Botswana tax reforms: Income tax

Offshore income, onshore tax - Botswana's new income attribution rule

Section 119 of the Income Tax Act, 2026 (the Act), which became effective on 1 July 2026, introduces a controlled foreign entity rule under which qualifying investment income of a low-tax foreign entity may be attributed to a Botswana resident.

When does the rule apply?

The rule applies where a Botswana resident holds, directly or indirectly, a 50% or greater membership interest in a foreign low tax entity (includes a company, a partnership or a trust) during the tax year.

The term 'Botswana resident' includes a resident individual, resident company, resident partnership and resident trust.

What is a low tax entity?

A "low tax entity" is defined as an entity resident in a foreign country or territory, or part of a foreign country or territory that:

a) has an effective corporate tax rate below 15 per cent,
b) either does not tax foreign income of residents or taxes foreign income of residents only if the income is remitted into the country, or
c) has laws providing for the secrecy of financial or corporate information that facilitate the concealment of the identity of the beneficial owner of any income or asset of the entity.

What income qualifies for attribution?

Income attribution is restricted to the investment income of the foreign entity. Investment income includes a dividend, interest, royalty, rent or any other amount derived by the taxpayer from the provision, use, or exploitation of property.

How is attributed income calculated?

Attributed income equals the Botswana resident's percentage membership interest (A) multiplied by the low-tax entity's adjusted investment income (B). Component B represents the total investment income of the low tax entity for the tax year other than investment income already subjected to Botswana income tax under section 9 of the Act i.e. investment income attributed to a Botswana permanent establishment of the low tax entity. Component B is further reduced by foreign income tax or non-resident tax paid by the entity on that investment income.

Illustration

A Botswana resident owns 70% of a low-tax entity that earns P1,000,000 of investment income. Of this amount, P200,000 is interest attributable to the entity's Botswana permanent establishment and taxed as its business profits under section 9. Component B is therefore P800,000 and the attributed income is P560,000 (70% × P800,000), before any further reduction for qualifying foreign tax.

Other key features

The membership interests percentage in the foreign entity is the highest of direct or indirect voting power, dividend or income rights, and capital rights.

A subsequent dividend payment by the low tax entity to the Botswana resident is exempt to the extent it is paid from income previously attributed to the Botswana resident.

Taxpayers should maintain evidence supporting ownership, the effective tax rate, the nature of investment income, foreign taxes paid and any Botswana permanent-establishment attribution.

Recommended action

Botswana residents with membership interests in foreign subsidiaries, partnerships or trusts should, before year-end, map their direct, indirect and associate-held interests; identify foreign entities that meet any low-tax indicator; quantify attributable investment income and available foreign-tax reductions; and retain evidence supporting any exclusion, including permanent-establishment attribution. Any resulting exposure should be incorporated into provisional self-assessment tax computations and payment forecasts.

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.

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

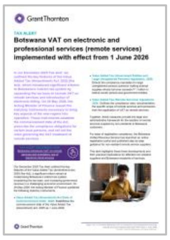
Mompati Olebetse
Manager - Tax
T (+267) 3707 7190
E mompati.olebetse@bw.gt.com

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.

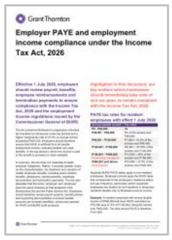
Click here to register your interest and suggest topics that you feel are most relevant to your business

In our tax reforms insight series

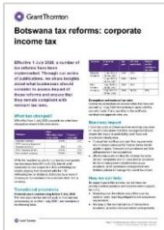


Botswana VAT on electronic and professional services (remote services)

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

Botswana tax reforms: legacy tax concessions

Botswana tax reforms: Income tax treatment of farming operations

Upcoming insights will be published on our website

www.grantthornton.co.bw/insights

info@bw.gt.com

www.grantthornton.co.bw

Grant Thornton Botswana

Grant Thornton Botswana

+267 77 135 223
(Latest insight publications)

Grant Thornton