

## **5% TAX APPLIES TO PARKING/STORAGE FEES IN BOTSWANA**

The Income Tax Act (ITA) provides that a 5% withholding tax shall be deducted on any payments made in respect of rent for the use of buildings and or land. As per the said Act's wording, any person who 'makes any payment of rent, by whatever name called, to a resident or a non-resident for the use of any land or building, or under an agreement or arrangement, except where the rent is paid by an individual and such rent is not claimed or will not be claimed as a business expenditure by such person' should deduct 5% from the amount due to the lessor. The tenant should thereafter pay over the withheld amount to the tax regulator, being the Botswana Unified Revenue Service (BURS).

The 5% so withheld is a common type of tax known as withholding tax (WHT), which is deducted by BURS' agents at source. Allow us to expand on this tax and to also show you that in addition to deducting the tax on rentals of buildings and land, the tax must also be withheld from payments in respect of parking or storage fees. In this article, words importing the masculine shall be deemed to include the feminine.

### **Rental tax explained**

To simplify what we just mentioned above, businesses which rent spaces from other businesses or individuals have to withhold 5% as tax when making payments to their lessors. In practice, it is not only businesses which rent land or buildings for their use as individuals also rent such assets but the ITA explicitly exempts individuals who are not in any business from deducting the 5% tax. Generally, the withholding tax on rent applies in instances where the rent is recognized as an expense by the lessee. The ITA is clear on when the 5% is deductible and it mentions that such tax is deductible on payments made for the use of any 'land' or 'building.' Land, in this instance, means an open space owned whether or not attached to any buildings. What this means is that any business which rents an open space for any use must deduct the 5% from the payments it makes for use of such land.

Whilst the 5% is deductible from rental payments, it should be noted that the legislature was thoughtful enough to exempt the first P48,000.00 per annum from this tax, which equates to P4,000.00 per month. This tax is an advance tax, which means that any individual or company which would have suffered the tax is allowed to claim the tax credit when submitting their annual income tax return.

### **Enter parking/storage fees**

Some businesses rent land or space where they park vehicles or store goods. The 5% tax is also deductible from payments made to landlords in respect of such parking or storage fees as the payments are made for the use of 'land' and at times, 'buildings.' In short, parking or storage fees should also be subjected to the 5% tax because they are payable for the use of or occupation of 'land' or 'buildings' for agreed periods of time. In simple, any payment made to any person who is not exempt from income tax in connection with parking or storage space

inseparable from land or buildings also suffers the 5% WHT just like when payments are made for the use of offices and houses.

Well, folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us at [jhore@aupracontax.co.bw](mailto:jhore@aupracontax.co.bw). You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax articles' tab.

