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Botswana Tax Regulation Changes

Effective 1 July 2026

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Botswana tax reforms effective 1 July 2026

The new legislation introduces a replacement **Income Tax Act, 2026**, a new **Tax Administration Act, 2026**, and detailed regulations dealing with income tax, transfer pricing, VAT and tax administration.

The new framework took effect on **1 July 2026**. The former Income Tax Act is repealed, but it continues to govern earlier tax years. Existing tax agreements may continue for their agreed term, and old subsidiary rules continue to the extent that they are consistent with the new Act.

Overall effect: companies face a direct increase in their ordinary tax rate and significantly wider reporting obligations. Most employees and other individuals earning no more than **P400,000 of taxable income a year do** not face a rate increase, but individuals with foreign income, significant investment gains or business activities may have substantially more reporting to do.

“Taxable income” means income or profit after permitted deductions. It is not the same as company turnover or an employee’s gross salary.

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1. Changes affecting corporate taxpayers

Area	**Before 1 July 2026**	**From 1 July 2026 and practical effect**
Ordinary company income-tax rate	The ordinary company rate was **22%.** Approved manufacturing companies could qualify for **15%**. IFSC companies paid **15%** on approved income and 22% on other income. The minimum mining-company rate was 22%, while Special Economic Zone companies enjoy a 5% tax rates for the first 10 years and 10% thereafter.	The ordinary company rate is now **24.5%.** IFSC-approved operations remain at 15%, but other income of IFSC companies liable to tax at 24.5%. The mining formula now has a 24.5% minimum. **Impact:** an ordinary company with P1 million of taxable income pays approximately **P245,000 instead of P220,000 — an increase of P25,000.**
Approved manufacturing and other special concessions	An approved manufacturing business could receive the special 15% rate.	The new rate schedule does not list a separate automatic 15% manufacturing rate. The Minister can still grant additional relief through a development approval order, and certain existing tax agreements continue under the transitional rules. **Impact:** Companies previously awarded a manufacturing tax rate of 15% should not assume that this will continue. We recommend that companies that have previously benefitted from this concession should seek confirmation from BURS that the rate will continue to apply to them.

Area	Before 1 July 2026	From 1 July 2026 and practical effect
Foreign income of Botswana-resident companies	The system was mainly source-based. Resident companies were generally taxed on all investment and business income. Companies were awarded tax credits for foreign taxes on that income.	A Botswana resident, other than a qualifying temporary resident, now includes income from **all sources inside and outside Botswana.** Foreign tax may be credited against the Botswana tax on the same income, but only up to the Botswana tax amount. **Impact:** foreign branches, overseas rentals and other offshore earnings must be reported in Botswana.
Capital gains	Capital-gains taxation centred on specified assets, particularly Botswana immovable property and marketable securities, including private-company shares. For certain other gains, only 75% of the gain was treated as taxable.	A "CGT asset" is now broadly defined as any asset that is not trading stock, a depreciable asset, a business intangible or another revenue asset. A company's net capital gain is included in its gross income, and the new calculation does not reproduce the old general 75% inclusion rule. **Impact:** more types of investment or capital assets may fall into the tax net, and some gains may be taxed more heavily.
Assets already owned on 1 July 2026	An asset outside the former CGT rules generally did not have a Botswana CGT base.	Where an existing asset was not previously subject to CGT but is caught by the new rules, its tax cost is reset to its **fair market value on commencement of the Act.** Impact: in principle, appreciation arising before 1 July 2026 on a newly covered asset should not be taxed. A valuation at that date may be important evidence.
Capital-gains payment deadline	Capital gains were dealt with under the former assessment and return procedures.	An advance payment of CGT is now required **within 28 days after disposal** of the asset. The advance payment is later credited against the final liability. **Impact:** companies selling land, shares or other capital assets must budget for an immediate tax payment rather than waiting for the annual return.

Area	Before 1 July 2026	From 1 July 2026 and practical effect
Related-company or “transfer-pricing” transactions	Transactions with foreign group companies were expected to be commercially priced, but the rules were less detailed.	The Regulations now prescribe accepted pricing methods, comparable-market analysis and rules for group services and intellectual property. Extensive supporting documents must be maintained. The prescribed full-documentation exemption applies where MNE-group transactions with associates do not exceed **P5 million**, although BURS may still request information and the arm’s-length rule still applies. **Impact:** larger groups need written transfer-pricing files, intercompany agreements and evidence supporting charges.
Interest deductions	Net interest was generally limited to 30% of tax EBITDA. Disallowed interest could normally be carried forward for three years.	The 30% restriction continues, but denied interest may now be carried forward for up to **five years.** Taxpayers with annual gross income not exceeding P10 million, small businesses under the simplified regime, banks, insurers, relevant mining businesses, foreign controlled resident licensee and IFSC companies are excluded from the restriction that EBIDTA provides. **Impact:** the basic restriction remains, but affected companies receive two more years in which to use denied interest.
Business losses and changes in ownership	Ordinary business losses could generally be carried forward for five years.	The five-year period largely remains. However, when more than 50% of a company’s beneficial ownership changes, earlier losses can generally be used only if the company continues the same business and does not enter a new business mainly to use the old losses. The change must be reported to BURS within 14 days. **Impact:** buying a loss-making company no longer automatically gives the purchaser access to its accumulated tax losses.
Company formations and reorganisations	Rollover relief existed in more limited or less unified forms.	The Act now provides express tax-neutral rules for transferring a sole trader’s business to a wholly owned company, transfers between wholly owned resident group companies and qualifying corporate mergers or reorganisations. **Impact:** genuine restructurings may be completed without an immediate taxable gain, provided all statutory conditions are met.

