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Budget speech tax proposals in detail

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The Minister of Finance, Mr. Ndaba N Gaolathe, presented his maiden budget speech to Parliament on Monday, the 10th of February 2025. He made tax proposals which we analyse in detail below. The aim of the tax proposals is to increase revenue collections and modernize the tax laws.

1.5% increase in PAYE/PIT

The Minister proposed to increase the upper tax bracket on the PAYE/PIT tax tables from 25% to 26.5%, which is likely to take effect from the 1st of April 2025. This must be preceded by an Income Tax Amendment Act. PAYE stands for Pay As You Earn which is tax chargeable on employees whilst Personal Income Tax refers to tax which applies to any other individuals who are self-employed such as sole traders. Anyone who earns more than P13 000 per month or P156 000 per annum is subject to pay tax at 25%. The said 1.5% increase is not expected to materially impact high income earners' disposable income as it is a marginal increase. However, those earning less than P40 000/month may feel the pinch of the increase. Botswana will still remain as the country with the second lowest PAYE/PIT rates in SADC, after Mauritius, even after the said increase.

1.5% increase in Company Tax

The Minister also proposed to increase the Corporate Income Tax rate by 1.5% i.e. from 22% to 23.5% and just like PAYE/PIT, such increases usually take effect from the 1st of April each year. The 1.5% increase is also marginal and is not expected to significantly impact on the income that is subjected to company shareholders as dividends. If a company makes a profit of P10 million, its current tax bill will be P2.2 million and after the said proposal takes effect, the tax will increase to P2.35 million. However, the said spike will significantly increase the effective tax rate on dividends from the current 29.8% to 31.15%.

VAT on digital sales

The Minister also proposed to impose VAT on digital sales made by tech giants. Although the Minister did not go into detail as to who would pay such tax, it is expected that any entity which earns income from Botswana such as Google, Facebook, iTunes, Amazon etc will have to register for VAT with BURS and pay output VAT without an allowance of claiming input VAT. These entities already pay the said taxes in other countries such as South Africa and they are expected to cooperate with BURS as soon as the law is in force. VAT on digital sales is expected to be implemented any time after 1 October 2025.

VAT billing machines

BURS has for a long time been working on the VAT billing machines, which is a solution meant at curbing VAT underpayments through fraudulent manipulation of sales. If the law is implemented (expected to be after 31 March 2026), VAT registrants would be required to acquire prescribed machines, interface them with their own billing systems. They would then always raise invoices in that system in such a way that BURS will be able to know how much sales each VAT registrant would have made daily. It is expected that a prepopulated VAT return would be created which may not be varied or manipulated without BURS noticing. This solution is expected to increase BURS' VAT collections and it will also assist the Ministry of Finance and the country at large to trace the level of economic activity happening within the country.

New tax laws

The Ministry of Finance is also working on new Income Tax and VAT Acts, which will replace the current ones. These Acts are meant to modernize the current laws and adapt to digital developments. Key issues which are under consideration include the acceptance of cryptocurrencies as modes of payments, VAT on imported services for every VAT registrant and withholding taxes on outbound reinsurance premiums paid by a Botswana company. Further, a new Tax Administration Act is being considered, which will harmonise tax collection and matters related to assessments, objections etc such that any law implemented by BURS will be uniformly administered.

Track and trace solution

BURS has also been working on a Track and Trace Solution which is meant to curb smuggling of tobacco and alcohol products into the country. Under this system, every good which is subject to Excise duty would be marked either at the port of importation or place of manufacture in-country for easy tracking. BURS will then, in the event of a physical examination, demand to see the markings which would be compliant with its preset parameters. This is also expected to take effect anytime after 1 October 2025.

Tax hint: If you have never had a tax audit/review conducted by a tax consultancy firm to check whether you are tax compliant or should it be apparent that you are not certain that your tax affairs are in good order, then don't wait for the taxman to pounce on you as that can be very costly. Contact us today so we can help you fix your tax affairs whilst you still have time.

Contacts: You may contact us at +267 7181 5836 or +267 393 9435 or jhore@aupracontax.co.bw or www.aupracontax.co.bw. This article is general, and tax advice is recommended if decisions are to be made. If you require to join our free Tax WhatsApp groups or to know more about our 9 Tax e-books, please send us a text/whatsapp on the number above.