

CAPITALISE ON TAX-FREE FARMING! By Jonathan Hore

The advent of COVID-19 calls for innovative survival ideas as the dynamics of our economy have started changing. We could see companies negotiating pay-cuts or staggered working weeks with employees as a survival strategy. Economists warn us that the world economy is already slipping into a recession. So, one needs to consider all possible survival tactics, as long as they are within the law. And if you didn't know, there are certain farming activities you can embark on and pay no thebe in taxes. In other words, you can run such farming ventures, earn huge profits and never pay income taxes at all. I will expand on this intriguing issue below. In this article, words importing the masculine shall be deemed to include the feminine.

LIVESTOCK FOR SLAUGHTER

The first type of farming activity that is not subjected to income tax, as provided by section 30 of the Income Tax Act is the rearing of cattle, goats or sheep for slaughter by a Botswana-resident individual. The resident individual should rear not more than 300 cattle or 1800 goats/sheep in order to escape income tax. For the avoidance of doubt, one could have a combination of cattle and goats/sheep, provided that if aggregated, they don't exceed the equivalence of 300 cattle or 1800 goats, on the basis that one head of cattle equals 6 goats or sheep.

For example, one may have 200 cattle and 300 goats/sheep (equivalent of 50 cattle) and still legally duck tax. Further, such person is not required to keep books of accounts or declare income from the farming activities to BURS. However, if he earns any other income such as rentals, that other income may be subject to income tax.

As stated above, the farmers should rear the stated livestock for slaughter. This simply means that the livestock must be reared for eventual slaughter or sold for slaughter. If the livestock is reared for any other purpose such as dairy, then the tax exemption falls away.

It is also important to point out that this exemption applies to both citizens and non-citizens, as long as they are resident in Botswana. From a tax perspective, a person is considered resident when they spend at least 183 days in Botswana in a tax year or are permanently resident in Botswana during the tax period.

For the tax-exemption to apply, the farming activities must not be conducted through a company or such other vehicle, but simply as an individual. They should do it in their individual name or as they technically put it, as a sole trader.

Note that other livestock farming activities such as the rearing of donkeys, chickens and crocodiles is subject to tax, regardless of the number of the livestock reared. The only farming activity that is exempt from income tax, as stated above, is the rearing for slaughter of not more than 300 cattle or 1800 goats/sheep. This also means that if the livestock exceeds the stated numbers, then the farmer becomes subject to tax. For example, a resident individual who rears 400 cattle for slaughter is subject to income tax, i.e. he should keep books of accounts and file income tax returns for such business.

Whilst I stated above that the livestock farmers do not suffer tax in terms of section 30 of the Income Tax Act, there is another section 58 which was put through in 2011 which imposes a 4% tax on the sale of the livestock to the likes of BMC or butcheries. I know farmers have raised violent objections to this matter but unfortunately, its there in black and white in the Income Tax Act.

CONSIDER DRYLAND FARMING

An individual who conducts dryland farming on a farm not larger than 100 hectares is also not supposed to suffer income tax. As if you were not paying attention, let me remind you that this should be done as a sole trader, not any other form of business. Dryland farming includes crop farming where there is no irrigation and where the exposure of soil is avoided to reduce the loss of water through transpiration. Such farmers engage in a lot of mulching and related activities, to conserve moisture.

ENTER VAT

Despite the income tax exemptions, the above-mentioned farmers would still be required to comply with VAT obligations if they exceed P1m in annual turnover. In such cases, they would need to register for VAT and comply with VAT filing, from time to time.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group, send me a text on the cell number below.