Area	Before 1 July 2026	From 1 July 2026 and practical effect
Foreign companies operating through Botswana branches	Branch profits were taxed at 30%, but after-tax profits could generally be remitted to head office without additional withholding tax.	Botswana permanent-establishment income will generally be taxed at the company rate of 24.5%, together with a 10% tax on calculated repatriated profit. Impact: total taxation of foreign branches depends on how much profit is retained or treated as repatriated. Foreign branches should model their effective total rate rather than looking only at the 24.5% headline rate.
Withholding taxes	The main rates included dividends at 10%, resident interest at 10%, non-resident interest and service fees at 15%, construction payments at 3%, rent at 5% and commission at 10%.	Most familiar rates remain, but the new schedule expressly covers additional categories: insurance premiums, natural-resource payments, repatriated branch profits and non-resident capital gains. For a non-resident asset seller, the purchaser may have to withhold 10% from the gross sale consideration, subject to a BURS variation. Impact: accounts-payable teams must update supplier and payment coding; the withholding obligation may arise even where the recipient ultimately owes less tax.

Corporate bottom line

The ordinary company rate increase is the most immediate cash cost. The more fundamental long-term change is that Botswana-resident companies must now take into consideration the implications of foreign-sourced income, a wider capital-gains base and much more formal evidence for transactions with related companies.

2. Changes affecting individual taxpayers

Area	Before 1 July 2026	From 1 July 2026 and practical effect
Resident individual income-tax rates	Income up to P48,000 was tax-free. The highest rate was **25% on taxable income above P156,000.**	The bands up to P400,000 remain effectively unchanged. A new **27.5% rate applies only to the portion above P400,000. Impact:** an individual with taxable income of P400,000 or less does not pay additional tax because of the new rate table.
Example for a higher-income individual	Tax on P500,000 of taxable income was approximately **P99,050.**	Tax on the same P500,000 is approximately **P101,550** — an increase of **P2,500**, because only the P100,000 above P400,000 is charged at the extra 2.5 percentage points.
Non-resident individual rates	Non-residents paid 5% from the first Pula and had a maximum rate of 25%.	The same lower bands broadly remain, but the rate on taxable income above P400,000 is now 27.5%.
Foreign income of Botswana residents	The system was predominantly territorial, although foreign dividends and interest of resident citizens were already taxable in certain cases.	A resident individual, other than a temporary resident, is now expressly taxable on income from inside and outside Botswana. Foreign tax credits can reduce double taxation. Foreign employment income remains exempt where it is subject to tax in the country in which the employment is exercised. **Impact:** overseas rent, consulting income, distributions, investment income and foreign asset sales need to be reviewed even when the money remains outside Botswana.
Capital gains	Individual CGT mainly covered Botswana immovable property and marketable securities. The highest rate was 25%.	The asset definition is wider and the highest CGT rate is now **27.5% for the portion of an annual net gain above P400,000.** The principal private residence exemption applies where the home has been owned for at least five years, with restrictions on repeated claims. Certain BSE investments held for at least one year and specified government securities are also exempt. **Impact:** individuals should obtain advice before selling property, private-company shares, offshore investments or other valuable assets.

Area	Before 1 July 2026	From 1 July 2026 and practical effect
Payment when an asset is sold	Tax was ordinarily finalised through the relevant assessment process.	The individual must make an advance CGT payment within **28 days of disposal. Impact:** this can create an immediate cash obligation, even before the annual return is due.
Severance, gratuities and retrenchment packages	Generally, 50% of a qualifying gratuity was taxable and 50% was tax-free, subject to the former rules and limits.	The 50% tax-free portion is retained. The taxable balance is calculated either in the year received or spread over up to and including the three years preceding the payment—the method giving the employee the lower tax liability is used. **Impact:** the spreading rule can reduce the tax spike caused by a large termination payment.
Employee share schemes	Share awards were generally dealt with under the wider employment-benefit rules, with less detailed statutory timing guidance.	Granting an option is generally not immediately taxed. The taxable employment benefit normally arises when shares are allotted, or when transfer restrictions end, based on market value less the employee's contribution. Disposal of an option can also be taxable. **Impact:** employees receiving shares or options need valuations and records of what they paid.
Retirement savings and pension payments	Retirement funds, pensions and gratuities received favourable treatment under the old Act and separate regulations.	The old provident and superannuation regulations have been revoked, but the reliefs are largely brought into the new consolidated framework rather than simply removed. A resident individual may deduct qualifying retirement contributions, generally up to 15% of taxable income, and 50% of qualifying pensions or retirement lump sums is generally exempt. **Impact:** approved-fund status and contribution limits remain important; taxpayers should pay attention to whether the fund is approved or not. Taxpayers should not assume that all payments to an informal or unapproved fund are deductible.
Non-Cash Benefits (motor vehicle benefit)	Complex value determination with varying components and thresholds – benefit calculated at 15% of the value per annum	Simplified benefit calculation (actual historic cost or fair value at commencement of lease) with benefit calculated at 10%per annum of the value. **Impact:** This benefit is treated more favourably under the new rules

