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Tax Alert: Botswana Introduces New Tax Administration, Income Tax and VAT Framework

Contents

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Executive Summary

Botswana has enacted a comprehensive overhaul of its tax system through the Income Tax Act, 2026, the Value Added Tax Act, 2026 and the Tax Administration Act, 2026. The new framework became effective on 1 July 2026 and introduces significant changes to tax administration, filing obligations, VAT compliance, transfer pricing requirements, refunds, dispute resolution and penalty provisions. Businesses should reassess their compliance frameworks, internal controls and reporting processes to ensure readiness under the new regime.

What Has Changed?

1.The New Tax Administration Act

• A unified tax administration framework now governs registration, assessments, collections, objections, appeals, penalties and refunds.
• Enhanced enforcement powers and administrative penalties have been introduced.
• Formal objection and appeal procedures now operate through the Tax Tribunal and court system.

2.Income Tax Compliance Rules

• The tax year runs from 1 July to 30 June.
• Individuals, trusts, partnerships and non-profit organisations generally submit returns within three months after year-end.
• Companies generally submit returns within four months after their accounting period-end.
• Quarterly tax instalment requirements apply to qualifying taxpayers.

Corporate Income Tax Rates

Type of Income	Rate
Resident Companies and Non-Resident companies	24.5%
IFSC company	15% (on taxable income arising from approved financial operations) and 24.5% (on all other taxable incomes)
Mutual Association	5%
Non-Approved Fund	24.5%
Mining company	24.5% (where applicable, the rate determined by the specific formula)

Concessionary tax rates and other tax relief granted under development approval orders will continue to apply in accordance with the relevant approval order.

Transfer Pricing

- The Transfer Pricing Regulations became effective on 1 July 2026.
- Approved methods include CUP, Resale Price, Cost Plus, TNMM and Profit Split.
- Documentation generally due within six months after the income tax return due date.
- MNE groups with related-party transactions exceeding P5 million should maintain comprehensive contemporaneous documentation.

Double Tax Agreements

Botswana has concluded DTAAs with several jurisdictions including South Africa, Zambia, Zimbabwe, Mauritius, India, United Kingdom, France, Belgium and Namibia

What Has Changed?

4. Individual Income Tax

Taxable income includes salaries, bonuses, commissions, allowances, gratuities, director fees and taxable benefits.

Resident individual Tax Rates

Type of Income	Rate
0–48,000	P0
48,001–84,000	P0+5% of excess over P48,000
84,001–120,000	P1,800 + 12.5% of excess over P84,000
120,001–156,000	P6,300 + 18.75% of excess over P120,000
156,001–400,000	P13,050 + 25% of excess over P156,000
Above 400,001	P74,050 + 27.5% of excess over P400,000

Non-Resident individual Tax Rates

Type of Income	Rate
0 – 84,000	5 %
84,001 – 120,000	P 4, 200 + 12.5 % of excess over P84, 000
120,001 – 156,000	P8, 700 + 18.75% of excess over P120, 000
156,001–400,000	P15, 450 + 25% of excess over P156, 000
Above 400,001	P76, 450 + 27.5% of excess over P400, 000

3.Employee Benefits

Housing Benefits:

• Employer leased property – actual rent paid.
• Employer owned rateable property – 10% of rateable value.
• Employer owned non-rateable property – 8% of capital value.

- (Capital value: Gross floor area (m^2) × P2,500.)

Motor Vehicle Benefits:

- 10% of employer cost or market value.

Furniture Benefits:

• Taxable based on employer cost, fair value or rental value.

Other Benefits:

• School fees
• Utilities
• Low-interest loans
• Debt waivers
• Domestic staff and security services
• Club subscriptions and insurance benefits

Capital Gains Tax

Net aggregate gain of individuals rates

Net Aggregate Gain	Rate
0 – 36,000	0
36,001 – 84,000	0+ 5% of excess over P36 000
84,001 – 120,000	P2, 400 + 12.5% of excess over P84 000
120,001 – 156,000	P6, 900 + 18.75 % of excess over P120 000
156, 001 – 400,000	P13, 650 + 25 % of excess over P156 000
Above 400,001	P74, 650 + 27.5 per cent of excess over 400,00

6. PAYE

Employers must withhold PAYE and include all taxable benefits.
Monthly remittance due within 14 days after month-end.
Annual withholding return due within 28 days after tax year-end

7. OWHT

Non residents withholding taxes and applicable rates

Type of Income	Rate
Dividends	10%
Interest	15%
Royalties	15%
Technical fees	15%
Insurance Premium	3%
Payments to entertainer	10%
Director’s fees	15%
Natural resource amount	10%
Repatriated profit	10%
Capital Gain	10%

Note, the rates are subject to changes as per the applicable existing DTAA with specific countries.

Residents withholding taxes and applicable rates

Type of Income	Rate
Dividends paid to a resident or a Botswana permanent establishment of a non-resident 10% Interest (Non-Bank Interest) paid to a resident or a Botswana permanent establishment of a non-resident	10%
Director’s fees (Non-Executive Directors)	10%
Payments made under a construction contract	3%
Rent	5%
Commission or brokerage	10%

- Payment due within 14 days after month-end.
- Monthly remittance due within 14 days after month-end.
- Annual withholding return due within 28 days after tax year-end.

8. VAT

Standard VAT rate: 14%.

VAT returns and payments due within 28 days after period-end.

Registration generally required within 21 days after becoming liable.

Reverse Charge VAT

Applies to imported services received by VAT registered persons, government entities and certain large unregistered entities.

