

e-budgetnews

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Grant Thornton Acumen 

This year's budget has **enough fuel** to keep Botswana **flying high...**



In this issue we highlight the budget proposals for the year 2006-07 presented by the Honourable Baledzi Gaolathe, Minister of Finance and Development Planning. Presently, the budget is only a draft and will have to be approved by the National Assembly.

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Highlights in English

Budget Theme- Building an innovative economy for the 21st century

- 2006 / 2007 budget proposal shows a revenue of P 24.14 billion and expenditure and net lending of P 23.22 billion, resulting in a budget surplus of P 922.5 million.
- Revised estimates for 2005 / 2006 show an anticipated budget surplus of P 1.58 Billion as against the original budget surplus of P 112 Million.
- Budget outturn for the 2004/2005 financial year was an overall surplus of P 574 Million compared to a projected budget deficit of P 1.43 Billion.
- Real GDP grew in 2004-2005 by 8.3 % compared to 3.4 % in 2003-2004.
- In order to accelerate the rate of economic growth, major public and private sector projects amounting to P 57 billion are planned to be implemented in next 5 years.
- Inflation averaged 8.6 % in 2005 compared to 7 % in 2004. However, this is less than the SADC region level of 10.3% or 10.4% for the respective years.
- Grade A sovereign credit rating maintained with a stable outlook by Moody's and Standard & Poor.
- Botswana has been rated by Heritage Foundation to be among the top 30 countries in the world and number one in Africa on economic freedom.
- Estimated surplus in overall balance of payments of P 5.2 Billion in 2005, compared to a deficit of P 232 Million in 2004.
- The forex reserves as of November 2005, stood at P 34.7 billion (27 months import cover) against P 24.2 billion (22 months import cover) as of December 2004.
- Proposal to repeal the Botswana Stock Exchange Act and replace it with Securities Act to be in line with international best practices.
- The Government Employees Motor Vehicle and Residential Property Advance Scheme will be privatised during 2006/2007.
- Across the board increase of 8 % on public sector salaries.
- Government's innovative ways of addressing the HIV AIDS epidemic has resulted in significant reduction of prevalence rate among pregnant women and substantial increase in number of patients enrolled for ARV treatment.
- Government to implement programme of infrastructural development in rural areas in 2006/2007, estimated to cost P 1 billion.
- Citizens will have exclusive rights to operations of several types of small and medium tourist enterprises.
- Government proposes to introduce tax incentives for employing youths.
- Provisions to be introduced to make directors liable for outstanding taxes of their companies.

Income Tax

In line with the policy of simplification of the Income tax Act in order to improve tax compliance the following comprehensive tax amendments were proposed;

- The current two tier tax system followed for companies is proposed to be abolished. A single company tax rate and a withholding tax on dividend as a final charge is introduced.
- Personal income tax threshold increased to P 30 000 and the maximum taxable limit for individuals increased to P 120 000.
- Withholding tax of 10% introduced for interest earned by residents in excess of P 1000 per quarter payable by banks and financial institutions. Certain exceptions apply to this provision.
- Disposal gains on sale of shares of public or private companies by investment companies and others for the purposes of making profit will be taxed as business income and not as capital gains.

- A listed company trading 50% or more of its equity shares in Botswana Stock Exchange will be allowed to claim 100% exemption.
- Sale of shares in a company where immovable property is the dominant asset will be treated as sale of immovable property and taxed accordingly.
- Sale of Principal Private Residence by an individual will be exempt only if the sale proceeds are reinvested in a property used for residential purposes, within 2 years from date of such sale.
- Self assessment tax which is currently applicable to companies will be extended on an optional basis to non corporate tax payers.

Value Added Tax

- There has been no change in the Value Added Tax rates.
- The list of exempt goods and services extended to include supply of passenger transportation, donations, grants and condoms. Transportation of tourists by bus, air, safari vehicles or boats to remain taxable.
- The definition of zero rated items amended to incorporate millet grain, wheat grain, flour, sugar and maize cobs. Some pesticides, fertilizers and farming tractors also to be included under zero rating. However zero rating will be limited to food items when sold as they are and not mixed with other products
- Specific rules regarding the time of supply in the case of the transfer of immovable properties to be introduced.
- The definition of input tax to be extended to include the tax fraction of the value of the second hand goods acquired in respect of taxable supplies or imports and the transfer duty paid on the acquisition of the immovable property.

