

Citizens Enjoy Multiple P1m Transfer Duty Exemptions: By Jonathan Hore

You probably heard that citizens enjoy a P1m transfer duty exemption when they acquire immovable property but you probably never heard how many times that exemption can be enjoyed. Allow me to shed a bit of light on that aspect below and show you that you have incessant access to the citizen P1m transfer duty exemption. That must cause some goosebumps if you are interested in investing in property. In this article, words importing the masculine shall be deemed to include the feminine.

Enter transfer duty

Before I delve into the transfer duty exemption, I will lay a bit of background to the tax known as Transfer Duty. Transfer Duty is a tax payable whenever an immovable property changes hands or when one acquires shares in a property-owning company. The acquirer of the property bears the tax. The tax is paid when the property changes hands via a sale, donation or any other form of devolution. I must hasten to state that transfer duty is waived if a citizen suffers VAT on the acquisition of the property. Effective 1 March 2020, citizens now enjoy a P1m exemption on the transfer duty, up from the P200 000 applicable before. Note that the term 'citizen' includes a company which is majority owned by Batswana (i.e. above 50%).

Multiple exemptions!

If you thought that citizens enjoy the P1m exemption once in their lifetime or per each tax year, you didn't quite get it right. The Transfer Duty Act ('Act') patently levies the tax whenever a property changes hands, i.e. the tax is triggered by change in the ownership of the property. Section 20 of the Act states that, 'a citizen of Botswana shall not be charged with duty upon the first P1 000 000 of the purchase price or value of the immovable property concerned...' This means that if a citizen acquires a farm worth P1.2m, tax is only levied on P200 000 (P1.2m less P1m). If the property is valued at say P700 000, then no transfer duty is payable.

Now, if you may, please give me some space so I can dissect the above exemption for you below:

- **It's per transaction:** The above exemption points to the fact that citizens are entitled to the P1m exemption, 'upon the purchase price or value of immovable property...' As such, citizens enjoy this exemption as and when they acquire immovable property and that may be 4 or 5 times in a lifetime. Secondly, it means that a citizen can acquire property in his individual name, enjoy the exemption and then use a company he controls to enjoy another P1m exemption. From the above, the number of times the P1m can be enjoyed is not limited anyhow.
- **Nothing contrary:** There is nothing in the Act which speaks to the exemption being limited to a tax year or to one's lifetime. In interpreting taxing Acts, no-one is allowed to make insinuations that the legislature forgot something. In like manner, no-one is allowed to think that the exemption is somehow capped to a particular number of times. It is rather enjoyed every time a citizen acquires property, as it plainly reads in the Act.

Conclusion

With the mentioned exemption favouring citizens in abundance, it is time for you to go grab as many properties and enjoy incessant P1m tax exemptions. As I stated above, you can buy property countless times in your name or through a company you own or you acquire some whilst your spouse acquires the others and you will still enjoy the P1m every time you

acquire the property. After reading this article, it will be unfair for you to say Yours Truly didn't give you an early Christmas gift; I just did, if you hadn't noticed. Give Yours Truly a High 5, like, 'Twaaa!'

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.