VAT Tax Periods

Category	Tax Period
Category A	Every 2 months ending Jan, Mar, May, Jul, Sep, Nov
Category B	Every 2 months ending Feb, Apr, Jun, Aug, Oct, Dec
Category C	Monthly
Category C Threshold	Generally turnover above P12 million

Refund Timelines

Refund Type	Timeline
Overpaid Tax Refund	Within 28 days
Tax Credit Refund	Within 60 days
Zero-Rated Supplier VAT Refund	Within 28 days after return lodged
Diplomatic/Qualifying VAT Refunds	Within 28 days of approval
Interest on Delayed Refunds	1% per month

Excess Input VAT Credits

Category	Refund Eligibility
Category A/B	After excess remains for 2 consecutive periods
Category C	After excess remains for 4 consecutive periods
Application Deadline	Within 2 years

Summary of key Compliance Dates

Item	Due Date / Timeline
Income Tax Year	1 July – 30 June
Income Tax Return – Individuals, Partnerships, Trusts, NPOs	Within 3 months after tax year end (normally by 30 September)
Income Tax Return – Companies	Within 4 months after accounting period end
Non-Resident Quarterly Returns	Last day of month following quarter
Annual Withholding Tax Return	Within 28 days after end of tax year
Monthly Withholding Tax Remittance	Within 14 days after month of payment
VAT Return	Within 28 days after end of VAT tax period
VAT payment	Same date as VAT returns due date
Notification of Change of Business Name / Tax Agent	Within 28 days of change
VAT Registration Application	Within 21 days of becoming liable to register
Notification of VAT Registration Changes	Within 21 days of change
Notification of Cessation of Taxable Supplies	Within 21 days of cessation
Final VAT Return After Deregistration	Within 14 days after cancellation

Late Payment Interest

Type	Rate
General Taxes	1.5% per month or part thereof
Late Refund Interest	1% per month

Key Administrative Penalties

Offence	Penalty
Late IncomeTax Return	P100/day (max P20,000) or 10% per month of unpaid tax
Late VAT Return	P50/day (max P5,000) or 10% per month of unpaid tax
Late Payment of Tax	P50/day or 10% per month of unpaid tax
Failure to register for VAT	100% of output VAT due
Failure to Notify Changes	P10,000
Improper VAT Invoice/Credit Note	P10,000
False/Reckless Statement	75% of tax shortfall
Tax Avoidance Scheme	200% of avoided tax
Tax Evasion	300% of evaded tax

Transitional Relief

Botswana 2026 Tax Reforms – Transitional and Savings Provisions

1. Tax Administration Act, 2026 – Transitional Provisions

A person shall not be liable to a late payment penalty under the new Act for a period of 12 months from the date of commencement of the Act.

Electronic Billing System becomes mandatory from 1 April 2027 (9 months after commencement).

The Minister may issue transitional regulations to facilitate implementation of the new tax framework.

2. Income Tax Act, 2026 – Transitional and Savings Provisions

The repealed Income Tax Act continues to apply to periods before 1 July 2026.

Existing assessments, audits, objections, appeals and recovery actions remain valid.

Existing depreciation claims, losses and tax attributes continue under the new Act.

Approved substituted accounting periods continue after commencement.

Existing subsidiary legislation continues where not inconsistent with the new Act.

3. VAT Act, 2026 – Savings and Transitional Provisions

Existing VAT registrations automatically continue under the new VAT Act.

Existing VAT certificates, approvals, notices and authorisations remain valid until expiry or replacement.

Outstanding VAT liabilities, assessments and refunds remain enforceable.

Transactions before commencement continue to be governed by the repealed VAT Act.

Pending audits, assessments, objections and court proceedings continue uninterrupted.

4. ADDITIONAL TRANSITIONAL MEASURES

Some registrations, exemptions and notifications continue for six months after commencement, expiry or until revoked.

The former Board of Adjudicators continues until the Tax Tribunal is established

Impact on Businesses

The reforms affect virtually all taxpayers operating in Botswana. Companies should expect increased scrutiny from the Botswana Unified Revenue Service, particularly in relation to VAT compliance, withholding taxes, transfer pricing, record retention and tax governance.

Businesses that operate across borders or transact with related parties will face the greatest compliance burden. The transfer pricing regulations require significantly more detailed documentation and supporting evidence than under the previous framework.

Entities that regularly generate VAT refund positions, including exporters and zero-rated suppliers, may benefit from clearer refund processes and statutory timelines. However, businesses must ensure they retain adequate supporting documentation to support refund claims.

The expanded penalty regime increases financial risk for organisations with weak tax compliance controls. Tax governance procedures, tax calendars and reporting responsibilities should therefore be reviewed immediately.

Recommended Next Steps

Businesses should:

- Update tax compliance calendars and filing schedules.
- Review VAT registration status and tax period allocations.
- Perform a transfer pricing readiness assessment.
- Review withholding tax processes and monthly remittance procedures.
- Conduct a tax risk assessment covering penalties, interest exposure and record-keeping obligations.
- Train finance, tax and payroll personnel on the new legislative requirements.

Conclusion

The 2026 legislation represents one of the most significant tax reforms in Botswana. While the reforms provide a more modern and integrated tax framework, they also introduce more stringent compliance obligations and higher penalties. Taxpayers should proactively assess the impact of the new rules and implement necessary processes to ensure ongoing compliance.

As further guidance and transitional measures are released, additional updates will be provided. For more information on how these reforms may affect your business, or for assistance with compliance planning and implementation, please contact Andersen.

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