



Grant Thornton

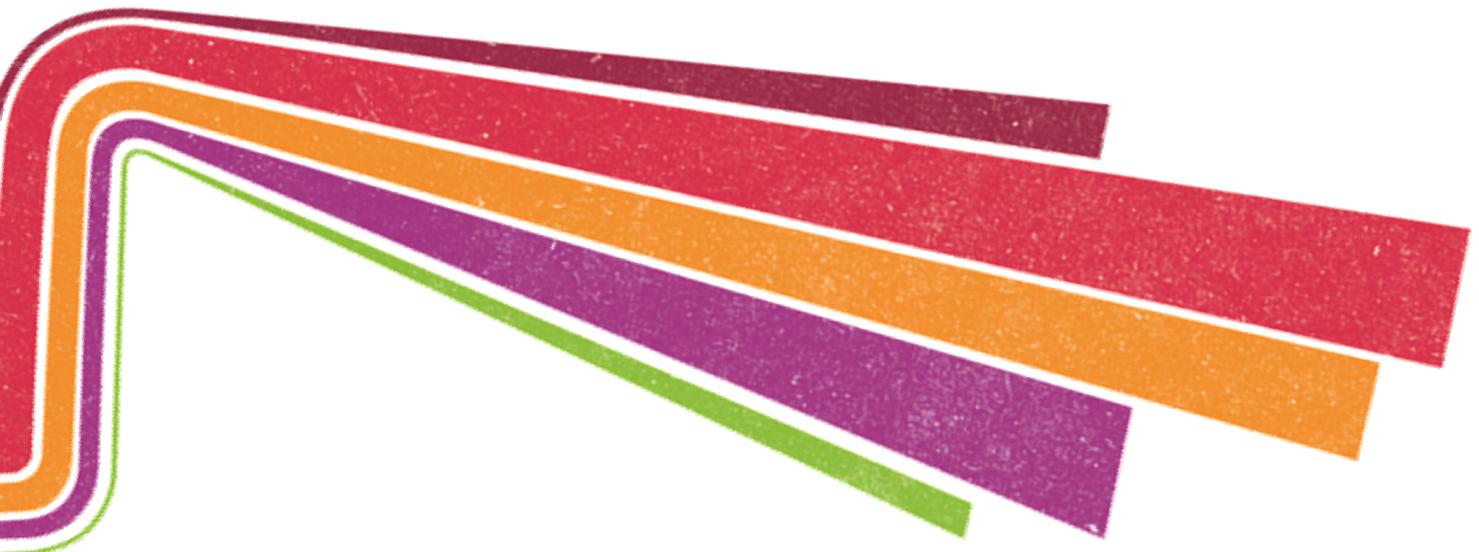
An instinct for growth™

# Successline

April 2012

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# Our new brand promise and tagline

As we have moved into 2012, you will be pleased to see our commitment affirmed again with our new brand promise and our distinct tag line.

We will continue to work with you to “unlock your potential for growth”. Our firm’s culture and training builds our people with an “instinct for growth” distinctly setting us apart from fellow practitioners in the industry as the people who talk to you about your business and growth prospects instead of just the numbers relating to the financial statements.

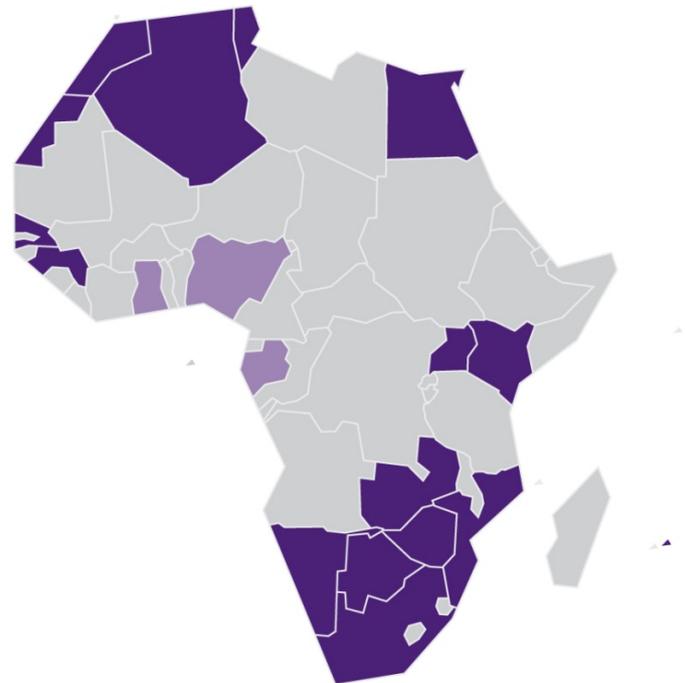
We have continued to grow with our clients as is evidenced by our client base and the size and quality of our firm and professionals. I am sure you will not be surprised when I make a confident comment that many of our large clients are larger than some of the small caps listed on the Botswana Stock Exchange. We are currently working with our clients to “unlock their potential for growth” and to guide them towards listing or other appropriate avenues enabling them to unlock their value in the business.

