

In-sight

Tax

Removal of the two - tier system of tax

- The new budget has proposed to remove the two-tier system and replace the same with a single tier tax.
- This would mean that there will not be any break up for ACT.
- Companies would be charged tax @ 25% on their taxable income. Manufacturing companies and IFSC companies would be charged tax on their taxable income at 15%.
- The budget has also proposed to reduce the withholding tax on dividends from 15% to 7.5% as there will not be any set off against ACT accrued. Required forms and formalities for dividend declaration would be revised to accommodate the changes.
- The above amendment will be effective from 01 July 2010
- This would mean that the ACT accrued thus far will fall away and any dividends declared after 30 June 2010 will have to pay withholding tax at 7.5% of the dividends declared. Utilisation of the brought forward ACT balance as at 30 June 2010, is still under discussion and we are awaiting clarifications from BURS on the same.

VAT

- Effective from 01 April 2010, the rate of VAT will increase from 10% to 12%. Further, the limit for registration will increase from P250 000 to P500 000
- It should be understood that the increase is only for new registration.
- Any company registered from VAT and is expected to have a turnover of less than P500 000 will continue to collect and pay VAT.
- There is no automatic deregistration on account of this increase in the threshold of VAT

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Issued on: 22 February 2010

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