

Educational, Health, NGOs & Religious organisations to soon register for Reverse VAT

The Value Added Tax Amendment Bill no.22 of 2025, which was gazetted on the 8th of August 2025 and passed by Parliament in the week ending 16 August 2025, will, on commencement, require entities which are currently exempt from VAT to register for a new type of tax called Reverse VAT. As stated above, this law was passed by Parliament and it can become an Act anytime from now. In this article, we will analyse the pertinent features of the said Reverse VAT and how it will affect these currently VAT exempt entities.

The concept of Reverse VAT

Normally, VAT is a tax which is charged by a supplier of goods or services to the acquirer/purchaser of the same. This is what is commonly referred to as normal VAT. However, Reverse VAT is completely the opposite of normal VAT in that, it is a tax which the recipient of a service charges themselves as opposed to the supplier charging to the consumer or acquirer. In the instances stated above, the currently VAT exempt entities will be required to charge themselves VAT at 14% when they import services from non-residents of Botswana. Having established the concept of Reverse VAT, we will now switch on to analyse the impacted entities.

Impacted taxpayers

The Reverse VAT stated above will impact the following entities who are currently exempt from VAT. Educational institutions who are not registered for normal VAT will have to pay Reverse VAT whenever they import services from non-residents of Botswana such as Microsoft license fees, consultancies, rights to run examinations, etc. The impacted educational institutions include, preschools, primary, secondary and tertiary institutions who offer educational services to students. The second group of taxpayers impacted by the said Reverse VAT are health providers such as private doctors, clinics, hospitals, etc. Such entities will pay Reverse VAT on, as stated above, software licenses, consultancies etc payable to non residents of Botswana. Religious organizations such as churches, mosques as well as NGO's will also be impacted by the said Reverse VAT. In addition, NGOs, foundations, medical aid institutions, parastatals, government ministries and departments will also be impacted by the said new tax.

The criteria

In order for the said organizations to be regarded as subject to the Reverse VAT, they should earn P1m in annual supplies being, sales they make or donations they receive. It is critical to state that per the Value Added Tax Act, the receipt of donations such as tithes, offerings and funding from other organizations is considered as an exempt supply by the recipient. Therefore, entities which receive donations will be required to comply with the Reverse VAT. The said entities shall collectively be referred in the new law as large, unregistered persons (LUP) or Government Entities.

Tax compliance matters

On commencement of the new law, the said LUP's shall all be required to register with BURS for Reverse VAT and periodically file returns whenever they import services from non residents. In the event that such organizations do not import services in any particular month, they will be required to still file nil returns just like with all other taxes. Non-compliance with the said taxes will carry various penalties and interests.

We can assist

We are aware that a number of VAT exempt persons probably do not still understand this concept of Reverse VAT despite our analysis above and as such, we invite the impacted persons to consider obtaining tax advice. We are available to assist such with the actual compliance burdens or tax training in order for the impacted persons to fully comprehend their obligations under the new law.

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