

success line

Grant Thornton Acumen 

...is our regular bulletin featuring news and developments that assists your success.

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Foreword

The first half of 2007 has raced past and we are already in August. The business community has been enthusiastic about some of the positive developments in our country. Everyone is keen on positioning themselves to leverage from the growth potential in different sectors of the economy. The share price index on the Botswana Stock Exchange has registered excellent growth in the past twelve months. **This is indeed a positive sign and signifies confidence and the urge to increase the activity levels in business.** The reduction in the interest rate has been well received with an expectation of further cuts.

The Companies Act 2003 and Regulations have finally come effective from the beginning of July 2007. It is a landmark event in the business scenario of Botswana. This now allows the small and medium businesses to decide on their future company structures and also on realigning the current structures based on requirements for audits, nature of relationship between shareholders etc. I would urge everyone to take time and get informed through various publications and newsletters sent out by organizations like ours about the implications and requirements that have been brought about by the Act.

We have heard many comments that it is going to be “prosperous times” for professional firms due to imposition of audits for many categories of businesses. While acknowledging that we are going to be busy, I would hasten to add that it could be challenging to deal with the strict auditing standards for organizations who do not maintain adequate internal controls, systems and accounting records. Auditing has become a highly specialized area with expert skills requirements for audit personnel. Auditing could

become an expensive exercise unless every business takes adequate steps to maintain full-fledged accounting records and introduce formal internal controls and systems in your respective organizations. **This will also assist in business leaders obtaining timely management information regarding the status of their businesses.**

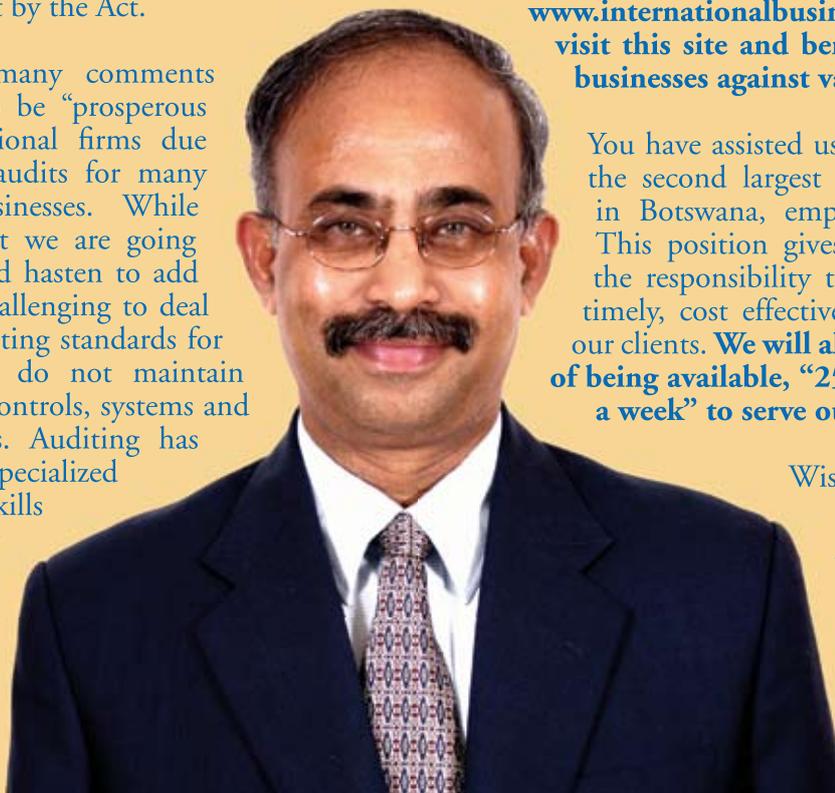
Though the Company tax returns become due 4 months after your financial year end, the personal tax and withholding tax returns become due during this 4 months period. **I urge you to prioritise your time for complying with these statutory formalities and avoid any penalties for non-submission or time delays.** Our tax team is ready to assist you.

