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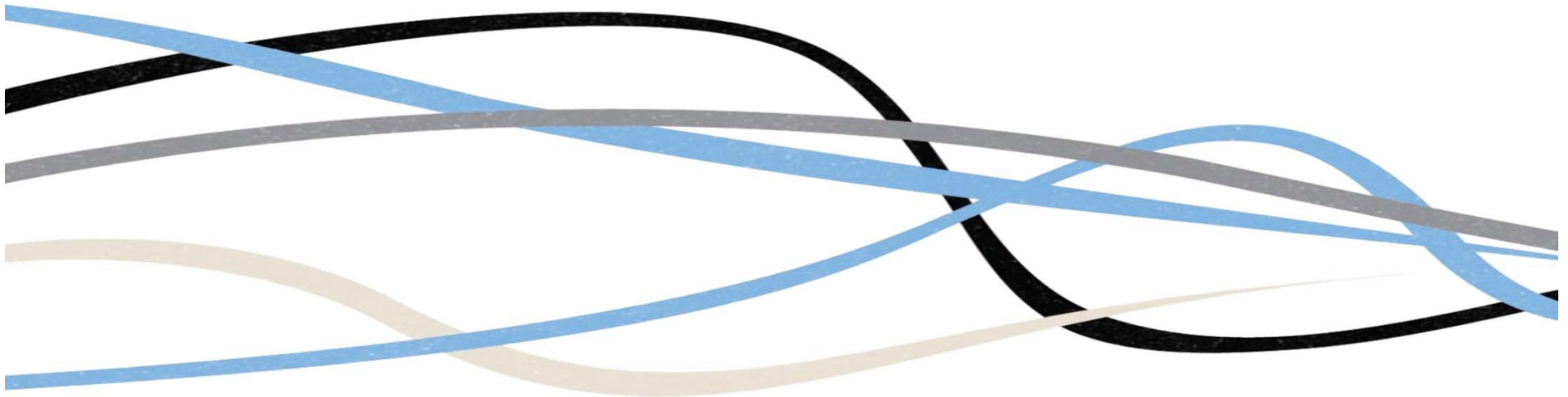
An instinct for growth™



e-budget news

Botswana Budget 2016

(including Tax amendments and FATCA)



MAKING A MARK

Botswana was voted the best destination country to visit in 2016 by Lonely Planet

Highlights

Economy

- 2016-17 transitional budget
 - NDP 10 to NDP 11
 - Vision 2016 to Vision 2036
 - MDG to SDG
- 15% of minor maintenance budget of government facilities reserved for youth led companies
- Domestic economy expected to grow to 4.2% in 2016
- Directive issued under EDD to Government and parastatals to increase procurement of local goods and supplies
- Reform roadmap and action plan for “Doing Business in Botswana”, intensified

Stimulus

- Major infrastructure development projects to address current water and power shortages
- Economic growth, employment creation and poverty eradication to be national priorities
- Prioritize strengthening human capital and skills development
- Formulation of LED framework to create jobs for improvement of livelihood of citizens
- Creation of conducive environment for private sector development through promulgation of Special Economic Zone

Programme

- High priority in allocation of the budget for electricity and water
- Youth Empowerment Reservation Programme for construction sector and rural areas
- Clearing infrastructure backlogs through ESP
- Waste water treatment plant in Mahalapye to be established
- PPP for land servicing in many parts of the country



Kabo ya madi a sechaba mo ngwageng wa 2016/2017

Tona ya Kabo madi, ditlhabololo le ditogamaano Rre Kenneth Matambo o begile jaana:

- Itsholelelo ya rona e ile ko tlase ka ntlha ya gore dipelo tsa di tswa mmung di wetse tlase e le ka kwelo tlase ya itsholelo lefatshe ka bophara.
- Pego ya kabo madi a setshaba e remeletse thata mo go diragatseng maikaelelo a lenaneo la ESP, la go tlhabolola itsholelo.

Ketapele

Kabo ya madi moonono ngwaga e remeletse thata mo dintlheng tse di latelang;

Tlhabololo ya metsi le motlakase, kago le dipaakanyo tsa tsela

Magareng ga tlhalelo ya metsi le motlakase Puso o ikaeletse go tlhabolola le go oketsa ditlamelo. Fa re bua ka tsa motlakase dipaakanyo di tsweletse ko Morupule A. Tlhabololo e e supa fa Puso a tla kgona go oketsa motlakase, maikaelelo a mangwe e le go

gorosa motlakase kwa metsaneng ka go farologana. Go fokotsa letlhoko la metsi Puso e ikaelela go oketsa bobelo jwa metsi le tlhatso ya metsi a a leswe.

Tsa mebereko

Dipatlisiso di supa fa letlhoko la ditiro le le ko godimo le remeletse thata mo bananeng. Ka jalo Puso e ikaelela go fokotsa letlhoko la ditiro ka lenaneo la ESP. Lenaneo le le akaretsa mananeo a e leng tlhabololo ya metsi le motlakase, kago le dipaakanyo tsa tsela, tsa bojanala le dithuto.

