

BOTSWANA BUDGET 2023/24

Key highlights of Botswana Budget presented by Hon. Minister Peggy O. Serame
Year 1 of a 2 year Transitional National Development Plan (NDP)



**BUDGET 2023
TOWARDS
SUSTAINABLE GROWTH**

12.4% INFLATION AS AT DEC 2022

IMPORT COVER (MONTHS) **10**

59.6bn FOREX RESERVE
(BWP, AS AT NOV 2022)

2023/24 DEVELOPMENT
BUDGET (BWP) **21.01bn**

60.30bn 2023/24 MINISTERIAL
RECURRENT BUDGET (BWP)

2023/24 DEFICIT (BWP) **7.59bn**

5.7% GDP GROWTH RATE 2023/24

PRIME RATE **6.76%**

Achievements



Botswana's economy is one of the fastest to recover from the impact of the COVID-19 pandemic in sub-Saharan Africa, with GDP growth rate of 11.8% in 2021



Balanced budget achieved in 2021/22, and improved balance of savings in the Government Investment Account



665 government facilities connected to improve access to internet. 41,115 plots allocated by Land Board as at December 2022



Major water supplies and bridge projects completed



2022 Population and Housing Census successfully completed



Removal of Botswana from the grey list by Financial Action Task Force (FATF)

Highlights

NATIONAL PRIORITIES

Digital Transformation, Business Environment Reform, Infrastructure Development, Value Chain Development, Sustaining Livelihoods, Climate Change

Development budget significantly increased to fill infrastructure gaps and ease constraints to economic growth

Zero-rated VAT list being reviewed to improve livelihoods

Legislative reforms expected to improve access to finance, and efficiency and stability of the financial sector

Green transition model of development to address climate change vulnerability

Improve business environment through initiatives such as E-Government, National Single Window

Electronic billing / invoicing platforms and digital marking and tracking solution for excisable goods to be introduced to improve compliance

Digital transformation initiatives to improve services and migrate from analogue transmission to digital terrestrial television

Harmonised eligibility system to be developed across all social welfare programmes

SEZ-licensed companies eligible for 5% corporate tax rate for 10 years and 10% thereafter

Revision of the Transfer Duty Act expected to address challenges

Wealth creation program introduced to support micro enterprise projects

Development manager model for project delivery expected to improve implementation

Prioritisation of locally produced goods in public procurement and value chain development

Renewable energy contribution in total power generation targeted to increase from 1% to 30% by 2030

Proposed merger of LEA-CEDA and BITC-SEZA-BTO to improve efficiency

Mining legislation to be reviewed to facilitate local beneficiation and meet local needs for mining products

“Significant budget allocation for development is a bold step towards sustaining economic growth. Effective implementation remains key to strengthening inclusiveness and growth.”

Kalyanaraman Vijay

Managing Partner

Grant Thornton Botswana



Budget allocation 2023/24

Budget allocations – Focused on education and training, quality health care and increasing efficiency and effectiveness

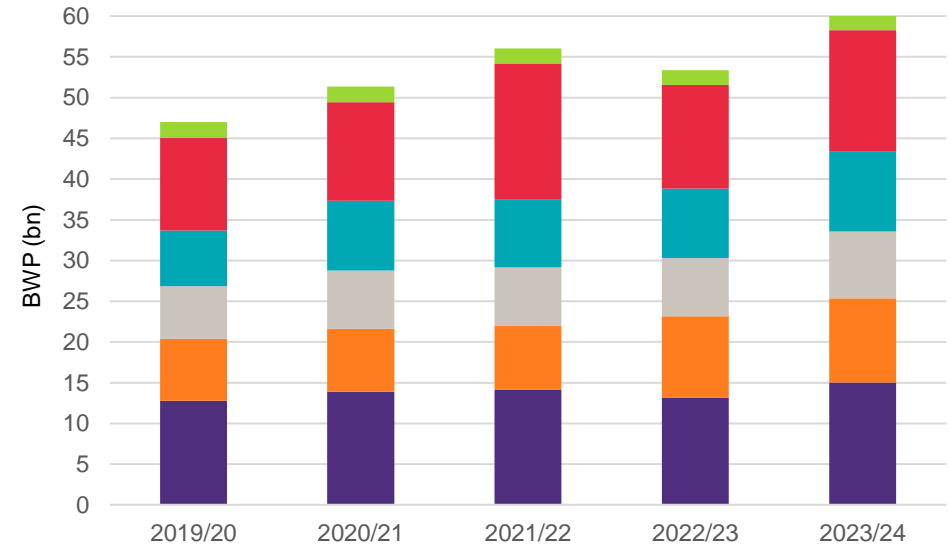
Focus on human capital development across all 6 national priorities

**P17.5
BILLION**

Government of Botswana's (GoB) Ministerial recurrent budget of P 60.30 billion for 2023/24 is a 13% increase from 2022/23, the highest budget increase over the last five years.

