

## **Some sole traders may soon not pay any tax**

Sole traders are currently subject to Personal Income Tax (PIT) on the profits that they make from the businesses that they run. Sole traders refer to individuals who run businesses by their individual names, i.e. without the use of a company. In addition, people who run their individual businesses in their name are also required to pay PIT at the highest of (25% on the profits which they make).

However, a number of individual taxpayers who run businesses in their individual names may soon not pay any income tax at all, if the Income Tax Bill of 2025 sails through parliament without amendments. In this article, words importing the masculine shall be deemed to include the feminine.

### **The new role**

The Ministry of Finance gazetted the Income Tax Bill no. 36 of 2025 on the 15<sup>th</sup> of December 2025 which is currently being debated in Parliament. Under the said law, there is a special provision which speaks to small businesses and such small businesses are defined as businesses run by individuals whose annual revenue is less than 1 million Pula. The draft law further continues to state that a person who runs a small business will be allowed to claim capital allowances at 100%. This means that if a person owns a multi-residential unit which they constructed at 3 million Pula they will be allowed the P3m as an immediate tax expense against their rent. If rent earned by the said individual is P400 000 per annum, it means that in the first year the person will have a tax loss of P2.6m.

Whilst tax losses can be carried forward over the next 5 years, this means that chances of such an individual paying income tax will be greatly reduced by the new provisions allowing 100% capital allowances on the income earned by such individual. Businesses such as property rentals require significant capital injections and as indicated in the above stated example, most rental earners may never pay PIT at all on their rent.

In addition to rental earners, any other business whose annual revenue does not exceed 1 million Pula such as doctors, lawyers, tax consultants etc. may also never pay PIT if they had spent a lot on capital expenditure. However, small businesses which do not incur any significant capital expenses will still find themselves having to pay PIT in almost the same proportion as under the current Income Tax Act.

### **Enter cash basis**

Currently, taxpayers are taxed on amounts that are due and payable to them i.e. whether or not they receive payments from their clients. However, under the proposed legislation, small businesses will be treated in a special way in that they will only be subject to PIT on the proportion of their revenue which would have actually been received, i.e. they will be taxed on a cash basis rather than on an accrual basis. As an example, a business which makes

revenue of P300 000 but which would have only received P200 000 at the end of each tax year will not be taxed on P300 000 but only on P200 000. This is expected to make the taxation of small businesses very simple and in some way to reduce the taxes due from the owners of the small businesses.

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.

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