

BOTSWANA BUDGET 2021/22

Key highlights of Botswana Budget presented by Hon. Dr Thapelo Matsheka



Key statistics

2.2% ◆ INFLATION
AT DEC 2020
(objective range 3 - 6%)

10.9 months ◆ IMPORT
COVER

58.7 bn ◆ 2020 FOREX
RESERVE (BWP)

14.75 bn ◆ 2021/22 DEVELOPMENT
BUDGET (BWP)

56.05 bn ◆ 2021/22 RECURRENT
BUDGET (BWP)

6.03 bn ◆ 2021/22 DEFICIT
(BWP)

Fiscal highlights

Tax amnesty (pay principal, waived interest & penalty) provided to taxpayers

Increase in VAT to 14% effective 1 April 2021

Increase in withholding tax on dividend to 10% effective 1 April 2021

Increase in basic exemption threshold on personal tax to P48,000

Increase in fuel levy by P1 per liter

Introduction of sugar levy on sweetened beverages

Operationalization of plastic levy

Introduction of second-hand vehicle levy

Revision of Ministerial levies and charges

Highlights

National employment policy to be finalized in H1 2021

Pula basket of currency weight remains unchanged during 2021

Demographic dividend (population in age group 15 – 64) to be developed with four focus areas - Employment and Entrepreneurship, Education and Skills Development, Health and Wellbeing, and Human Rights, Governance and Youth Empowerment

Rationalising, restructuring, privatisation and liquidation of State-Owned Enterprises to be considered in 2021

Major expansions in ICT infrastructure achieved through increased connectivity & reduced costs

Domestic economy expected to grow at the rate of 8.8% during 2021

Implementation of the African Continental Free Trade Area Agreement (AfCFTA), which became operational in January 2021

UK-SACUM and EU-SADC economic partnership agreement have been completed in an effort to facilitate an export-led economy and a global market for locally produced goods

National Population and Housing Census postponed to 2022

Promotion of agri-business and food self-sufficiency through import restrictions

Implementation of an on-line visa issuance system (e-visas and e-passport) expected by May 2021

Digitalisation to be carried out in schools for all learners and teachers from Standard 5 to Form 5 level

Integrated resource plan for electricity sector development launched in December 2020

Design and construction of 12 steel grain silos is underway at the Pandamatenga SEZ, expected to be completed by August 2021

Plans underway for developing tourism facilities around Gaborone and Thune dams

Plans to upgrade 3 existing dry ports and establish a new one in Kasane

Tender to be awarded for 100mw solar power plants in Selebi-Phikwe and Jwaneng and 12 Grid-tied Solar Photovoltaic by Q1 2021

Construction of 90 million liters fuel depots in Ghanzi and Francistown to ensure national security of fuel supply

Budget deficit to be financed through domestic Government securities and external borrowings sourced from capital markets

Economic Recovery and Transformation Plan (ERTP) to prioritize rapid rolling out of public service on digital platforms

“As Botswana invests towards a ‘V’ shaped recovery, committed focus on ‘implementation’ and ‘digitization’ is the need of the hour. Collaboration in the form of Public Private Partnership (PPP) is key for strengthening resilience.”