Recurrent Budget

- P 15.04 billion allocated towards strengthening human capital and skills development. This represents 25% of the recurrent budget and the highest allocation. On a YoY basis, the allocation to the Ministry of Education and Skills Development increased by 14.5%.
- Similar to 2022/23 budget, the allocation for Ministry of Health and Wellness stands to be the second highest at 17% of the total recurrent budget.
- Ministry of Defence and Security allocated P9.84 billion. to cover operational costs for Botswana Defence Force, Botswana Police Service, Botswana Prisons and Rehabilitation Services.
- The fourth largest share of the proposed ministerial recurrent budget of P8.22 billion has been allocated to the Ministry of Local Government and Rural Development. The proposed allocation represents a growth of 15% YoY. The major budgetary provision goes to revenue support grants to district and urban councils, which accounts for 50% of the Ministry's proposed recurrent budget.
- The GoB budget of 2023/24 covers aspects like improvements in education and training, digital transformation, improving the level of efficiency and effectiveness in delivery of social services and provision of quality health care. The budget also seeks to facilitate wealth creation, greater citizen participation and empowerment including attraction of local and international investors.



Recurrent budget	BWP (Bn)	%
Education and skills development (basic and tertiary)	15.04	25%
Health and Wellness	10.31	17%
Defence and Security**	9.84	16%
Local Government and Rural Development	8.22	14%
Transport and Public works*	2.01	3%
Other ministries and departments	14.88	25%
Total	60.30	100%

- Transport and Public works*
- Other ministries and departments
- Defence and Security**
- Local Government and Rural Development
- Health and Wellness
- Education and skills development (basic and tertiary)

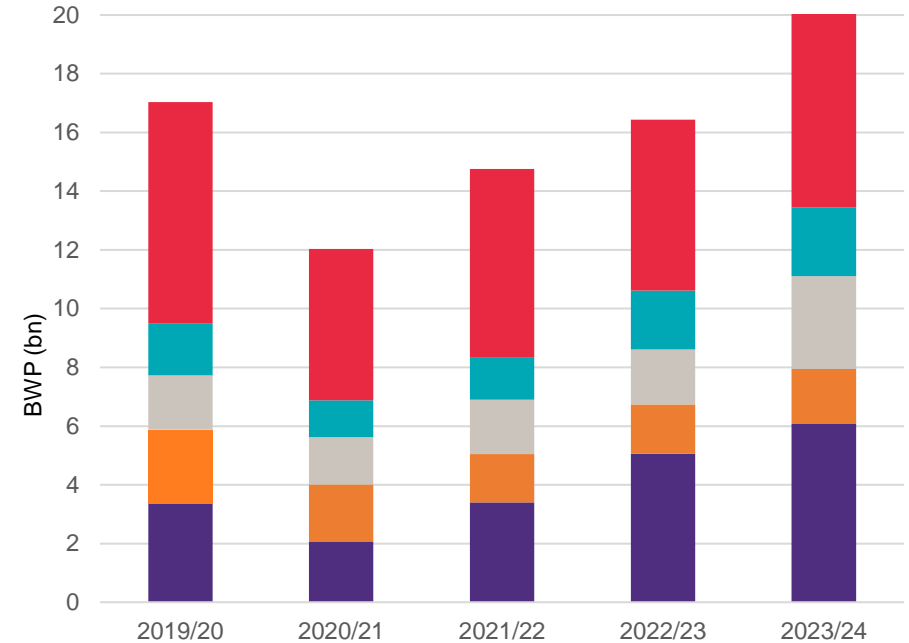
*Previously Transport and Communication
 ** Previously Defence, Justice and Security

