Botswana tax reforms: Income tax treatment of farming operations

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.

Overview

The Income Tax Act, 2026 (the Act) retains special rules for farming income, livestock and qualifying farm assets/capital works. A key change is the removal of farming loss ring-fencing - farming losses may be set off against income from the taxpayer's other business activities but not against income classified as investment income and employment income.

Taxpayers conducting farming operations brought into scope

Section 75 of the Act states that a taxpayer conducting farming operations is subject to income tax. Accordingly, taxpayers carrying on farming operations are subject to income tax unless a specific exemption under the Act applies.

What are farming operations?

Farming operations are defined as including the keeping livestock and carrying on agricultural or pastoral activities, including dairy, stud and poultry farming, sheep rearing for wool or pelts, irrigated agriculture and horticulture.

What is a farming business?

The Act specifies a farming business as the business of cultivating land to produce crops or maintaining livestock for sale or for the sale of their bodily produce. Income from such farming activities is therefore business income.

Interaction between farming and other business income

Where a taxpayer carries on farming and other businesses, the income from those activities is treated as income from a single business unless the Act provides otherwise.

Exemption of subsistence or small-scale farming income

Section 77 of the Act exempts income earned by a resident individual from the rearing of cattle, sheep or goats for slaughter, dryland farming, or both. The exemption applies where, throughout the tax year:

- the total number of cattle does not exceed 300;
- the total number of sheep or goats does not exceed the equivalent of 300 cattle (using 6 sheep or goats for 1 head of cattle); and
- dryland farming land utilised does not exceed 100 hectares.

Computation of farming taxable income

The Act imposes tax on a person's taxable income for each tax year. Under section 13, taxable income is determined by reducing the taxpayer's gross income for the year by the deductions allowed under the Act. Gross income is defined as including business income.

In computing taxable income from a farming business, expenditure necessarily incurred in deriving farming income is deductible. In addition, tax depreciation on qualifying depreciable assets and business intangibles is also deductible. Specified expenditure on land improvements, water and irrigation infrastructure, fencing, non-residential farm buildings, plantations, access and power infrastructure, firebreaks and similar approved capital works is fully deductible in the year incurred. If an asset that received the 100% deduction is later disposed of, the consideration received is included in gross income. Special rules apply to livestock valuation, livestock acquired through natural increase, donations of livestock or produce, and stock held when farming operations cease.

Farming losses

Farming losses are treated as business losses and may be set off against income from the taxpayer's other business activities. This differs from the repealed Act, which expressly ring-fenced farming losses. Any unutilised assessed loss may be carried forward for five years. Taxpayers carrying on farming and non-farming activities should therefore reassess whether their legal, operating and ownership structures remain efficient.

Abolishment of 4% withholding tax

The 4% withholding tax on payments for livestock purchased for slaughter or feeding for slaughter was abolished from 1 July 2026. The change should improve cash flow and reduce compliance burden on affected farmers and traders.

What farming businesses should consider

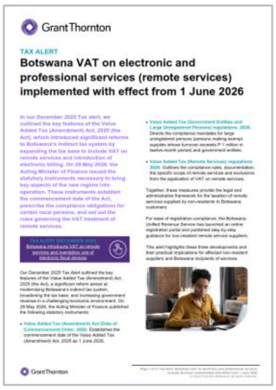
Farming businesses should reassess their structures following the removal of loss ring-fencing. Where farming and non-farming activities are conducted by the same taxpayer or within a group, the revised treatment may improve the use of assessed losses and affect financing, asset ownership and the allocation of activities. Our tax team can assist in assessing the implications for your existing or proposed structure, model available options and advise on any restructuring that may be required.

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

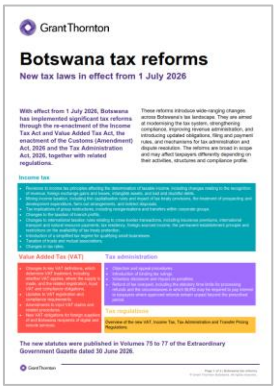
We will be hosting workshops / seminars to unpack the tax reforms and would like to tailor the sessions to the issues most relevant to your business.

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

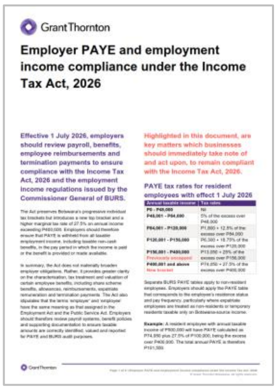
In our tax reforms insight series


Grant Thornton
TAX ALERT
Botswana VAT on electronic and professional services (remote services) implemented with effect from 1 June 2026

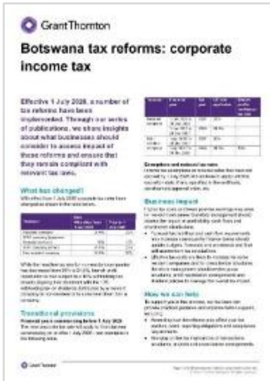
Botswana VAT on electronic and professional services (remote services) implemented with effect from 1 June 2026


Grant Thornton
Botswana tax reforms
New tax laws in effect from 1 July 2026

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


Grant Thornton
Employer PAYE and employment income compliance under the Income Tax Act, 2026

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


Grant Thornton
Botswana tax reforms: corporate income tax

Botswana tax reforms: corporate income tax


Grant Thornton
Botswana tax reforms: legacy tax concessions

Botswana tax reforms: legacy tax concessions

Upcoming insights will be published on our website

www.grantthornton.co.bw/insights

Key contacts

Olivia Muzvidziwa
Director and Head of Tax
T (+267) 3707 109
E olivia.muzvidziwa@bw.gt.com

Edwin Moilwa
Manager - Tax
T (+267) 3707 7163
E edwin.moilwa@bw.gt.com

Mompati Olebetse
Manager - Tax
T (+267) 3707 7190
E mompati.olebetse@bw.gt.com

info@bw.gt.com

www.grantthornton.co.bw

Grant Thornton Botswana

Grant Thornton Botswana

+267 77 135 223
(Latest insight publications)

Grant Thornton