

Tax Alert

March 2010

Utilisation of Additional Company Tax (ACT)

- With effect from 01 July 2010, the rate of tax for companies will be a flat rate of 25%. The tax rate will not be split as company tax and additional company tax.
- The above would mean that the set off of WHT on dividends against ACT will not be possible after 01 July 2010
- In order to avail the set off of WHT on dividends against your accumulated ACT balance, dividends have to be declared and the necessary dividend forms have to be submitted to BURS before 30 June 2010.
- After 01 July 2010, WHT on dividends will be at 7.5%.

WHT on construction contract

- The 3% WHT certificates can only be claimed in the tax year for which the same is issued.
- Kindly ensure that when your tax returns are submitted, the certificates are for the tax year mentioned in the certificate.

- Any certificate that is issued for the previous period has to be claimed for that period by writing a letter to BURS

Dividends received

- Dividends received from outside Botswana will still be taxed at 15% and not at 7.5%.
- Any WHT paid in the foreign country with whom Botswana has a tax agreement (DTA), will be allowed to set off to the extent of 15%

VAT

- With effect from 01 April 2010, VAT on invoices will be charged at 12%.
- The ceiling limit for a company to compulsorily register with VAT has increased from P250 000 to P500 000
- The above has been gazetted and has been passed as a law
- BURS will be writing letters to clients under the threshold with an option to deregister.
- This will involve an audit conducted by BURS before the approval for deregistration is granted.



VAT on fixed price contracts entered before 01 April 2010

Any invoice raised after 01 April 2010 will charge VAT at 12%.

According to S69 of the VAT Act: Variation of consideration

(1) Where -

(a) an agreement for a supply of goods or services by a registered person has been entered into; and

(b) subsequent to entering into the agreement, tax is imposed on the supply or the rate of tax applicable to the supply is increased,

the supplier may, notwithstanding anything to the contrary in any agreement or law, recover from the recipient, in addition to the amount payable by the recipient, an amount equal to the amount of tax imposed or the amount by which tax was increased, as the case may be.



DID YOU KNOW ?

Insurance claims received on taxable activity on short term insurance policy is considered a supply of service and applicable VAT has to be paid on such claims.

For any further assistance contact our tax team:

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