Budget allocation 2023/24

Development budget

- The development budget for 2023/2024 is P21.01 billion. This is an YoY increase of 27.88 percent from the 2022/2023 budget. Through this budget, the Government intends to focus on investing in economic and social infrastructure required to support economic activities to achieve high-income status by 2036 and social protection initiatives.
- The largest share of the development budget of P6.07 billion is allocated to the Ministry of Lands and Water Affairs. This represents 29% of the development budget which is in line with 31% budget allocated in 2022/23. Water supply projects continue to drive this budget allocation. Major projects include the North South Carrier 2.2 project, commencement of Molepolole Water and Sanitation, and Kanye Network Rehabilitation among others.
- The second largest share (15%) of the development budget is for Transport and Public Works with a 69.5% YoY increase. The increased budget allocation will be focused on completion of on-going major roads projects such as Mmankgodi-Jwaneng, Rakhuna-Mabule, Mulambakwena-Tshesebe and others. Completion of the upgrading of 3 grades intersections in Gaborone will also be prioritized.
- The third largest share of the proposed development budget of P2.34 billion(11%) is allocated to the Ministry of Local Government and Rural Development. This will be utilised for implementation of Social Protection Programmes including the revamped Ipelegeng, increase in old age pensions, and remote area development. Other focus areas are construction and maintenance of primary schools countrywide, upgradation and electrification of customary courts.

Development budget	BWP (Bn)	%
Land Management, Water and Sanitation Services	6.07	29%
Transport and Public works*	3.17	15%
Local Government and Rural Development	2.34	11%
Defence and Security**	1.87	9%
Other ministries and departments	7.56	36%
Total	21.01	100%



- Other ministries and departments
- Local Government and Rural Development
- Transport and Public works*
- Defence and Security**
- Land Management, Water and Sanitation Services

*Previously Transport and Communication
 ** Previously Defence, Justice and Security

Tshoboko ya dintlhakgolo tsa pego ya madi a sechaba ya 2023/24

Ketapele

Tona ya madi Mme Peggy O. Serame, o simolotse go bega pego ya madi ka go itsese setshaba fa puso e nale lenaneo la ngwaga tse pedi (Transitional National Development plan TNDP) le le tla tsamaisiwang ke kabo madi a mono ngwaga le a ngwaga o latelang go fitlhelela go iwa ditlhopong. O tswelotse ka go tlhatswa gore kabo ya madi ya monongwaga e tsamaelana le melawana le maitlamo a tebelopele ya 2036 le go aga setshaba se se nang le boikarabelo. Mo dintlheng kgolo tsa gagwe Tona o ne a tlhatswa gore itsholelo ya lefatshe la Botswana e kgonne go gola ka 11.8% go tswa mo segajajeng sa covid mo ngwageng wa 2021, mme a supa fa e le kgolo e tona fa e tshwantshiwa le kgolo ya mafatshe otlhe a mo legareng la Aferika go ya ko borwa, ebile itsholelo ya rona e tswelotse ka go gola.

Tona one a baya pele mananeo a le marataro a eleng one boremelelo jwa kabo madi mono ngwaga, ebong

- i. Tlhabololo ya tsa maranyane
- ii. Tlhabololo ya mananeo a kgwebo
- iii. Tlhabololo ya boremelelo jwa didiriswa
- iv. Tlhabololo ya boleng jwa kgoagano ya dikgwebo
- v. Mananeo a go tswelodisa matshelo
- vi. Mananeo a phetogo ya loapi

Tlhabololo ya tsa maranyane

Tona o tlhalositse gore, Botswana a kgone go nna mo lenaneong la mafatshe la madi a ko godimo o ka kgona fela ka go tlhabolola mohama wa maranyane. Ka jalo puso e tsere tshwetso ya go ntsha madi a kanang ka P2.62 bilione (billion).

Tlhabololo ya mananeo a kgwebo

Mo maitekong a go dira gore mohama wa kgwebo o atlege, puso e tsere tshwetso ya go seegela fa tlhoko madi a kanang ka P420.90 milione (million) go tswelodisa lenaneo le. Mo godimo ga moo puso e supile fa e tla tswelela ka go dira melawana e tla thusang bagwebi go ka bona thuso ya madi.

Tlhabololo ya boremelelo jwa didiriswa

Ka fa tlase ga lenaneo le, le le akaretsang go rarabolola kgwetlho ya tsa metsi, katoloso ya motlhakase le tse dingwe, puso e segeetse fa tlhoko madi a kanang ka P12.73 bilione (billion).