Dithuto

Go tokafatsa seemo sa maduo a a welang tlase ko dikolong Puso e dule ka moonono yoo ba o kopanetseng le lekalana le le okametseng ditshwanelo tsa bana lefatshe ka bophara (UN), o o tla thusang go rutuntshang bana go tswa bonnyeng mo dingwageng tse tlhano tse di tlang.



Itshireletso

Mmuso o itemogetse fa go na le kgola ya borukhuthi jwa maranyane. Maphata a a farologaneng a tsa itshireletso a tla ruthuntshiwa go lwantsha seemo se.

Tsa botsogo

Mmuso o ikaelela go tlhoma lephata le le tla itebaganyang le go bona gore Batswana ba bona lelemo ee lolameng.

Ditirelo tsa setshaba

Puso e simolotse lenaneo le le fang sechaba marapo a go itemogela tsotlhe tse ba di tlhokang le gore ba ka di kgona jang.

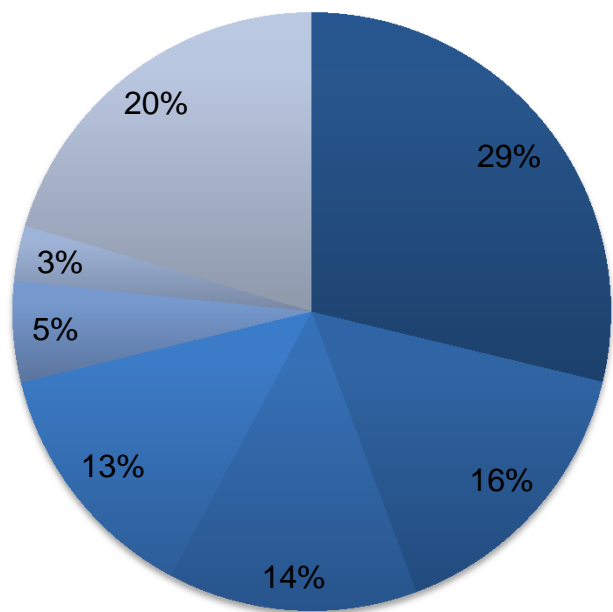
Tsa botsogo

Puso e tswela ka maiteko a a farologanyeng go thusa ba dikobo dikhutswane le batsofe.



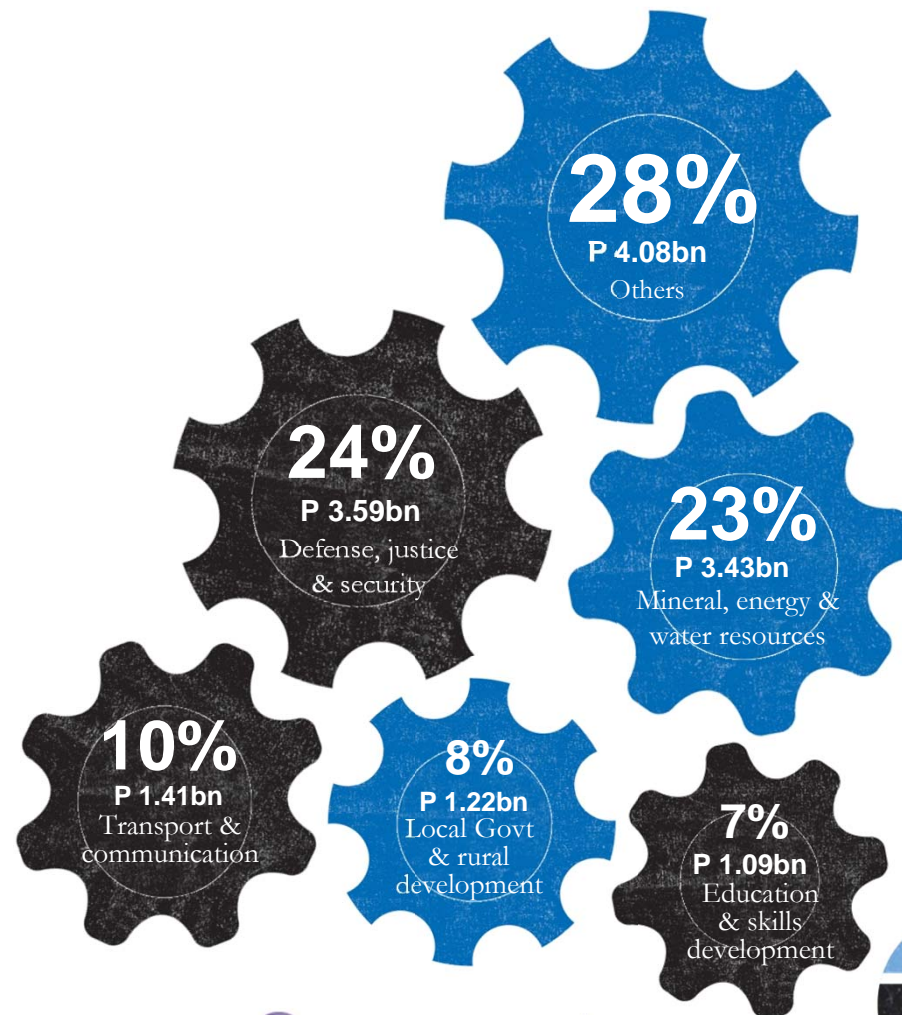
Budget allocation

Recurrent budget



- Education & skills development
- Health
- Local government & rural development
- Defense, justice & security
- Transport & communication
- State President
- Others

