

# Tax Alert 5 of 2021

## Botswana income tax changes - effective 1 July 2021

**Personal tax - resident and non-resident individuals (PAYE):** Tax free threshold for resident individuals increased to P48,000 annually (previously P36,000), and all tax brackets amended. Non-resident individual tax brackets amended.

Annual taxable income (BWP)	Resident rate of tax	Non-resident rate of tax
Up to P48,000	0%	5%
P48,001 - P84,000	0 + 5% of excess over P48,000	5%
P84,001 - P120,000	P1,800+ 12.5% of excess over P84,000	P4,200+ 12.5% of excess over P84,000
P120,001 - P156,000	P6,300 + 18.75% of excess over P120,000	P8,700 + 18.75% of excess over P120,000
P156,001 and above	P13,050 + 25% of excess over P156,000	P15,450 + 25% of excess over P156,000

**Capital gains - resident and non-resident individuals:** Tax free threshold for increased to P36,000 per year (previously P18,000), and all tax brackets amended.

Annual taxable income (BWP)	Rate of tax
Up to P36,000	0%
P36,001 - P84,000	0 + 5% of excess over P36,000
P84,001 - P120,000	P2,400+ 12.5% of excess over P84,000
P120,001 - P156,000	P6,900 + 18.75% of excess over P120,000
P156,001 and above	P13,650 + 25% of excess over P156,000

**Tax on foreign dividends:** Tax rate reduced to 10% (previously 15%).

### Withholding taxes

- Withholding tax on **dividends** increased to 10% (previously 7.5%).
- Withholding tax on **directors' fees** introduced at 10% on payment to residents and 15% on payment to non-residents (previously not applicable). In our view, this only applies on payments made to a member of the Board of Directors for sitting fees. While the withholding tax on non-residents is final tax, for residents it is an advance tax.
- Withholding tax on **interest** paid to residents is 10%. The previous exemption of P7,800 to an individual per annum has been withdrawn.
- Withholding tax on **rent and commission** threshold increased to P48,000 (previously P36,000).
- Withholding tax on dividends from mining company reduced to 10% (previously 15%).

Source: *Income Tax (Amendment) Bill 11 of 2021 (Published in the Botswana Government Gazette on 26 March 2021)*

### Tax planning guidance - what you need to do before 1 July 2021

- If your company can afford to pay dividends and is solvent, consider declaring a dividend and taking advantage of the lower dividend tax rate of 7.5% prior to 30 June 2021.
- Engage your service provider / in-house Accountant to plan payroll transition to adjust the tax bracket.

**Should you have any queries, please do not hesitate to contact Rebecca or Dinesh.**



**Rebecca Sanchez**  
Associate Director - Tax  
E [rebecca.sanchez@bw.gt.com](mailto:rebecca.sanchez@bw.gt.com)



**Dinesh Mallan**  
Deputy Managing Partner and  
Head of Tax  
E [dinesh.mallan@bw.gt.com](mailto:dinesh.mallan@bw.gt.com)