You would have read in the newspapers and from our other publications about the survey conducted by Grant Thornton on businesses in Botswana and around the world. **This is named as the “International Business Report” by Grant Thornton and survey results are being released by us for the past few months. We will be releasing the full results very soon. We have a dedicated website for this survey at www.internationalbusinessreport.com. You may visit this site and benchmark your respective businesses against various criteria.**

You have assisted us to rise to the position of the second largest professional services firm in Botswana, employing over 110 people. This position gives us the pride as well as the responsibility to ensure that we provide timely, cost effective and excellent service to our clients. **We will always stand by our motto of being available, “25 hours a day and 8 days a week” to serve our clients.**

Wishing you all the very best.

Jay Ramesh
Managing Partner



Collective Investment Undertakings

By Vijay Kalyanaraman

Partner – Specialist Advisory Services

A Collective Investment Undertaking (CIU's) is an arrangement –

- the principal object of which is the collective investment of its funds in real or personal property of whatever kind, including securities and other liquid financial assets, with the aim of giving its members, or unit-holders the benefit of the result of the management of its funds and subject to any prescribed exemptions, spreading investment risk;
- subject to any prescribed exemptions the units of which are, at the request of holders, purchased, directly or indirectly, out of those undertaking's assets

Some of the relevant legislations which govern the same include Income Tax Amendment Act 1999, the Bank of Botswana Act 1999, and the Collective Investment Undertakings Act 1999, and the Collective Investment Undertakings Regulations 2001.

CIUs can be organised in the form of trusts or investment companies, including variable capital companies and unit trusts. A collective investment undertaking shall be deemed to be resident in Botswana if its investment company or in the case of a unit trust, its management company, has its head office and its registered office in Botswana. A collective investment undertaking not resident in Botswana shall be deemed, for the purposes of this Act, to be resident in the country in which the investment company or the management company has its registered office.

The Bank of Botswana issues licences for a CIU after approving the management company, the trust deed, the choice of trustees and its name. There are controls over management charges, particularly as between unit trusts in common ownership.

A trustee can be a licenced bank or a company wholly owned by such a licenced bank, or a properly-licensed financial institution inside or outside Botswana. A trustee must satisfy the Regulatory Authority, which is Bank of Botswana that it has the appropriate expertise and experience to carry out its functions under the Act.

A CIU will have to abide by the general investment restrictions as set out in the first schedule of the CIU Regulations. An undertaking shall not invest more than 10 per cent of its net assets in securities which are not traded in or dealt on the market unless the same is provided

for in the trust deed or constitution of the company articles of articles of association. Restrictions in respect of markets may be imposed by the Regulatory Authority on a case by case basis.

CIUs are permitted to borrow up to only 25% of their net assets at any time.

A CIU must publish a prospectus which must be dated and the essential elements must be kept up to date. There must be sufficient information for an investor to make an informed judgment. Material changes to the prospectus must be notified to the unit holders in subsequent periodic reports. The prospectus and any amendments thereto must be submitted to the regulatory authority for their prior approval.

So long as the CIU has obtained the prior approval of the Regulatory Authority for its prospectus there are no restrictions on the use of the internet for marketing purposes.

Taxation

A CIU shall be charged to tax on the undistributed amount of the chargeable income and the amount of the chargeable income that has been distributed to resident shareholders shall be taxed as such in the hands of shareholders. Taxation of resident unit holders/investors in a resident fund will be based on the income realised during the tax year i.e. income from the sale of units or other forms of distribution from the fund.

Resident unit holders/investors of a non-resident collective investment undertaking will be taxed on income received during the tax year either from the sale of units or by way of a distribution.

Non resident unit holders of a resident collective investment undertaking will not be taxed.

There is no transfer tax, stamp duty or capital duty on the purchase, issuance or sale of shares or securities by a collective investment undertaking.

For any further information on the above topic please contact vijay@grantthornton.co.bw

Special tax deduction for approved training expenditure

By Thapelo Mokgatle

Senior Executive, Taxation team

The Finance minister in his budget speech for this year had announced an amendment to Income Tax (Training) Regulations which has been gazetted in November 2006. This refers to Section 44 of the Income Tax Act that provides for a special deduction of 200% for approved training expenditure in ascertaining the chargeable income of any person carrying on business. This is to empower the youth and create employment for them as well as to encourage employers to employ and train the youth who, in many instances are inexperienced.

Formalities for applying to BURS.