Kalyanaraman Vijay
Managing Partner
Grant Thornton Botswana



Budget allocation 2021/22

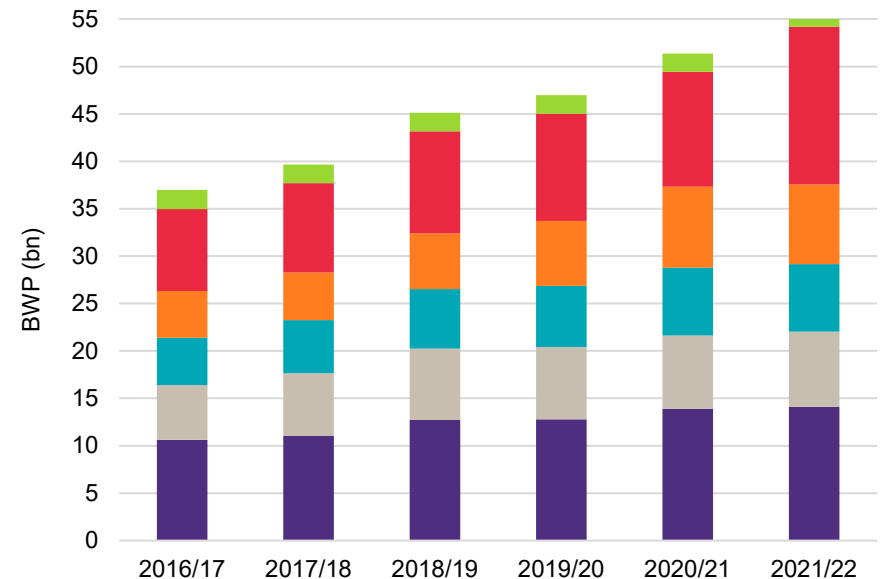
Budget allocation changes – How our growing recurrent expenditure will be contained within budget is key?

Government of Botswana (GoB) has decreased its recurrent budget for 2021/22 to P 56.03 bn from revised budget of P 57.2 bn for 2020/21 (2% reduction). This is on the backdrop of recurrent expenditure exceeding budget by 5% to 10% in each of the last four years.

Recurrent Budget

- On a combined basis, the budget allocation of P 14.12 bn for Basic education and Tertiary education, research, science and technology continue to be the highest (28% of overall budget) to drive the country's transition to a knowledge-based economy. This is in line with trend noted in past few years. Such allocations are primarily to cater for tertiary student scholarships, subventions to Government tertiary institutions (public and private) as well as teachers' remuneration, service charges, provision of textbooks, stationery, food supplies, furniture, equipment, etc. for primary and secondary education institutions. The requirement to meet COVID-19 protocols has also resulted in 1,751 positions for teachers at basic education level leading to additional cost.
- Post increase of >15% (Year-on-Year/ YoY) in each of the last three years, the budget allocation for Defence, justice and security is reduced by 2% to P 8.39 bn. This is largely to meet the operational costs of Botswana Defence Force (BDF), Botswana Police Service and Prisons and Rehabilitation services.
- Having remained stable at P 7.6 bn over last three years, the budget allocation for Health and Wellness is increased by 2.2% to P 7.9 bn in 2021/22 to contain and mitigate risks of COVID-19 infections, procure personal protective equipment for health personnel, vaccines, and medication. The balance of the budget is to meet cost of drugs, dressing, vaccines, medical and surgical equipment, antiretroviral therapy (ARV) therapy for HIV/AIDS patients and medical specialist fees, in addition to contribution to BPOMAS.

Recurrent budget	BWP (bn)	%
Education and skills development (basic and tertiary) *	14.12	25%
Health and wellness	7.90	14%
Local government and rural development	7.14	13%
Defence, justice and security	8.39	15%
Transport and communication	1.82	3%
Other ministries and departments	16.66	30%
Total	56.03	100%



- Transport and communication
- Other ministries and departments
- Defence, justice and security
- Local government and rural development
- Health and wellness
- Education and skills development (basic and tertiary) *