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Highlights in Setswana

Ntha kgolo - Kago ya itsholelo e e4 lebitseng pele

- Tona o buile ka gore itsholelo e tswetse ka go gola ka 8.3% mo ngwageng tsa 2004/2005, mme a thomamisa gore mmuso o ikaelela go tsweledisa kgolo ka go oketsa tiriso ya madi mo itsholelong ka kakaretso.
- Dintha dingwe tse a buileng ka tsone tse Puso e ikaeletseng go di dira ke koketso kadimo ya madi mo basheng gore ba kgone go itshimololela dikgwebo.
- Madi a laphata la Kalafhi a okeditswe go lwantsha bolwetse ja HIV/AIDS.
- Lephata la thuto le lone le neetswe madi go feta gwaga o o fitileng go tokofatsa thuto.

Ditlhabololo

- Mmuso o neetse dikompone di le nne teta ya go simolola madirelo a go sega diteemane. Dikompone tsa go nna jalo di tla hapha Batswana ba le bantsi.
- Madirelo a Morupule le Mmamabula a tla atolosiwa go oketsa motlakase, a tlatsa ka gore ditlhabololo tseo di tla fokotsa thata letlhoko la ditiro.

Lekgetho

- Tona o boletse Sechaba gore Goromente o ikaela ka molao o mosha wa VAT go ntsha sukiri, mmedi, mabele le bopi jwa mabele, bopi ja borotho mo le lekgethong la VAT.
- Madi a di tuelo a tsimilogo ya lekgetho a okeditswe go tswa mo go P25000. go ya go P30000. Dituelo tsa selekanyo sa P120,000.00 go ya kwa go dimo, di tla duela lekgetho le le kwa godimo go feta.
- Go tla tokofadiwa lekgetho la dikomponi go nna lengwe.
- Morokotso o o fetang P1000 o ibileng o duelwa morago ga kgwedi dile tharo ka ngwaga o tla duedisiwa lekgetho ka 10%.
- Go tla tsenngwa ntha mo molaong wa lekgetho o o tla dirang gore boradikgwebo be welwe be kgetsi ya lekgetho le le kolotiwang ke dikgwebo tsa bone.
- Bagwebi ba ba hirang banana batla fokolediwa lekgetho