I trust that you have been tracking and absorbing useful information from our Research Surveys released through our International Business Reports (IBR). The surveys that were released recently are Stress in the Workplace, Women in Business and Economic Optimism/Pessimism for Quarter 1 of 2012. Please let us know if by any chance we have not managed to reach a copy of the surveys either to your inbox or desk. These survey results benchmark Botswana to our large neighbour and other countries in the world clearly providing you with insight into the prevailing and future business trends.

You will also find it encouraging to note that Grant Thornton is represented in about 15 countries in Africa including most of our neighbouring countries. Grant Thornton International has entrusted me with the responsibility of expanding the footprint of Grant Thornton in Africa. I have taken it up as a priority and I am working on a rapid growth programme. This will have a positive impact for our clients in Botswana growing across borders into the rest of Africa.

We are looking forward to a year with improved prospects relative to the previous years’ for the business community in Botswana. Let us be part of your growth plans and work together to “unlock your potential for growth”.

**– Jay Ramesh, Managing Partner**



# International Business Report

Compiled by Pulane Makepe, Marketing

The Grant Thornton International Business Report (IBR) is a quarterly survey of around 3 000 senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries, the report now surveys PHBs in 40 countries on an annual basis providing insights on the economic and commercial issues affecting a segment often described as the 'engine' of the world's economy.

In Botswana, participating businesses were surveyed across all industry sectors between January and February 2012. These businesses ranged from small to medium in size with total employment of between 25 and 299.

We have a summary of the Grant Thornton IBR 2011 Quarter 2 results comparing Botswana with South Africa and the Global economy.

## Stress in the Workplace

- Globally business leaders reported lowest annual increase in stress levels in 2011, since 2005, falling from 45% in 2010 to just 28% in 2011.
- Botswana was ranked as the top African country affected by stress in the workplace followed by South Africa at position 16
- In Botswana (29%) and South Africa (26%), reaching performance targets was highlighted as a major contributor second to other sources of stress in the workplace. Globally it was the number one reason with 30% of business leaders identifying it.
- 62% of respondents globally chose to relieve stress through sport / exercise.
- Other forms of relief identified were home entertainment (54%) and out-of-home entertainment (46%), delegating and keeping a regular pattern of work (both 35%)
- Although 23% more South African respondents resort to exercise & sport than in Botswana, 81% of South African respondents chose home entertainment as their primary source of stress relief. In Botswana the majority (53%) chose exercise followed by those who chose home entertainment
- The IBR indicates that at a global level, 42% of business leaders preferred taking holidays compared to 62% who chose exercise and 54% who preferred home entertainment as forms of stress relief.
- Respondents in both Botswana and South Africa took fewer holidays in 2011 compared with 2010; 10% of respondents in Botswana took holidays in 2010 compared with just 8% in 2011 whilst in South Africa 12% took holidays in 2011 compared with 13% in 2010.

## Women in Business

- In Botswana, 39% of senior management roles are held by women – this is a 7% increase from last year's 32% and places Botswana second in the league table drawn up from Grant Thornton's international Business Report findings
- However, there is room for improvement in terms of the number of female CEOs in the country - Botswana, Brazil and Japan (all 3%) perform worst on this measure, with the United Kingdom and the United States (both 6%) not far ahead.
- South Africa has seen the proportion of women on boards of JSE listed companies more than double since 2004, but women still represent less than one in six of all members
- Of the 40 economies surveyed, businesses in Russia employ the most women in senior management (46%), ahead of Botswana, Thailand and the Philippines (all 39%), whilst Italy ranks highest in Europe (36%).
- Despite being less optimistic than South Africa, the optimism balance was higher in the first quarter of 2012 rising back to the level it was in the third quarter of 2011; that is +34%. The fourth quarter of 2011 had seen the optimism of most business leaders dip to +28%. This is a positive trend.
- The change in optimism percentage balance from 2011 to 2012 was -24% but the change from the fourth quarter of 2011 to the first quarter of 2012 is +6%. This indicates that business leaders are more optimistic of their prospects in 2012.

