TAX INTELLIGENCE • AGRICULTURE

BOTSWANA FARMING TAX REFORMS 2026

A practical guide for farmers, agricultural investors and diversified business owners

NEW INCOME TAX ACT

Effective 1 July 2026

SECTION 01 • WHO IS AFFECTED?

FARMING OPERATIONS WITHIN THE TAX NET

Any person carrying on farming operations is subject to income tax unless a specific exemption applies. A farming business generally involves cultivating land to produce crops or raising livestock for sale or for the sale of their products. The resulting income is treated as business income.

- Cattle
- Sheep & goats
- Poultry
- Dairy
- Stud farming
- Horticulture
- Irrigated agriculture
- Crop farming
- Other agricultural and pastoral activities

What changed on 1 July 2026?

The new Income Tax Act changes the treatment of farming losses while retaining generous incentives for farming infrastructure investment.

SECTION 02 • FARMING LOSSES

NO LONGER RING-FENCED

PREVIOUS POSITION

Farming losses could only be used against future farming profits.

NEW POSITION

Farming losses may offset profits from other business activities.

FOR EXAMPLE

ACTIVITY	PROFIT/(LOSS)
Farming business	(P500,000)
Retail business	P800,000
Taxable business income	**P300,000**

IMPORTANT RESTRICTION

Farming losses cannot be used against:

Not employment income

Salary and wages

Not investment income

Interest, dividends and similar returns

5 Years

Maximum carry-forward period for unused assessed losses

04

EVERY CONDITION. ALL YEAR.

Qualifying resident individuals may receive a complete exemption on qualifying farming income where every threshold is met throughout the tax year.

HOW TO QUALIFY

All the following conditions must be met throughout the tax year:

300
Maximum cattle or equivalent

6 = 1
Sheep or goats to one cattle equivalent

100 ha
Maximum dryland area

ACTIVITIES COVERED

- Cattle for slaughter
- Sheep or goats for slaughter
- Dryland farming
- A combination of these

QUALIFIES
250 cattle
60 hectares
The farmer remains within all thresholds and should qualify.

DOES NOT QUALIFY
350 cattle
The cattle limit is exceeded.

DOES NOT QUALIFY
100 cattle
150 hectares
The land threshold is exceeded.

SECTION 04 • TRACKING EXEMPTION LIMITS

RECORDS ARE YOUR EVIDENCE

Because the thresholds must be satisfied throughout the year, records should demonstrate livestock holdings and cultivated land usage over time.

Livestock records

- Livestock registers
- Branding records
- Purchase and sale records
- Veterinary records
- Annual stock counts

Land records

- Title deeds and lease agreements
- Land Board allocations
- Farm maps
- GPS measurements
- Annual land usage schedule

LIVESTOCK CALCULATION

Cattle
200

Sheep
300 ÷ 6 = 50

Total equivalent
250

The total remains below the 300-head threshold.

TRACKING LAND USAGE

Maintain an annual land usage schedule showing all cultivated dryland hectares.

Title deeds
Lease agreements
Land Board allocations

Farm maps
GPS measurements where available

SECTION 05 • DEDUCTIBLE FARMING EXPENSES

THE COST OF PRODUCING INCOME

Expenditure necessarily incurred in producing farming income may generally be deducted.

- **Feed**
- **Seed**
- **Fertiliser**
- **Fuel**
- **Veterinary costs**
- **Labour**
- **General farming operating expenses**

Tax depreciation

Tax depreciation is also available on qualifying assets and business intangibles.

100%
TAX DEDUCTION IMMEDIATELY

WHAT DOES IT MEAN?

Normally, major assets are deducted over several years. Under the farming provisions, qualifying capital expenditure may be claimed **in full during the year it is incurred.**

WORKED EXAMPLE

New irrigation system

P800,000

The full P800,000 may be deducted in the year of installation.

BENEFITS

- **Reduced taxable income**
- **Lower tax liability**
- **Improved cash flow**
- **Faster cost recovery**

SECTION 07 • QUALIFYING CAPITAL IMPROVEMENTS

BUILD THE FARM. CLAIM THE VALUE.

The Act provides a full deduction for specified capital works that improve or support farming operations.

Water infrastructure

Boreholes, storage tanks, reticulation, pumps and distribution facilities

Irrigation infrastructure

Pivot and drip systems, pipelines, reservoirs and related equipment

Fencing

Boundary, internal paddock and livestock-control fencing

Land improvements

Clearing, soil conservation, erosion control and agricultural land development

Access infrastructure

Farm roads, access tracks, culverts and small bridges

Power infrastructure

Electricity reticulation, distribution systems and farm power supply

Environmental protection

Firebreaks and similar approved protective works

Plantation development

Qualifying plantations and similar agricultural developments

DIRECTLY SUPPORT PRODUCTION

The Act allows a 100% deduction for qualifying **non-residential farm buildings.**

Livestock facilities

Milking parlours, feed sheds, poultry houses, handling facilities and animal-feed storage

Crop production

Grain silos, produce storage, packing sheds and seed storage

Operational buildings

Machinery sheds, equipment storage, workshops and fertiliser or chemical stores

Horticulture & dairy

Nursery structures, greenhouse support and dairy production facilities

Buildings that generally do not qualify

Farmhouses, employee housing, guest accommodation, holiday homes and lodges unrelated to farming production.

Useful guideline: a building used directly to produce, process, store or support agricultural production is more likely to qualify.

SECTION 09 • LIVESTOCK TRADING

4%

WITHHOLDING TAX ABOLISHED

From 1 July 2026, the 4% withholding tax on livestock purchased for slaughter or feeding for slaughter has been removed.

Improved cash flow

Reduced administration

Lower compliance burden

Simpler livestock transactions

KEY TAKEAWAYS • ANDERSEN IN BOTSWANA

TURN REFORM INTO FARM INVESTMENT VALUE

- Farming losses can offset qualifying other business income
- Small-scale farmers may qualify for complete income tax exemption
- Qualifying capital improvements may receive a 100% immediate deduction
- Irrigation, water, fencing, roads and qualifying buildings are more tax-efficient
- The 4% livestock withholding tax has been abolished
- Good records remain essential

REQUEST A TAILORED ASSESSMENT

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