Manaao a Mmuso

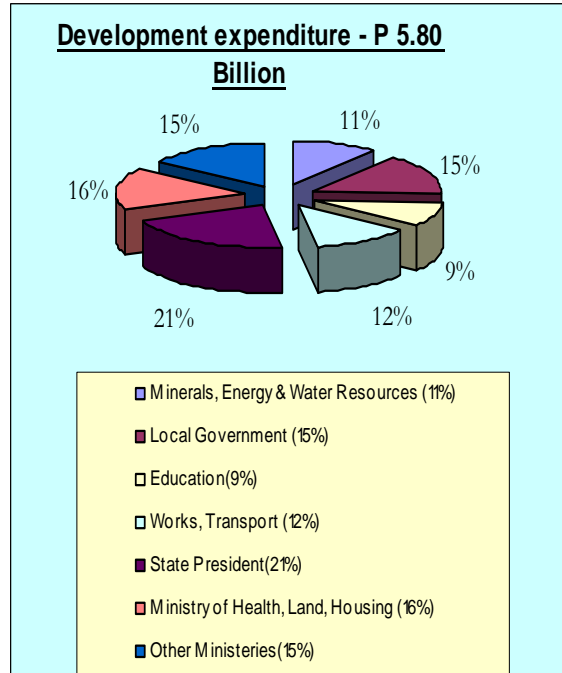
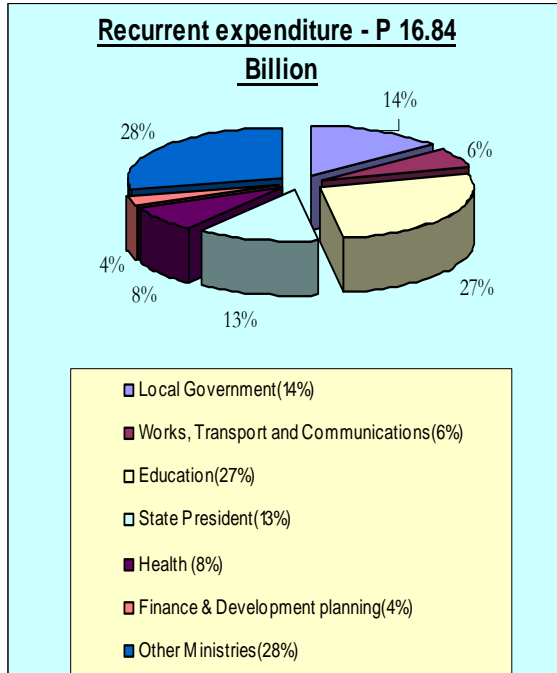
- Tona o buile gape ka mananeo a Mmuso a kadimo ya madi gore Batswana ba itshimololele dikgwebo jaaka lenaneo la CEDA, mme a kgala Batswana bangwe ba ba sa buseng madi ka fa tumalalong, a tswelera ka go rotoetsa Batswana go busa madi a kadimo ka tsamaiso e e lolameng.
- Tona o ne a itsise sechaba gape ka fa Mmuso o sa itumediseweng ke boradikonteraka bagwe ba ba tswelentseng ka go phuaganya ditiro di e se di fele, jaaka di kago tsa dikole, tsa lenaneong la mmuso la go leka go rotoetsa dikonteraka tsa Batswana.
- Tona o boletse sechaba gore mmuso o ikaeletswe go isa ditlhabololo tse di le mmalwa tse di tlaa dirwang kwa metseng jaaka motlakase, ditlhaeletsanyo, metsi le tse digwe go fokotsa letlhoko la ditlamelo le ditiro mo magaeng.
- Tona o buile ka gore o tshwentswe thata ke Batswana bangwe ba ba tlhophang gore bone
- ba ka tsenelela ditiro dife kgotsa dife, mo go felelang go dira gore bagwebi ba hire batswakwa le mo ditirong tota tse di sa tlhokeng boitseanape jo bo rileng.
- Madirelo a mabotlana a bojanala a tla letelelwa go nna a baagedi fela.
- Dituelo tsa badirela Puso di tla okediwa ka 8%

SHHA

- Tona o itsisitse fa mmuso o tla tsweledisa thulaganyo ya SHHA, mme a bolela fa lenaneo le le tla shafadiwa go le tiisa. O kgothatitse ba ba boneng dithuso tsa SHHA go busa madi a kadimo. A kopa gape Dokhansela go dira ka bojotle go bona gore madi a a adimilweng ka lenaneo le a a busiwa go re go tle go thusiwe bangwe gape ba ba tlhokang thuso e.

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Budget allocation



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Tax tables

Personal income tax

Resident individuals

Annual taxable Income	Tax liability 2006-2007	Marginal rate %	Average rate %
30,000	-	-	-
35,000	250	5	0.71
40,000	500	5	1.25
45,000	750	5	1.67
50,000	1,000	5	2.00
52,500	1,125	5	2.14
55,000	1,375	10	2.50
60,000	1,875	10	3.13
65,000	2,375	10	3.65
70,000	2,875	10	4.11
75,000	3,375	10	4.50
80,000	4,125	15	5.16
85,000	4,875	15	5.74
90,000	5,625	15	6.25
95,000	6,375	15	6.71
97,500	6,750	15	6.92
100,000	7,250	20	7.25
105,000	8,250	20	7.86
110,000	9,250	20	8.41
115,000	10,250	20	8.91
120,000	11,250	20	9.38
130,000	13,250	25	10.19
140,000	15,250	25	10.89
150,000	17,250	25	11.50
160,000	19,250	25	12.03
170,000	21,250	25	12.50
180,000	23,250	25	12.92
190,000	25,250	25	13.29
200,000	27,250	25	13.63
250,000	37,250	25	14.90
300,000	47,250	25	15.75

Resident individuals – tax summary

Annual taxable income	Rate of tax
Up to 30 000	0%
30 001 to 52 500	0 + 5 % of excess over 30 000
52 501 to 75 000	1 125 + 10% of excess over 52 500
75 001 to 97 500	3 375 + 15% of excess over 75 000
97 501 to 120 000	6 750 + 20% of excess over 97 500
Over 120 000	11 250 + 25% of excess over 120 000

Motor vehicle benefit - Scale of values

Cost Of vehicle	Value of benefit	Fuel cost adjustment
1 – 50 000	2 500	1 000
50 001 – 100 000	5 000	2 000
100 001 – 150 000	7 500	3 000
150 001 – 200 000	10 000	4 000
200 001 – and over	15% on excess over 200 000	5 000 maximum

There has been no change in the income tax rates from the previous year.