Development budget



Tax amendments

The following tax amendments have been made to the Income Tax Act with effect 16 October 2015

Farming operations

- Definition of farming operations has been amended to include the rearing of dairy cattle for milk and dairy products, stud farming, poultry farming, the rearing of sheep for wool or pelts, irrigated agriculture and horticulture.
- The provision of set off of farming losses against other income for individuals has been removed.
- Carry forward of assessed losses from farming is limited to five years.
- Purchase of livestock for slaughter will attract 4% withholding tax. If the person receiving the payment is an individual not having a business of farming, the 4% deducted will be the final tax.
- Definition of dividends includes payments made to suppliers of livestock to the Botswana Meat Commission pursuant to section 18 of the Botswana Meat Commission Act.

Donations allowed for tax purposes have been expanded to include

- Donations to government health facilities or to any health institution recommended by the Ministry of Health.
- Donations to other beneficiary as may be prescribed by the Minister.

Special tax status of BMC has been revoked



Foreign Account Tax Compliance Act (FATCA)

What it is about?

Foreign Account Tax Compliance Act (FATCA) was introduced by United States of America (US) in 2010 to collect information on assets or cash held abroad / overseas by US tax payers. FATCA became effective in July 2014 and was implemented for better tax compliance by preventing US persons from using non US financial organization and foreign entities to avoid US taxation on their income and assets.

What is the impact of FATCA?

- 1) FATCA requires US companies making certain types of payments to NON US companies to withhold 30% of the payments unless the NON US Company provides the US Company their FATCA documentation status.
- 2) FATCA requires NON US Financial Institution described as Foreign Financial Institution (FFI) to implement procedures to identify and report on account holders that are US Citizen or resident.
- 3) FATCA will also soon require for NON US companies to withhold 30% of gross proceeds from sale of assets which give rise to US source dividends or interest income.

Who is affected?

Foreign Financial Institution

- Banks, & e-money issuers
- Insurance companies offering life insurance and annuity products
- Business offering custodial services
- Fund, investment manager, Foreign Exchange Trusts

Non Financial Foreign Entities (NFFE)

- All entities not considered as foreign financial institution



Foreign Account Tax Compliance Act (FATCA)

When and what triggers FATCA?

When a US company make “payments subject to withholding tax” to a NON US company, FATCA is triggered.

Examples of payments subject to withholding tax of US source are:

- Interest
- Royalties
- Dividends
- Rents and premiums for insurance contracts

What payments are outside of FATCA?

“Excluded non financial payments”, example of which are:

- Payments for services, including salaries or any kind of employee compensation
- Use of properties
- Office and equipment leases
- Software licenses
- Interest on account outstanding that was used to pay for goods or services acquired



Tax tables

Resident individuals

Annual taxable income (BWP)	Rate of tax %
Up to 36 000	0%
36 001 – 72 000	0 + 5% of excess over 36 000
72 001 – 108 000	1 800 + 12.5% of excess over 72 000
108 001 – 144 000	6 300 + 18.75% of excess over 108 000
Over 144 001	13 050+ 25% of excess over 144 000

Capital gains individuals

Taxable income (BWP)	Rate of tax %
Up to 18 000	0%
18 001 – 72 000	0 + 5% of excess over 18 000
72 001 - 108 000	2 700 + 12.5% of excess over 72 000
108 001 – 144 000	7 200 + 18.75% of excess over 108 000
Over 144 001	13 950 + 25% of excess over 144 000



Double taxation: comparison table

Payments of / payments to	Dividends	Interest	Royalties	Management & technical fees	Entertainment fees	Construction contract payment
Resident	15%	10%	-	-	-	3%
Barbados	10% or 5% *	10%	10%	10%	-	-
France	12% or 5% *	10%	10%	7.50%	-	-
India	10% or 7.5% *	10%	10%	10%	-	-
Mauritius	10% or 5% *	12%	12.50%	15%	-	-
Namibia	10%	10%	10%	15%	-	-
Russia	10% or 5% *	10%	10%	10%	-	-
Seychelles	10% or 5% *	7.50%	10%	10%	-	-
South Africa	15% or 10% *	10%	10%	10%	-	-
Sweden	15%	15%	15%	15%	-	-
United Kingdom	12% or 5% *	10%	10%	7.50%	-	-
Zimbabwe	10% or 5% *	10%	10%	10%	-	-
Non-treaty	15%	15%	15%	15%	10%	3%

* Dividends are withheld at lower rate if the beneficial owner is a company holding 25% or more of shares in the resident company declaring dividend.

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