Botswana tax reforms: legacy tax concessions

Effective 1 July 2026, a number of tax reforms have been implemented. Through our series of publications, we share insights about what businesses should consider, to assess impact of these reforms and ensure that they remain compliant with relevant tax laws.

What has changed?

Whilst the Income Tax Act, 2026, has brought about changes in the determination of corporate income tax including increasing the corporate income tax rate to 24.5%, the Act retains the reduced rate of 15% on approved financial operations profits and other tax incentives for International Financial Services Centre (IFSC) companies. The corporate tax rate for IFSC company profits from other activities increased to 24.5%.

Legacy tax concessions for other forms of taxpayers are dealt with in the transitional provisions contained in the Income Tax Regulations, 2026. The Regulations provide for the preservation of exemptions and reduced tax rates granted under the repealed Income Tax Act provided the concessions were in force as of 1 July 2026 and that the concessions will continue in force until the expiry date, if any.

These transitional provisions may benefit holders of development approval orders, including manufacturing businesses and companies accredited by the Special Economic Zones Authority (SEZA) or the Selebi Phikwe Economic Diversification Unit (SPEDU).

Application of transitional provisions - example

The following table provides a high-level summary of how the transitional provisions may apply to a company holding a valid Manufacturing Development Approval Order.

Taxpayer	Financial year	Nature of income	Applicable CIT rate
Manufacturing company (Development Approval Order issued before 1 July 2026)	1 Oct 2025 to 30 Sept 2026	Manufacturing business profits	15%
		Other income	22%
	1 Oct 2026 to 30 Sept 2027	Manufacturing business profits	15%
		Other income	24.5%

In the example, the 15% concessional rate will be preserved because the company holds a valid development approval on 1 July 2026. However, the tax rate applicable to any non-manufacturing income accruing to the company would now be subject to the increased tax rate of 24.5%. In terms of the Regulations the 22% rate will apply to the year ended 31 September 2026 due to the fact that the year commenced prior to 1 July 2026.

Business impact

Whilst the concessions may continue - other income not covered by the concession will be affected by the increased tax rate, therefore affected businesses should assess the impact of changes to the normal tax rate. Businesses should factor the revised normal rate into their forecasts and self-assessment tax calculations.

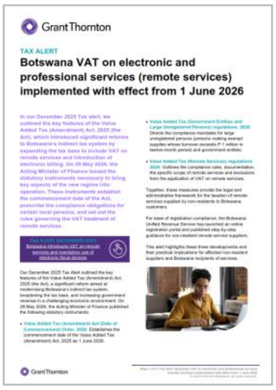
How Grant Thornton can help

To support you in this process, our tax team can provide practical guidance and implementation support, including:

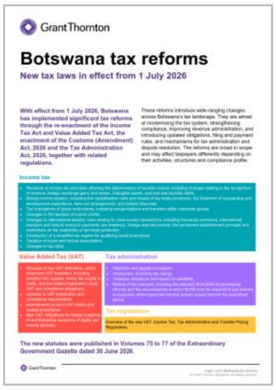
- Assessing how the reforms may affect your tax position, costs, reporting obligations and compliance requirements.

- Advising on the tax implications of transactions, structures, projects and cross-border arrangements.
- Identifying tax risks and practical opportunities to improve readiness, efficiency and control.

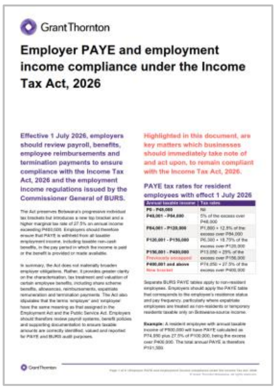
In our tax reforms insight series



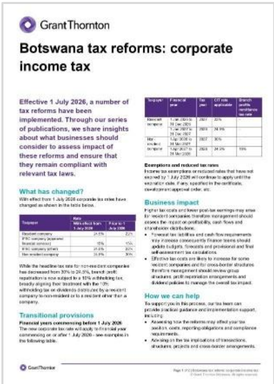
[Botswana VAT on electronic and professional services (remote services) implemented with effect from 1 June 2026]



[Botswana tax reforms: New tax laws in effect from 1 July 2026]



[Employer PAYE and employment income compliance under the Income Tax Act, 2026]



[Botswana tax reforms: corporate income tax]

Upcoming insights will be published on our website: www.grantthornton.co.bw/insights

Don’t get left behind - tell us what matters most to your organisation

We will be hosting workshops / seminars to unpack the tax reforms and would like to tailor the sessions to the issues most relevant to your business.

Click here to register your interest and suggest topics that you feel are most relevant to your business

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