## Optimism / pessimism

- Overall Botswana ranked number 17 to South Africa's number 11 on the league table for optimism percentage balance ranking. Only +34% of business leaders in the country who participated in the survey were generally optimistic about the economy in the first quarter compared to +53% of their South African counterparts.



# Taxation of Individuals

Compiled by Rajesh Narasimhan, Partner, Tax

This article is an informative overview of various aspects of taxation of individuals. The list given is not inclusive. However we have made an attempt to cover various sources of income.

## Tax rates for individuals

The following persons are taxed at individual rates: Employee, Director, Sole Trader, a trustee, individual partners in a partnership firm, a farmer.

The rates of tax are as per residential status of the person. An individual could be taxed either as a resident or a non-resident.

## Who is a resident?

An individual who:

- 1 Has a permanent place of abode in Botswana
- 2 Is physically present in Botswana for not less than 183 days in that tax year, whether or not he maintains a place of abode in Botswana
- 3 Maintains a place of abode and is physically present in Botswana for not less than 183 days, and for the purpose of this paragraph, he shall be deemed to be physically present in any part of the period notwithstanding that he is temporarily absent for business, recreation or similar purposes;
- 4 The individual
  - a is physically present in Botswana for any period in that tax year and

- b the period is continuous with a period of physical presence in the immediately preceding or succeeding tax year, and
- c is treated as resident for such preceding or succeeding tax year as above.

## What is the individual taxed on?

Any income that is deemed to have been accrued or received in Botswana is taxed in the hands of the individual.

Any income from a source outside Botswana will be taxable in Botswana if it is deemed to have accrued in Botswana. A citizen of Botswana will be taxed on all his income while he is a resident of Botswana.

A resident individual who is not a citizen of Botswana will be taxed on all his income that is accrued in Botswana and any monies brought into Botswana.

Individuals are also taxed as a representative taxpayer such as a trust / partnership. A trustee will be charged at the rate of tax applicable to a non-resident individual.

An individual is allowed to set off the loss from one source against the profit of another source except any gains from farming, capital gains and mining.

## What are the sources of income?

Some of the sources of income for an individual are:

### Employment

Any income earned as an employee will be taxed in the hands of the individual. Employment income includes wages, salary, leave pay, bonus, gratuity, commission, pension, annuities or other benefits received in the course of the employment whether in cash or in kind.

### Rental income

Income received from letting out of property will have to be declared for taxes and any expenses incurred in the production of the income can be claimed as expense. Capital expenses are not allowed as a deduction.

Withholding tax of 5% will be deducted by the person renting the property. This withholding tax is not a final tax and the gross income less expenses will have to be declared in the individual's tax returns. Withholding tax credits on rental income will be allowed to be set off against the tax payable by the individual.

### Farming

Any person who is registered with BURS as a farmer will have to declare the income received from the business of farming. An individual is required to register as a farmer if he has more than 300 heads of cattle or more than 100 hectares of land or 1 800 goats or sheep. The individual will have to write to the commissioner to be assessed as a farmer. If the individual does not have the requisite qualifications, he may voluntarily write to the commissioner to be assessed as a farmer.

Net income after expenses will be assessed in the individual's hands. Losses from farming activities can be adjusted against other incomes received by the individual. The limit of adjustment is restricted to 50% of the other income. Any unadjusted loss can be carried forward indefinitely. Losses from other sources cannot be adjusted against farming income.

### Interest

Interest received by an individual will be from bank deposits, loans given to companies or other persons, both in and outside Botswana. The income has to be declared in the return submitted by the individual. Interest from banking institution and building society in Botswana is not taxable up to P7 800 per annum.

Any income received in excess of the aforementioned will be subject to a withholding tax of 10%. This withholding tax is not the final tax.

Interest received from any other source does not have any exemption limit. They are fully taxed. An individual can set off the withholding tax credits against his tax payable.



