

# P500,000 Transfer Pricing penalties

Insights for businesses to ensure compliance and mitigate financial consequences

**Are you aware that Botswana Unified Revenue Service (BURS) is charging heavy penalties of P500,000 for each tax year in which the requirement to submit Transfer Pricing (TP) documentation is not complied with?**



Does your company have transactions with non-resident related parties, the arm's length value of which exceeds P5 million in a tax year?



If your company is a certified International Financial Services Centre (IFSC) company, does it have transaction with both resident and non-resident related parties, the arm's length value of which exceeds P5 million in a tax year?

**If your answer to the questions above is 'Yes', have you prepared and submitted TP documentation together with the relevant company corporate tax return as required under Section 36A of the Income Tax Act (ITA)?**

## Heavy penalties imposed by BURS for non-compliance

Non-submission of TP documentation, together with the corporate tax return, exposes the company to P500,000 statutory penalties (Section 118(2) of the ITA). These penalties can only be mitigated to an amount no less than P250,000.

## When are the penalties levied?

- i) Where, in a tax year, the arm's length value of the company's transactions with non-resident connected parties (resident and non-resident for IFSC companies) exceeds P5 million;
- ii) The company's TP documentation was not submitted with the corporate tax return for the tax year in terms of Regulation 14(2) of the Transfer Pricing Regulations;
- iii) The Commissioner General has issued a notice, in writing, to the company in terms Section 69(1)(d) requiring the submission of TP documentation; and
- iv) The TP documentation is not submitted within the time stipulated in the notice.



## How we can help

Tax penalties are avoidable costs if management adopts a proactive approach to managing the risk. It is not prudent to wait until receipt of a notice from the Commissioner General as TP documentation must be prepared meticulously to minimise the risk of unnecessary tax controversy.

Grant Thornton tax experts are available to assist you with:

- assessment of your TP obligations,
- preparation and submission of TP documentation,
- review TP documentation for compliance with the Botswana legislation.

## Key contacts



**Anthony Quashie**  
**Partner - Taxation and Head of Business Process Solutions**  
T +267 370 7111  
E [anthony.quashie@bw.gt.com](mailto:anthony.quashie@bw.gt.com)



**Olivia Muzvidziwa**  
**Director and Head of Taxation**  
T +267 370 7109  
E [olivia.muzvidziwa@bw.gt.com](mailto:olivia.muzvidziwa@bw.gt.com)



**Motswagosele Moagaesi**  
**Senior Manager - Taxation**  
T +267 370 7163  
E [motswagosele.moagaesi@bw.gt.com](mailto:motswagosele.moagaesi@bw.gt.com)



[info@bw.gt.com](mailto:info@bw.gt.com)



[www.grantthornton.co.bw](http://www.grantthornton.co.bw)



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