Capital transfer tax

Individuals

Annual taxable income	Rate of tax
0 to 100 000	2% of every Pula
100 001 to 300 000	2 000 + 3% of excess over 100 000
300 001 to 500 000	8 000 + 4% of excess over 300 000
Over 500 000	16 000 + 5% of excess over 500 000

Companies

12.5% of every Pula

There has been no change in the income tax rates from the previous year.

Withholding tax

Payments of / Payments to	Dividends	Interest	Royalties	Management & technical fees	Entertainment fees	Construction contract payment
Resident	15%	10%	-	-	-	3%
France	12% or 5 % \$	10%	10%	7.5%	-	-
Mauritius	10% or 5 % \$	12%	12.5%	15%	-	-
South Africa	10%	10%	10%	10%	-	-
Sweden	15%	15%	15%	15%	-	-
United Kingdom	15%	15%	15%	7.5%	-	-
Russia	10% or 5 % \$	10%	10%	10%	-	-
Barbados	10% or 5 % \$	10%	10%	10%	-	-
Seychelles	10% or 5 % \$	7.5%	10%	10%	-	-
Namibia	10%	10%	10%	15%		
Zimbabwe	10% or 5 % \$	10%	10%	10%	-	-
Non-treaty	15%	15%	15%	15%	10%	15%

\$ Dividends are withheld only 5% if the beneficial owner is a company and hold 25% or more of shares in the resident company declaring dividend.

Notes

Botswana- Russia Treaty and Botswana-Zimbabwe Treaty has not been ratified by the Government of these countries

Self assessment tax

Please note that companies with annual tax on income of more than P 50 000 for a tax year, have to pay Self-Assessment tax in quarterly installments. The first quarterly installment commence at the end of 3 months from the start of financial year, second installment is due at the end of 3 months from first SAT installment and so on. Please refer to the table below for finding out when your SAT installments are due.

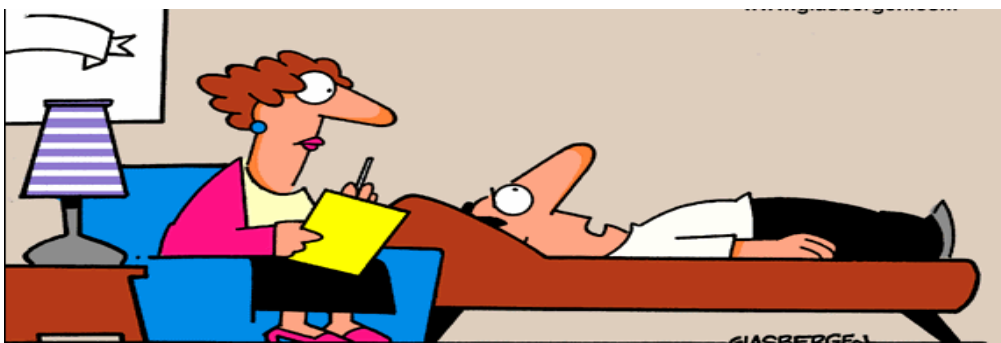
If your annual tax on the income for a tax year is **less than P 50 000**, you could choose to pay it either in four installments on the specified due dates or in one lump sum, on the due date of filing the tax return.

Tabulated SAT quarterly due dates for the various accounting periods relevant to tax year 2007

Year end	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007
1st Qtr	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006
2nd Qtr	Jan 2006	Feb 2006	Mar 2006	April 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006
3rd Qtr	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2006	Feb 2006	Mar 2006
4th Qtr	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006
Final Payment with return	Nov 2006	Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Aug 2007	Sep 2007	Oct 2007

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The lighter side



“Opportunity paged me, beeped me, linked me, e-mailed me, faxed me, and spammed me. But I was expecting it to knock!”

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