### **Sale of shares**

Any sale of shares apart from sale of share of a company whose underlying asset is a property will be treated as a capital income and taxed accordingly. A general deduction of 25% will be allowed on the capital profits.

Sale of shares of a company listed in the Botswana Stock Exchange will be exempted from tax if it is held by the individual for more than a year.

### **Disposal of property or shares of a company whose underlying asset is property**

This income will be treated as capital and taxed accordingly. Any loss on disposal cannot be set off against any other source of income and can be carried forward by the individual into the next tax year. The capital gain is arrived at the net of the sale consideration and the indexed cost of the asset and related expenses.

### **Sale of the principal primary residence**

The sale of the principal primary residence by an individual is exempt from tax if the individual is in possession of the same for a period of more than 5 years.

### **Pension**

Pension paid to the taxpayer in excess of the threshold (tax of P36 000) is subjected to PAYE. The pension payment which is less than the threshold will attract tax at the end of the tax year when it is added together with income from other sources. Any individual including a pensioner may apply for variation of tax.

### **Dividend from a foreign source**

Dividend received from a foreign source is taxed in the hands of the individual at the rate of 15%. Credits for withholding tax in the country of origin will be given to the lesser of the tax payable in that country or to the tax payable in Botswana.

### **Deductions from income**

- 1 Donations to an educational institution or a sports club or sports association approved by the minister is allowed as a deduction from his gross income. The amount of donation made should be more than P1000 and the aggregate of donations made shall not exceed 20% of the total chargeable income for that tax year
- 2 Any contribution made to an approved superannuation fund. The amount that will qualify for deduction will be 15% of the chargeable income excluding investment income.

### **Obligations**

- 1 Every individual who has a taxable income of more than P36 000 in a tax year will have to register for taxes with BURS
- 2 Every individual will be required to submit a tax return for the tax year ending 30 June by the 30 of September.

As per the latest amendments it is compulsory for every individual to register with BURS and adhere to your tax deadlines and submit tax returns.

# Financial Policies and Procedures Manual

## *A Business Risk Management Tool*

Compiled by Sakshi Shukla, Advisory Services

As businesses grow, so do the challenges they face in managing increased exposure to risk, be it operational, strategic, financial, or legal. As a result, preemptive risk management is a necessity not only to ensure control over internal procedures, but also to sustain a business' ability to create value for its customers/clients. There are various risk management tools that businesses utilize to mitigate risk. One such tool is the development of and adherence to a Financial Policy and Procedures Manual.

A Financial Policies and Procedure Manual is a technical guide that complements day-to-day activities conducted by personnel within an organization.

### **Advantages of a manual**

Financial policies and procedures are important for any business that has more than just a few employees. For large and multinational businesses specifically, the advantages of having a formal manual cannot be underestimated. While limiting management control may be a genuine concern for micro organizations, non-formalization of procedures creates problems for management shifting into a larger state of existence. Listed below are a few of the many advantages that organizations enjoy as a result of developing a financial policies and procedures manual.

- Robust management information system.
- Consistent and uniform accounting policies are followed across the organization, including adherence to International Financial Reporting Standards (IFRS).
- Processes are in line with relevant statutory requirements.
- Efficient and accurate processing and accounting of transactions with adequate controls in place.
- Process based approach is followed to identify, account and monitor revenue, expenditure, assets and liabilities.

The biggest challenge that is faced in the preparation of a Financial Manual is that of obtaining management buy-in. While a manual can be good on paper, it will not be effective unless users are convinced of its necessity, and the importance of following the practices highlighted within it. Our approach to overcoming this challenge lies within our system of developing the manual which involves on-going discussions with management and users to ensure stakeholders buy in, and the importance we place on addressing queries and concerns raised by users, to ensure ease of implementation.

### **Essential components of an effective manual**

The following should be kept in mind when developing a financial manual:

- Nature of the business
- Integrated Standard Accounting Procedure (SAP) system
- System of internal and accounting controls
- Detailed responsibilities and duties

A Policies and Procedures Manual answers *Why*, *What*, *Who* and *How* questions relating to various financial activities which form sections within the manual. Our team has identified six crucial aspects that holistically fulfil the purpose of developing a manual:

- a) Purpose
- b) Objective
- c) Responsibilities /Reporting Structure
- d) Description of Procedure
- e) Timeline
- f) Key Control Documents

Though this list is comprehensive, it may vary based on the nature and requirement of the individual financial procedure.