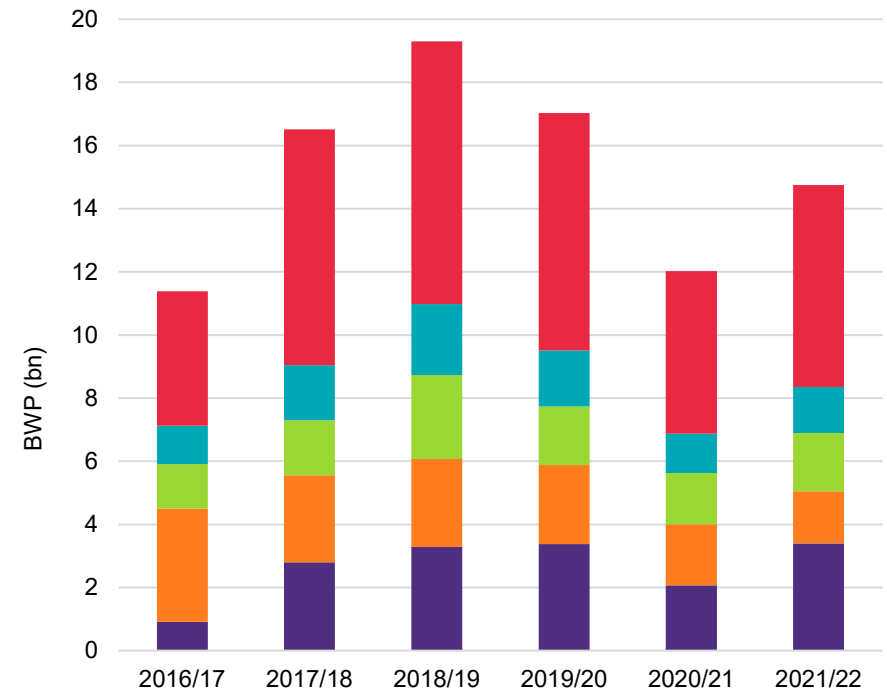
* Effective 2017/18, split between Basic education and Tertiary education, research, science & technology

Budget allocation 2021/22

Development budget

- On an overall basis, the development budget of P 14.75 bn for 2021/22 is in line with actual development expenditure of four years back (2017/18).
- The ministry of Land management, water and sanitation services continue to enjoy the highest budget allocation at P 3.4 bn (+64.3% YoY). The water projects account for lion's share of such allocation. Some of these projects being the North-South Carrier (NSC) 2 (Palapye-Mmamashia-Gaborone), connection of Tswapong South villages to NSC, implementation of Lobatse water master plan, water treatment plant at Kasane, Botswana Emergency Water Security and Efficiency project partly funded through a loan from World Bank, and water sanitation at various towns and villages across the country.
- After experiencing reduction in budget allocation in last two years, the budget allocation for Transport and Communication is increased by 14.2% to P 1.85 bn. The development of roads under Economic Recovery and Transformation Plan (ERTP) shall include Nata-Maun road, dual carriage way for the busy A1 highway and Gaborone Eastern bypass. Focus will continue to be on traffic control modernisation and centralised traffic control for Greater Gaborone area as well as ICT projects (e.g., Government data network upgrading, national backbone networks).
- Although the budget for Defence, justice and security has come down from P 2.78 bn in 2018/19 to P 1.65 bn in 2021/22, it has the 3rd highest share. Bulk of such budget goes to BDF (procurement and maintenance of air assets, vehicles, defence and communication equipment, physical infrastructure), Botswana Police Service (construction of police stations and staff houses) and Department of prisons and rehabilitation services (prison infrastructure, equipment).

Development budget	BWP (bn)	%
Land management, water and sanitation services **	3.40	23%
Defence, justice and security	1.65	11%
Transport and communication	1.85	13%
Local government and rural development	1.45	10%
Other ministries and departments	6.40	43%
Total	14.75	100%



- Other ministries and departments
- Local government and rural development
- Transport and communication
- Defence, justice and security
- Land management, water and sanitation services **

** Previously, Lands and housing

Dintlha tsa pego ya madi a sechaba ya 2021/2022

Ketapele

Ngaka Thapelo Matsheka yo e leng tona ya tsa madi, ditlhabololo le ditogamaano o simolotse pego ya gagwe ka go itsise sechaba fa seemo sa itsholelo lefatshe ka bophara e wetse tlase ntateng ya segajaja se se apereng lefatshe lotlhe sa COVID-19. O tshalositse fa seo se re amile thata le yone itsholelo ya Botswana. Tona o ne a tshalosa fa pego kabo madi ya 2021/2022 e remeletse thata mo go tshosoloseng itsholelo ya rona mo kwelong tlase e e amileng lefatshe ka bophara.

