

## **Associations & burial societies pay tax in Botswana**

More often than not, the general misconception amongst the transacting public is that an organisation that is established for the purposes of not generating profit is mistaken for an organisation that is exempt from tax. In this respect, it is crucial that we all understand that burial societies, like companies are required to register for Income Tax and pay any arising obligations thereafter. This requirement prevails regardless of the fact that, in most cases, such societies are set up not to generate profit but as insurance cover in the event of the demise of a member. Whatever analysis we make in this article regarding burial societies should also be applied to associations, save for those specifically exempt from tax. In this article, words importing the masculine shall be deemed to include the feminine.

### **Burial societies**

Firstly, it is imperative that we understand what a burial society is and have a glimpse of how the same is regarded for tax purposes. A typical burial society generally consists of members of a community who periodically contribute a fee but are not bound by a contract. The society is governed by a constitution and there are rules as to how it is operated and managed. Looking at it from a different perspective, it is prudent to say that a burial society is a precursor to the general insurance which is now the recent and modern innovation aimed at hedging against funeral risk. Based on the above, it is apparent that the main objective of setting up such a society does not include or involve profiteering from the members' contributions. So why does such a society need to pay tax like companies?

### **Enter income tax**

Fundamentally, when determining the tax treatment of any matter it is vital to pay strict attention to what is prescribed by the Tax Acts rather than what is construed to make common sense. Accordingly, the Income Tax Act defines the term 'company' to include, 'any association or society whether incorporated or registered or not...' As you can see, the definition of a company for tax purposes is wide and embraces burial societies and associations under its clutches. This technically means that, for tax purposes, burial societies are by no means different from any other private and profit-making company. However, one might wonder whether this definition is enough to render a burial society or association liable to tax. Well, to give more clarity, it is also imperative to understand that a company or any person need not to register and account for Income Tax only if their prescribed as an exempt person by the Income Tax Act. Without an exemption, then such entities are subjected to income tax on their surpluses or profits. As alluded to above, a burial society is neither an exempt person nor its income exempts from tax. Such a society will be assessable for to pay tax if it realises any taxable profits. The same principle applies to most associations except if an exemption exists.

### **Enter VAT**

If a burial society or an association charges subscription fees to its clients, then it must seriously seek tax advice as more than likely, VAT registration may be required, followed by compliance with VAT return submissions.

### **Conclusion**

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to 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 +2677181836. You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax articles' tab.