1. Certificate of accreditation or registration must be obtained from BOTA / TEC reflecting validity and other conditions relating to Training Establishments and Training Programmes.
2. Employers must ensure that the trainees are citizens of Botswana employed full /part time or involved in work based training.
3. The trainees should undertake education or training relevant to their employment other than primary or secondary education.
4. Initial documentation required is a covering letter stipulating the tax year for which an application is made including the tax payer's Tin number. This should be accompanied by form ITA(TRAIN3) that has the following requirements:
 - National identification number and the training undertaken.
 - Area in the organisation where he is employed
 - Occupation of the employee
5. Details in terms of relevant expenditure claimed along with relevant invoices.
6. Upon submission of applications for expenses for approved training, a letter will be issued indicating the approved amounts by the appropriate authority.

7. Claims must be lodged for each tax year after the end of the relevant accounting period. The claim may accompany the company tax return or prior to filing a return so that approval may be granted prior to finalisation of the return.

Deductible expenses and cost of training establishment

- Deductible expenses are course fees, accommodation costs, travel costs, examination fees and wages paid to an employee on a part time basis or serving an apprenticeship course.
- In respect of training establishment set up by the employer deductible expenses include utility expenses i.e. rental, course materials, and ½ cost of capital equipment.

Training which may qualify

- Training conducted by an established university, polytechnic other public institution for education or training in or outside Botswana should be approved by BOTA
- Training establishment approved by the BOTA which is situated at the employer's own premises. The training officer should hold academic or professional qualifications or have experience considered adequate by the BOTA and employed wholly or substantially for the purpose of training.

On the job training

An employer may claim a deduction in respect of the cost incurred for the purposes of on the job training of an employee who is not a skilled worker. This training must be approved by BOTA and satisfy the following conditions:

- is conducted at the employers own place of business.
- the course of training is clearly specified and is of a limited duration.
- are clearly identifiable as a structured course for the purpose of on the job training.

Accreditation of Training Programme and Training Establishment

<p>Application for Approval of vocational training establishments or institutions that do not belong to the employer i.e. training up to certificate level.</p>	<ul style="list-style-type: none"> o The establishment /institution should be qualified as an approved vocational training establishment/ institution. o Is registered and accredited to BOTA. o Evidence of registration and accreditation would be a letter issued by BOTA to training institution. o The programmes to be taken also need to be approved. o Employers to maintain records of attendance of the trainees who attended the training programmes.
<p>Applications for Approval of training to be undertaken by trainees at a training establishment belonging to the employer including work-based training and on the job training.</p>	<ul style="list-style-type: none"> o Employer's place of business /a training establishment owned by the employer / on the job training must be accredited to BOTA. o A formal certificate must be issued by BOTA to the institution. o A record of attendance to be maintained particularly where no award is given to the employee for successful completion.
<p>Employers applying for a deduction of expenses for training of trainees at a vocational training establishment or institution outside Botswana.</p>	<ul style="list-style-type: none"> o Employer's advised to seek assistance from BOTA to establish the credentials of the foreign institution. o Employers advised to obtain accreditation verification of the institution outside the country before sending trainees to them. o Where such verification is not available the Commissioner General shall on the basis of such evidence in consultation with BOTA make a decision.
<p>Employers applying for a deduction of expenses for training of trainees at a place of business outside Botswana.</p>	<ul style="list-style-type: none"> o Training should be accredited to the foreign country standardisation authority. o Where such verification is not available the Commissioner General shall on the basis of such evidence in consultation with BOTA make a decision.

The New Companies Act

By Anju Suresh

Senior Manager, Corporate Services

Companies Act synopsis

The Companies Act 2003 encompasses major changes to the present Companies Act to update and expand the boundaries of Company Law in Botswana to assume international standards. The new Act facilitates both local and global requirements and is truly international.

The Companies Act has incorporated changes in the provisions and procedures pertaining to classification and formation of company's upto de - registration of companies. Government of Botswana in order to promote Foreign Direct Investment to the country assures that companies will be incorporated swiftly as against the 4 months currently taken by the Registrar of Companies. Company formation procedures and formalities have increased in order to avoid duplication of company names, company numbers etc. The Registrar of Companies has also marginally increased the filing fees payable, for filing of statutory forms.

