

No CIT deductions until WHT is paid on all expenses!

The Income Tax Bill No.36 of 2025 which was passed by Parliament in the week ending 18 April 2026 seeks to, on commencement, deny a CIT deduction on a taxpayer who would have not paid Withholding Tax (WHT) on an expanded expense base by the due date. The said law is set to commence from the 1st of July 2026 and it will revolutionize the way CIT is administered in the country. In this article, words importing the masculine shall be deemed to include the feminine.

The current law

Under the current law, CIT deductions are denied on a taxpayer who would have not paid the WHT by the 15th day following the end of the financial year only in respect of four expenses due to non-residents of Botswana. The said expenses are management or consultancy fees, commercial royalties, interest and entertainment fees. Practically, if WHT would not have been paid by the 15th day following the end of the financial year, the full amount of the expense is added back in the CIT computation and it is only claimable in the year in which the withholding tax is paid. This is set to be fortified by the inclusion of a vast number of expenses (i.e. not just on amounts due to non-residence of Botswana.)

Enter the new law

Under the new law, a CIT deduction will not be allowed for a taxpayer who would not have paid any expense in respect of which WHT is required to be deducted. In other words, for a CIT deduction to be allowed, the taxpayer must have extinguished all the WHT by the 15th day following the end of their financial year. As an example, a company with a 31 December 2026 year-end will not be allowed a deduction of any expense if WHT would have not been paid by the 15th of January 2027. Before we get further into the finer details, the denial of CIT deduction will apply on any expense which WHT is applicable. This means that a taxpayer will not be allowed a tax deduction, for example, on salaries if Pay As You Earn is not paid by the 15th day following the financial year-end. This will also apply to other expenses where WHT is required to be deducted such as rent, directors fees, natural resource amount, reinsurance premiums, commission, construction tax, etc. This is particularly important towards year-end as CIT deductions are linked to taxpayers' financial years. As stated above, if a company with a 31 December 2026 year does not pay, for example salaries of P2 000 000 by the 15th of January 2027, it will have to pay CIT at 22% on the P2 000 000, which is P440 000.

Conclusion

The effect of this amendment is to deny CIT deductions and increase CIT collections for BURS in instances where WHT would not have been paid. Further, the taxpayer will only be allowed the deduction in the financial year in which the WHT is finally paid.

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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