpayments and late payments are subject to interest at a rate of 1.5% per month (compounded).

Dividends. A withholding tax of 7.5% is imposed on dividends paid to residents and nonresidents. It is a final tax.

Dividends distributed by investment or similar companies are exempt from tax if they are paid out of dividends received that suffered withholding tax.

C. Determination of trading income

General. Taxable income is net income reported in the financial statements, modified by certain provisions of the tax law. Expenses are deductible to the extent incurred in producing assessable income.

The rules for determining taxable income for an IFSC company are different from those for a normal company.

Collective-investment undertakings (as defined) are subject to tax on their undistributed income only.

Inventories. For tax purposes, inventory is valued at the lower of cost or net realizable value.

Provisions. Specific identifiable provisions are allowable for tax purposes; general provisions are not allowed.

Depreciation. Depreciation is computed using the straight-line method. Official rates vary according to the type of asset. The following are some of the official straight-line rates.

Asset	Rate (%)
Industrial buildings	2.5*
Commercial buildings	2.5
Office equipment	10
Motor vehicles	25
Plant and machinery	15 to 25

* An initial allowance of 25% is also granted.

Capital allowances are subject to recapture on the sale of an asset to the extent that the sales proceeds exceed the tax value after depreciation.

Mining companies may deduct 100% of their mining capital expenditure (as defined) in the year in which the expenditure is incurred.

Relief for losses. In general, tax losses may be carried forward for five years. Mining, prospecting and farming losses may be carried forward indefinitely. In general, losses may not be carried back. However, farming enterprises may carry back losses to the preceding two years.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax, on almost all supplies of goods and services consumed in Botswana	12
Capital transfer tax, paid by the recipient on all gratuitous receipts of property, corporate shares and inheritances, less allowable deductions	12.5

E. Foreign-exchange controls

No foreign-exchange controls are imposed in Botswana. However, certain forms must be completed for statistical purposes.

F. Treaty withholding tax rates

	Dividends	Interest	Royalties	Management and technical fees
	%	%	%	%
Barbados	5/7.5 (e)	10	10	10 (f)
France	5/7.5 (a)	10	10	7.5
India	10 (c)	10	10	10
Mauritius	5/7.5 (b)	12	12.5	15
Mozambique	10/12 (c)	10	10	10
Namibia	10 (c)	10	10	15
Russian Federation	5/10 (i)	10	10	10
Seychelles	5/7.5 (g)	7.5	10	10
South Africa	10 (c)	10	10	10
Sweden	7.5 (d)	15 (d)	15 (d)	15
United Kingdom	5/7.5 (h)	10	10	7.5
Zimbabwe	5/7.5 (g)	10	10	10
Non-treaty countries	7.5	15	15	15

- (a) The 5% rate applies if the recipient is a company that holds at least 25% of the share capital of the payer.
- (b) The 5% rate applies if the recipient holds at least 25% of the shares of the payer.
- (c) The domestic rate of 7.5% applies because the treaty rate is higher than the domestic rate.
- (d) If a lower rate is negotiated with any other state in a future treaty, such rate also applies under the Sweden treaty.
- (e) The 5% rate applies if the recipient is a company that holds at least 25% of the capital of the payer of the dividends. The 7.5% rate applies in all other cases.
- (f) If a lower rate is negotiated with any other state in a future treaty, such rate also applies under the Barbados treaty.
- (g) The 5% rate applies if the recipient is a company that holds at least 25% of the capital of the payer of the dividends. The 7.5% rate applies in all other cases.
- (h) The 5% rate applies if the beneficial owner of the dividends is a company that controls directly or indirectly at least 25% of the voting power in the company paying the dividends. The 7.5% rate applies in all other cases.
- (i) The 5% rate applies if the recipient holds at least 25% of the shares of the payer. A 7.5% rate applies in all other cases (although the treaty provides for a 10% rate in all other cases, the domestic rate of 7.5% applies because it is lower than the treaty rate of 10%).