### Typical stages in preparation of a financial manual

Our outlook to preparing a comprehensive manual is by adopting a systematic step-by-step risk-based review methodology which ensures cost effectiveness, efficiency and timeliness in delivery of services.

Preliminary discussions with key management personnel and project team

- Discussion of the processes under review
- Understanding the current activities, developments, challenges and opportunities.
- Review of existing Financial Manual and SAP Manuals (if any)

Control review, risk assessment and walk through tests

- Review of risks inherent in the process
- Identification of relevant controls instituted to mitigate risk
- Recommendation to include key controls by discussions with management and users
- Walk through tests to confirm implementation

Review of the system's impact on overall financial reporting

- Evaluation of impact of existing and new proposed procedures

Documentation of the financial procedures

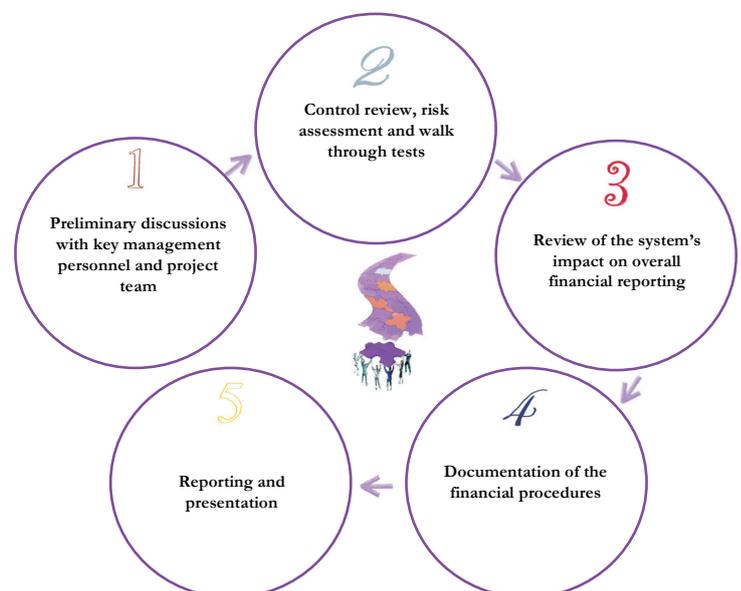
- Preparation of draft financial manual
- Development of technical glossary
- Designing of Key Control Documents necessary in implementation of various process controls

Reporting and presentation

- Discussion of the draft manual with project team and divisional heads
- Presentation of the final manual to executive management
- Attendance to queries and concerns raised
- Presentation of the final manual to the board / audit committee

### How our services could benefit *your* business

Commitment to development and adherence to a manual is a decision that requires thorough evaluation based on individual business needs. While it is understandable that development of a Financial Policy and Procedures Manual might not instantly strike a chord as the solution to mitigation of business risk within your organization, feel free to request an evaluation of the advantages and necessity of a manual for *your* business. Our advisory team will be pleased to add value to your go/no-go decision based on assessment of the nature, size and strategic direction of your business, allowing you to make an insightful and reflective decision.



# Chat line

## New Partner Appointment



**Rajesh Narasimhan** promoted to **Partner – Outsourcing & Taxation**. Rajesh will be heading the Outsourcing and Tax services of the Firm. His expertise has been developed from over 10 years of experience in Management and Tax consulting specializing in expatriate solutions and capital restructuring.

Rajesh's clientele include large multinationals and dynamic organisations. He is currently a member of the Tax Committee in the Botswana Institute of Chartered Accountants. He is also involved in an action group that liaises with the Botswana Unified Revenue Services on a regular basis.

## Other Promotions

### Directors

**Anthony Quashie** – Outsourcing and Accounting,  
**Ranjitha Dinesh** – Finance and Administration,  
**Pushpa Ramesh** – Marketing and Human Resources.

### Senior Manager

**Arindam Ghosh** – Advisory Services

### Assistant Managers

**Louis Rusere** – Audit team  
**Gemma Shirima** – Outsourcing team  
**Sydney Muzadzi** – Francistown Branch

## Grant Thornton at IFSC World Class Hub

Grant Thornton is one of the fourteen firms accredited by IFSC to assist interested companies in attaining IFSC certification. Certification is primarily based on the nature of a company's activities and offers various tax benefits; be it corporate tax, VAT or WHT.