Tlhabololo ya boleng jwa kgoagano ya dikgwebo

Puso e lemogile gore go ntse go sena tomagano mo gareng ga dikgwebo tse di nang le maphata a amanang. Ka jalo puso e seegile madi a kana ka P540.89 milione (million) go leka go tokafatsa seemo se ka maikaelelo a go tlhotlha / go hetlha ditiro.

Mananeo a go tswelodisa matshelo

Mo mananeong a go leka go tswelodisa le go tokafatsa matshelo, puso e tla tswa ka mananeo a gore mongwe le mongwe o bona seabe mo itsholelong bogolo jang ba ba dikobo dikhutswane. Ka jalo madi a bagodi a tla okediwa ka lekgolo (P100) mo kgwedding, fa a lpelegeng le a batlhoki one a tla okediwa ka sephatlo sa lekgolo (P50) mo kgwedding. Mme diphetogo tse di tla diragatswa ka kgwedi ya Moranang.

Mananeo a phetogo ya loapi

Puso e tswelotse ka go loga mananeo a tla sireletsang tikologo kgatlhanong le go kgotlhegesela ga loapi. Maikaelelo ele go sireletsa tsa tlhologo le matshelo a batho. Lengwe la mananeo a ke go ikaelela gore mo ngwageng wa 2023/24 go bo go dirilwe ditsetlana tse di tla sireletsang tikologo.

Corporate Governance Compliance

Good corporate governance is key to the long-term success of an organization in an ever evolving and competitive business environment. It is a way of gaining an advantage over competitors through creating leaner processes and procedures. It is crucial that organizations understand the importance of good corporate governance which ensures that a business environment is fair and transparent and that employees / directors / management can be held accountable for their actions.

Good corporate governance is achieved by, to name a few:

1. Balancing Board composition
2. Conducting regular Board evaluations
3. Ensuring director independence
4. Following best practices
5. Managing risks proactively

We can assist you to ensure governance compliance within your organisation. For further information please contact Aparna Vijay (Partner, Corporate Services) on (+267) 3707 114 or aparna.vijay@bw.gt.com.

International tax developments

Did you know



Exchange of information

Botswana joined the BEPS Inclusive Framework (IF) in July 2017. As a member of the IF, like other members, Botswana had to commit to the implementation of the four minimum standards, namely countering harmful tax practices (Action 5), countering tax treaty abuse (Action 6), transfer pricing documentation and Country-by-Country (CbC) reporting (Action 13) and improving dispute resolution mechanisms (Action 14).

Botswana International Financial Service Centre (IFSC)

The Botswana IFSC is a Preferential Tax Regime established and regulated by the Income Tax Act (Chapter 52:01) (the Act). A company certified by the Minister of Finance to operate within the IFSC enjoys the preferential tax rate of 15% on income arising from approved financial services. Approved financial services are specified in Section 138 (7) of the Act. Following recommendations from the Forum on Harmful Tax Practice under the BEPS Inclusive Framework of the OECD, the following amendments were made to the IFSC legislation in December 2018:

- i. The definition of an IFSC company was revised to read “a company incorporated in Botswana to provide any of the approved financial operations under section 138 (7) to its associated or related companies”. This means a company that provides approved financial services to its domestic, related or associated company can qualify as an IFSC company provided that all other conditions are met.
- ii. The services relating to the exploitation of intellectual property, development and supply of computer software for use in the provision of approved financial services were removed from the list of approved financial services in section 138 (7). According to Action 5, such a set up was potentially harmful because profits should be taxed where economic activities and value is created.

The removal of the restriction in the definition of IFSC company means that companies that provide IFSC approved services which were previously excluded from operations within the IFSC can now apply for IFSC certification.

Transfer Pricing

Transfer Pricing (TP) legislation became effective in Botswana on 1 July 2019. All MNEs and IFSC companies are required to prepare TP documentation (commonly known as Local File and Master File) where they have transactions with connected parties. The legislation does not provide a threshold for the preparation and filing of the documentation.

However, the Commissioner General issued a ruling on 1 September 2021 stipulating that a company whose cumulative value of arm’s length transactions with connected parties does not exceed BWP5 million (approximately USD400,000) in a tax year is not required to comply with TP filing obligations. The master file is filed only where connected party transactions exceed BWP5 million and upon receipt of a written request to file from the Commissioner General. Failure to comply with the TP filing requirements may render the company liable to a penalty not exceeding BWP 500,000 (approximately USD 40,000).