Mo boemong jwa Puso, tona o ne ntsha molaetsa wa kgothatso le matshidiso mo go ba ba latlhegetsweng ke masika le ditsala ntateng ya segajaja sa COVID-19.

Tokafatso ya tsa mebereko

Tona o kaile fa a tshwentswe ke seemo sa letlhoko la ditirio bogolo jang mo bananeng, mme go tokafatsa seemo se, puso e seegetse fa thoka madi a go thusa banana ka go ba duelela dikolo tse dikgolwane, go beelela mo letlole la banana, go tokafatsa lenaneo la tirelo sechaba le go thapa banana ka nakwana go ithokoletse ditiro tsa sennela ruri.

Palo batho

Puso e seegetse fa thoko palo batho ya sechaba e e neng e beetswe monongwa ka ntata ya thibelo mesepele mme e tla dirwa mo ngwageng o o latelang.

Madirelo a puso

Tona o ne a tshwaela ka madirelo a puso a tswelatseng ka go sa dire sentle. O supile fa magwe a tla tlhongwa go nna a a ikemetse ka nosi, mme a magwe a ka nna a tswalwa gotlhelele.

Tsa maranyane

Puso e ikaelela go tla ka lenaneo la sesupa sa Omang wa maranyane go tokafatsa bodiredi. Mo godimo ga moo makalana otlhe a Puso a tla lomaganngwa go leka go hema borukuthi le go itebaganya le dikgang tsa bong. Tona a tswelela ka go itsise sechaba fa batla dira lenaneo la go ikopelo dibukana tsa mesepele ka maranyane.

Puso e bone go tshwanela go isa maranyane ko dikolong go tokafatsa seemo sa thuto mo baithuting le barutabana ka kakaretso.

Ditirelo tsa metsi, motlakase le leokwane

Go tokafatsa seemo sa metsi puso e tsere tshwetso ya go abela lephata le le lebaneng madi a seng kana ka sepe gore e tle e kgone go isa metsi ko sechabeng. O supile gape fa e tla atolosa phatlalatso ya motlakase ka go dirisa maranyane a letsatsi.

Mmuso o itlamile go atolosa mabolokelo a leokane mo metseng ya Ghanzi le Francistown go hema tlhalelo.

Lekgetho

Go tokafatsa letseno la puso, tona o kaile fa go tla dirwa tse di latelang:

1. Go oketsa lekgetho la dithoto go tswa mo go 12% go ya ko go 14%
2. Go tla okediwa lekgetho la leokwane ka Pula mo lithareng
3. Go tla okediwa lekgetho la morokotso wa dipeeelo go tswa mo go 7.5% go ya ko go 10%
4. Go tla okediwa seelo sa lekgetho la babereki go tswa ko go 36 000 go ya ko go 48 000 ka ngwaga.
5. Go lwatsha seemo sa bolwetsi jwa sukiri jo bo golelang pele mo sechabeng, tona o supile fa go tla simolosiwa lekgetho la sukiri.
6. Puso e santse e sekaseka go simolodisa lekgetho la dikoloi tse di tswang ko ntle ga lefatshe mme di tla di setse di dirisitswe go oketsa letseno la puso le go babalela tikologo ka kakaretso.

Diphetoga tse di tla simolodisiwa mono ngwaga kgwedi ya moranang e rogwa.

Corporate governance and board evaluation

Organizations are required to comply with statutory and regulatory requirements for good governance practice. Corporate governance ensures organizations achieve strategic goals, manage risks in assuring compliance, and defines the relationships between stakeholder, management and the board of directors. Adopting a good governance structure involves monitoring and ensuring that board members add genuine strategic value to companies in building effective boards and promote good corporate governance. It improves an intrinsic focus of shareholders on return-on-investments, and encourages accountability and transparency of the board and the organization.

