

### **Churches & NGOs must deduct 5% rent tax**

The Income Tax Act generally requires certain taxpayers to deduct specified taxes at source or on payment, commonly known as withholding taxes. Accordingly, the tax laws require 5% withholding tax to be deducted by every person who makes rental payments for use of buildings and or land. Churches, other religious organisations and NGOs are also required to comply with the said requirement when making rental payments for office space, residential accommodation or use of open space.

It is imperative to note that for tax purposes, a person required to deduct the 5% tax includes any religious institution or NGO. Technically, this brings such organisations into the ambit of persons required to deduct the said withholding tax when making rental payments. Essentially, the tax was introduced to bring into the tax-net landlords who earned rental income but were not declaring such income to the taxman. However, churches, NGO and other religious organisations are not required to deduct the withholding tax where the rent is less than P48,000 per annum or where the landlord is exempt from income tax or holds of variation letter from BURS stating that no tax should be withheld. Additionally, the rental withholding tax is an advance tax therefore, it should not apply on persons who are exempt from Income Tax.

The tax laws place the burden of the tax on the said organisations in cases where they do not deduct the tax as required, i.e. they become 'personally liable' for the tax. It is therefore critical for religious organisations and NGOs to comply with withholding tax regulations including deducting and remitting 5% withholding tax on rent payments to eligible landlords. You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax Articles' tab.

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