Our firm was represented by Vijay Kalyanaraman, Partner Advisory Services, at the IFSC Hub in Sandton Johannesburg. He presented at a forum for potential investors, the benefits of being a member of IFSC when investing in Botswana.

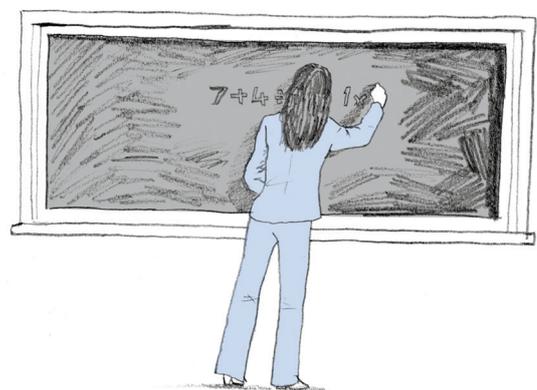
## Welcome

Welcome to all our new GT family recruits who joined since the beginning of the year. We wish them all the best and a successful career with Grant Thornton.

## Training

### National Induction Training

Eleven new recruits including BICA trainees of the audit team attended the National Induction Training sessions during the first week of February at Cape Town. These sessions covered programs on professional development, inter-personal behaviour skills and the latest technical skills. This intensive training equipped them with necessary skills to perform world class audits.



### **Regional Assurance Workshop**

The managers and partners of the audit teams of the sub-Saharan GT member firms attended the Regional Assurance Workshop on important topics in audit and quality control. The training enhanced and enriched the knowledge of several audit team members to perform world class audits.

### **Grant Thornton gives back to the community**

In December of 2011 Grant Thornton celebrated Christmas and the festive holiday with the children of Reneetswe Happy Home Centre in Mmankodi. There were gifts for the children as well as fun and games for those in attendance. Working together, everyone was able to make the day extra special for those in the community by making several donations to the less privileged thus contributing to making Botswana a Compassionate and Caring nation.

### **Women's Day**



On the 8th of March 2012, the ladies of Grant Thornton were greeted to the pleasant surprise of Grant Thornton Happy Women's Day Cupcakes! The cheerful delights were a hit with ladies and

gentlemen alike. Not wanting to leave the men out, the marketing team organised the hotly contested International Women's Day Quiz. The only restrictions were that entrants were males only. The winners were Thato Mponwane, Samuel Motlhala and Sydney Muzadzi. Mr Rob McGillan,

global Head of IT for Grant Thornton International was our guest. The day proved to be an outstanding success, boosting the camaraderie amongst colleagues and hailed the progress of women in business in Botswana.

### **New office refurbishment**

In line with our new brand promise, Grant Thornton's office in Gaborone is undergoing a refurbishment. The physical transformation is expected to indicate to clients and employees that we do indeed have "An instinct for growth" as we take bold strides into the future.



*Our team at Reneetswe Happy Home Centre*

## We offer

### Assurance Services

Statutory Audit  
IFRS compliance

### Taxation

Corporate and personal tax compliance  
Corporate and personal tax consultancy  
VAT audits and consultancy  
VAT audit and compliance  
Expatriate Tax Solutions  
International Tax

### Outsourcing Services

Accounting services  
Compilation of financial statements  
Outsourcing of personnel  
Payroll processing  
Work and residence permits  
Manufacturing license and trading license

### Company Secretarial Services

Statutory Company Secretarial Compliance  
and Consulting  
Transfer Secretaries  
Incorporation of companies

### Advisory Services

#### Business Risk Services

Internal audit  
Regulatory & compliance risk management  
Internal control review  
Public sector compliance consulting  
Forensic Investigation

#### Recovery and Reorganisation

Insolvency - Personal & Corporate  
Operational & financial restructuring  
Strategic performance reviews  
Exit strategy

#### Corporate Finance

Business valuations  
Due diligence  
Transaction support  
Lead advisory  
Capital markets - BSE Listing & Liaison

### Specialist Industry Groups

Family business consulting  
Real estate/property  
Tourism, hospitality and leisure

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### Disclaimer

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## Grant Thornton

An instinct for growth™

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