For companies listed on the Botswana Stock Exchange (BSE) and other Public Interest Entities (PIE), compliance with corporate governance and an annual board evaluation are mandatory in line with the BSE Code of Governance and Botswana Accountancy Oversight Authority (BAOA) requirements.

We can help your organisation conduct a board evaluation. For any queries, please contact **Aparna Vijay** (Partner, Corporate Services) via e-mail aparna.vijay@bw.gt.com.

Reference tax tables

These tax rates are for the tax year ending June 2021

Returns	Timeline
Personal tax	Within 3 months from tax year end
Company tax	Within 4 months from end of fin year
Annual PAYE	31 July
Annual WHT	31 July
Monthly WHT	15 th of the following month
VAT	25 th of the month following the VAT period

Get in touch with us to unlock your potential for growth

T (+267) 395 2313
E info@bw.gt.com
W www.grantthornton.co.bw
Tw @GrantThorntonBW
Lin Grant Thornton Botswana
FB Private Business Growth Awards

Personal tax - resident & non-resident individuals

Annual taxable income (BWP)	Resident rate of tax %	Non-resident rate of tax %
Up to 36,000	0%	5%
36,001 - 72,000	0 + 5% of excess over 36 000	5%
72,001 - 108,000	P1,800 + 12.5% of excess over P72,000	P3,600 + 12.5% of excess over P72,000
108,001 - 144,000	P6,300 + 18.75% of excess over P108 000	P8,100 + 18.75% of excess over P108 000
144,001 and above	P13,050 + 25% of excess over P144,000	P14,850 + 25% of excess over P144,000

Capital gains - resident & non-resident individuals

Annual taxable income (BWP)	Rate of tax %
Up to 18,000	0%
18,001 - 72,000	0 + 5% of excess over P18,000
72,001 - 108,000	2,700 + 12.5% of excess over P72,000
108,001 - 144,000	7,200 + 18.75% of excess over P108,000
144,001 and above	13,950 + 25% of excess over P144,000

Capital transfer tax - resident & non-resident individuals

Taxable income (BWP)	Rate of tax %
Up to 100,000	2%
100,001 – 300,000	P2,000 + 3%
300,001 – 500,000	P8,000 + 4%
500,001 and above	P16,000 + 5%

Capital transfer tax - resident & non-resident companies

Nature of company	Rate of tax %
Resident company	12.5%
Non-resident company	12.5%

Withholding tax

Details	Timeline
Commission / brokerage	10% advanced tax
Construction	3% advanced tax
Rent	5% advanced tax
Dividend	7.5% final tax (until 31-03-2021)
Entertainment fee	10% final tax (<i>not applicable to residents</i>)
Interest	10% final tax (residents, in excess of P1,950 per quarter) / 15% final tax (non-residents)
Management / consultancy fee	15% final tax (non-treaty) <i>not applicable to residents</i>
Mine rehabilitation fund	10% final tax
Royalties	15% final tax (non-treaty) <i>not applicable to residents</i>
Purchase of livestock for slaughter / feeding for slaughter	4% advanced tax

Company tax - resident & non-resident companies

Type	Rate of tax %
Resident company	22%
Resident company – approved manufacturing taxable income	15%
External / non-resident company	30%
IFSC company – approved service income	15%
IFSC company – other taxable income	22%
Dividends accruing outside the country	15%
Pension and Provident Fund not approved by the Commissioner General	7.5%
Botswana Meat Commission	15%

DID YOU KNOW? TRANSFER PRICING

Transfer pricing regulations were introduced in Botswana effective 01 July 2019.

Requirement - BURS expects the transfer pricing document to be submitted along with the company's tax return for the tax year 2021.

Penalties for non-compliance - amount equal to 200% of tax payable.

Penalties for non-submission - up to P500,000.