Exchange of information

In October 2021, Botswana became a party to the OECD Convention on Mutual Administrative Assistance in Tax Matters (MAC). The Convention is the most comprehensive multilateral instrument available for all forms of tax co-operation to tackle tax evasion and avoidance. The Convention facilitates international co-operation for a better operation of national tax laws, while respecting the fundamental rights of taxpayers. It provides for all possible forms of administrative co-operation between states in the assessment and collection of taxes. This co-operation ranges from exchange of information (TP information, financial accounting information etc.), including automatic exchanges, to the recovery of foreign tax claims. The Convention places obligations on the Commissioner General to avail any tax information, for exchange of information purposes, at any time at the request by any member of the MAC. This indirectly places the obligations on Multi-National Enterprises (MNE) to maintain proper records in all jurisdictions in which they operate and to avoid harmful tax practices.

Transfer Duty

Transfer Duty (Amendment) Act No.40 of 2022 amended Section 20 of the Transfer Duty Act (Chapter 53:01) to provide for the exemption from transfer duty of the acquisition of immovable property, by a holder of a license under the Special Economic Zone Act (SEZA), where the property will be utilised in the carrying on of any approved business activity. The effective date of the amendment is 25 October 2022.

For related tax advice and assistance, please contact, Olivia Muzvidziwa (Director, Tax) on +267 370 7109 or olivia.muzvidziwa@bw.gt.com.

Reference tax tables

Personal tax - resident & non-resident individuals

Annual taxable income (BWP)	Resident rate of tax %	Non-resident rate of tax %
Up to 48,000	0%	5%
48,001 – 84,000	0 + 5% of excess over 48 000	5%
84,001 – 120,000	P1,800 + 12.5% of excess over P84,000	P4,200 + 12.5% of excess over P84,000
120,001 – 156,000	P6,300 + 18.75% of excess over P120 000	P8,700 + 18.75% of excess over P120 000
156,001 and above	P13,050 + 25% of excess over P156,000	P15,450 + 25% of excess over P156,000

Capital gains - resident & non-resident individuals

Annual taxable income (BWP)	Rate of tax %
Up to 36,000	0%
36,001 – 84,000	0 + 5% of excess over P36,000
84,001 – 120,000	2,400 + 12.5% of excess over P84,000
120,001 – 156,000	6,900 + 18.75% of excess over P120,000
156,001 and above	13,650 + 25% of excess over P156,000

Capital transfer tax - resident & non-resident individuals

Taxable income (BWP)	Rate of tax %
Up to 100,000	2%
100,001 – 300,000	P2,000 + 3%
300,001 – 500,000	P8,000 + 4%
500,001 and above	P16,000 + 5%

Capital transfer tax - resident & non-resident companies

Nature of company	Rate of tax %
Resident company	12.5%
Non-resident company	12.5%

Withholding tax

Details	Rate of tax
Commission / brokerage	10%
Construction	3%
Rent	5%
Dividend	10% final tax
Entertainment fee	10% final tax (<i>not applicable to residents</i>)
Interest	10% final tax (residents, in excess of P1,950 per quarter) / 15% final tax (non-residents)
Management / consultancy fee	15% final tax (non-treaty) <i>not applicable to residents</i>
Mine rehabilitation fund	10% final tax
Royalties	15% final tax (non-treaty) <i>not applicable to residents</i>
Purchase of livestock for slaughter / feeding for slaughter	4%

Transfer pricing

Requirement - Submission of transfer pricing documentation along with the company's tax return.

Penalties for non-compliance - amount equal to 200% of tax payable

Penalties for non-submission - up to P500,000

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Company tax - resident & non-resident companies

Type	Rate of tax %
Resident company	22%
Resident company – approved manufacturing taxable income	15%
External / non-resident company / branch	30%
IFSC company – approved service income	15%
IFSC company – other taxable income	22%
Dividends accruing outside the country	10%
Pension and Provident Fund not approved by the Commissioner General	7.5%
SPEDU region - approved business operations	5% (first 5 years) 10% (thereafter)
Special Economic Zone (SEZ) operations	5% (first 10 years) 10% (thereafter)

Timelines

Returns	Timeline
Personal tax	Within 3 months from tax year end
Company tax	Within 4 months from end of fin year
Annual PAYE	On or before 31 st July
Annual WHT	On or before 31 st July
Monthly WHT	On or before 15 th of the following month
VAT	On or before 25 th of the month following the VAT period