Compulsory compliance is essential on the following aspects:

- Accounting records to be maintained in Botswana
- All shares issued in existing companies shall be deemed as shares of no par value
- Auditor to be appointed for public companies, non exempt private companies and close companies which satisfy the criteria of a non exempt private companies
- Particulars of Charges to be filed with the Registrar of Companies
- Classification as exempt and non exempt private company
- Filing of financial statements with the Registrar of Companies
- Procedures to follow during company closure
- Filing of Annual Return for company limited by guarantee
- Notice of failure to appoint Auditors

The Companies Act has introduced specific provision relating to duties and responsibilities of Directors.

DUTIES OF DIRECTORS

- To act honestly, in good faith and in the best interest of the company.
- To exercise care, diligence, and skill
- Not to agree to the company incurring any obligation unless the director believes that the company will be able to perform the obligation when required.
- To account to the company for any monetary gain to the director other than remuneration.
- To be accountable for all transactions of the company
- To maintain confidentiality on any information received by them on behalf of the company as directors
- Not to use assets of the company for any illegal purpose
- Disclosure of interests of directors
- To regularly attend meetings
- To keep proper accounting records
- To ensure that annual financial statements are prepared, presented and registered
- Not to compete with the company
- Not be director of 2 different competing companies
- To transfer all cash/assets acquired on company's behalf into company's name
- Every director has to complete form 13 giving consent to act as director.

Company Secretaries are jointly and severally liable with the Directors to ensure that Company keeps proper accounting records. They also are responsible to ensure that annual financial statements are prepared and presented during Annual General Meetings.

The Registrar of companies notification and requirements relating to filing returns has become quite strict. This requires you to have a better understanding and set proper systems and processes to ensure compliance. We strongly recommend that the Board of Directors and Senior management of your company be aware of these changes.

You are welcome to contact our corporate services team for any clarifications.

The Chat line...

...features exciting developments at our firm

Achievements

We have been graced with achievers at our firm this year.

Jay Ramesh – Managing Partner has been elected to the Board of Governors of Grant Thornton International. His professional achievement is commendable and has taken him and our Botswana firm to great heights at Grant Thornton Worldwide. He has been re-elected as Chairman of the Sub Saharan African Region Council of Grant Thornton.

Vijay Kalyanaraman has been selected to serve as the Council member of the Botswana Institute of Accountants. He heads the Education and Training committee of the BIA. He is also elected to be one of the directors of Botswana Accountancy College.

Girish Ramakrishna has been serving the examination and membership committee of BIA for the past 5 years now.

Congratulations

Jagathese our IT manager has qualified as Microsoft Certified Security specialist.

Pyoka Mfuni and Khusbhu Kapur our trainees have made us proud by scoring the highest marks in Botswana in their CIMA exams on Integrated Management and Risk and Control Strategy respectively.

New developments

Welcome to Shiv Pal who has taken over as Branch Manager of our Northern offices. He has taken over from Aswin Vaidyanathan and Sangeetha who have been transferred to join the team at Gaborone.

Rajesh Narasimhan has taken charge of the Tax team from Jayaram Karumathil. The firm has formed a new Audit team to cater to the requirement created by the new Companies Act. Jayaram will head the new Audit team. Best wishes to them in their new challenging roles.

Our best wishes to all the new recruits who have joined us lately which makes our firm truly multicultural with employees from seven nationalities.

Training

Our staff have been going through various inhouse and external training courses in the last few months widening their horizon of expertise on different audit and accounting softwares and methodologies.

Other news

Our firm and staff has been constantly supporting various community activities which shall be outlined in our next issue of Chatline...

You are always welcome to **contact us...**

Gaborone

Jay Ramesh
Acumen Park
Plot 50370 Fairgrounds
P O Box 1157
Gaborone Botswana
T + 267 3952313
F + 267 3972357
E jramesh@grantthornton.co.bw

Selebi Phikwe

Shiv Pal
Susan Buildings
2nd Floor Room 16
P O Box 1460
Selebi-Phikwe Botswana
T + 267 2611860
F + 267 2611862
E pshivs@grantthornton.co.bw

Francistown

Shiv Pal
Ground Floor
Botswana Life House
P O Box 101
Francistown
T +267 2418961
F +267 2418962
E pshivs@grantthornton.co.bw

Editorial Panel

Jay Ramesh, Managing Partner
Pushpa Ramesh, Marketing Manager
Aparna Vijay, Senior Executive

Disclaimer

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