

Synopsis of the new VAT Amendment Bill 2025

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The Ministry of Finance published the Value Added Tax Amendment Bill 2025 in the Government Gazette on 8 August 2025 and the said Bill was then passed by Parliament in the week ending on 16 August 2025. The Bill seeks to address three key issues, being, the introduction of electronic billing by VAT registrants, the application of reverse VAT on services imported from non-residents by all VAT registrants, and the imposition of VAT on sales made by international tech giants. In this article, we seek to examine the finer details of the Bill.

Electronic Billing Machines

The Ministry of Finance, through various public addresses, highlighted loopholes in the VAT collection system. Basically, VAT is a tax levied on sales made by taxpayers registered with BURS for VAT purposes. In previous budget statements, it was noted that some VAT-registered businesses understate their VAT liabilities by reducing the value of actual sales made. For example, a business that generates sales of P10 million would ordinarily pay P1.4 million in VAT. However, if the same business reports sales of P9 million instead, the VAT liability decreases accordingly.

The Ministry expressed concern over this practice, which has also been observed in other countries such as Rwanda. In response, the Ministry seeks to close such tax gaps through the proposed legislation. The Bill introduces a requirement for every VAT-registered person to procure VAT billing machines that will interface directly with the BURS system. Once acquired, all invoicing must be conducted through these machines. As invoices are generated, the system will automatically transmit the data to BURS, thereby eliminating the manipulation of sales figures and output VAT, effectively addressing the Ministry's concerns.

The VAT billing machines will be procured at the expense of businesses, and regulations governing their use are expected to be implemented shortly.

Reverse VAT

The Bill also introduces a reverse VAT mechanism, requiring every VAT registrant to account for output VAT on services imported from outside the country. In practice, nearly all businesses import services. Common examples include Microsoft 365 licenses, consultancy services, management fees, trademark royalties, and similar cross-border transactions. Under the proposed framework, VAT registrants will be obligated to charge output VAT on such imported services, thereby increasing the collection of VAT on imported services. Notably, even suppliers who are ordinarily exempt from VAT will be required to pay VAT when they procure services from non-residents. Mixed suppliers, such as banks, will continue to account for VAT on imported services as currently practiced. To facilitate compliance, the Bill provides for the issuance of a recipient-created invoice, which will serve as the basis for both input and

output VAT reporting. The Bill will also requires entities making over P1m in annual revenue but who are exempt from VAT to pay the reverse VAT, in a technically determined manner.

Vat on tech-giants

The Ministry of Finance has long signalled its intention to introduce VAT on digital services supplied by international tech giants that have no physical presence in Botswana who nonetheless derive substantial revenue from the local market. These include the likes of Netflix, iTunes, Google, Facebook, and similar service providers.

The rationale underpinning this measure is that such entities benefit economically from Botswana-based consumers without contributing to the national fiscus. Accordingly, the proposed legislation will impose output VAT on these non-resident suppliers, determined by the location of the end-user, specifically, where the user's device identity (e.g., IDOS gadget) is linked to Botswana.

Under the new framework, affected tech giants will be required to register for VAT with the Botswana Unified Revenue Service (BURS), file VAT returns on a quarterly basis, and remit output VAT accordingly. This regime is primarily targeted at non-business consumers, i.e., individuals purchasing digital content such as music, films, or streaming services.

Upcoming Tax workshop

To unpack the implications of the proposed VAT reforms, including the introduction of the electronic billing machines and the reverse VAT, we will be hosting a comprehensive tax workshop at Oasis Motel on the 12th of September 2025. This session is designed for all VAT-registered persons as well as non-VAT registrants seeking to understand how these legislative changes will reshape the VAT landscape and compliance. Secure your spot by getting in touch with us.

Contacts: You may contact us at +267 7181 5836 or +267 393 9435 or jhore@aupracontax.co.bw or www.aupracontax.co.bw. If you need to consult, 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.