Area	Before 1 July 2026	From 1 July 2026 and practical effect
Small sole traders	The former special rule allowed a small resident private company with gross income not exceeding P300,000 to elect to be taxed as a partnership.	The new simplified system is aimed at an **individual conducting a small business** wholly in Botswana, who is not VAT-registered and whose turnover does not exceed the VAT-registration threshold (which remains at P1 million per annum). It allows cash accounting, 100% tax depreciation, immediate deduction of stock purchases and a three-year record period. **Impact:** qualifying sole traders receive simpler accounting and faster deductions. Unlike the old small-company regime, no election rules are provided for in this new provision
Ordinary employees' return obligations	PAYE normally dealt with tax for many employees.	An individual whose income consists solely of employment income from one employer is generally not required to lodge an annual income-tax return unless BURS specifically requests it. **Impact:** the reforms do not automatically create an annual filing obligation for every employee. The importance of total income derived from a single employer cannot be overemphasised

Individual bottom line

For an ordinary employee, the main rate change matters only when annual taxable income exceeds P400,000. The larger risks arise for people who have offshore income, sell investments or property, receive major severance payments, participate in share schemes or operate their own businesses.

3. Tax-administration changes affecting both companies and individuals

The new Tax Administration Act is intended to consolidate and modernise procedures that were previously spread across different tax laws.

Registration and taxpayer details

A person commencing an activity that may result in tax, or becoming a withholding agent, must generally register with BURS within **21 days.**

Taxpayers must report changes in matters such as their address, business activity, website or business social-media account, bank details, electronic contact details and representative within **28 days.**

Companies, partnerships and trusts may also have to provide beneficial-ownership and other identity information. This gives BURS a clearer view of the real people controlling an entity.

Electronic invoicing

A taxpayer supplying goods or services, or receiving payment for them, must issue an electronic invoice through the approved electronic billing system.

The system is scheduled to begin nine months after 1 July 2026, meaning **1 April 2027.** A business expense paid to a supplier required to use the system will not be deductible unless supported by an electronic invoice.

This is important for both sides of a transaction:

- The seller must issue the approved electronic invoice.
- The purchaser must retain it to support the tax deduction.
- Informal receipts may no longer be adequate and should be avoided.

Stronger penalties

The legislation introduces substantial penalties, including:

- Failure to use the electronic billing system: **P10,000 for each month or part of a month;** failure to issue an electronic invoice can attract a further penalty of up to P10,000.
- Late income-tax return: generally the greater of **P100 per day**, capped at P20,000, or 10% of unpaid tax for each month or part of a month.
- Late tax payment: generally the greater of **P50 per day** or 10% of unpaid tax for each month, in addition to interest.

- Applying a tax-avoidance rule can result in a penalty equal to **200% of the tax avoided**; intentional tax evasion can attract **300% of the evaded tax.**

There is temporary relief: the ordinary late-payment penalty does not apply during the first 12 months of the new Act. However, late-payment interest—set at **1.5% per month or part of a month—**can still apply. This relief therefore does not make late payment cost-free. while still acceptable, payment plans do not cause a cessation of the interest charge.

Tax disputes and professional representation

A formal **Tax Tribunal** is created to deal with tax appeals. The previous Board of Adjudicators continues temporarily until the Tribunal becomes operational. Tax agents are also subject to a registration system, so taxpayers should confirm that a person charging for tax-agent services is properly registered.

Written decisions and the rulings system

Generally, the Commissioner General is required to communicate his decisions in writing and taxpayers have every right to demand written statements of reasons and findings on every decision.

Taxpayers may, at a cost to be determined, request private rulings from the Commissioner General on any transaction. Rulings are binding on the Commissioner General and can be held against him if all pertinent facts were presented during application. Rulings are based on facts and not hypothetical scenarios. The system provides greater transparency and clarity on how the Commissioner General will treat transactions.

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4. VAT and sector-specific changes

The VAT regulations do not simply change a headline VAT rate. They mainly clarify how VAT works in particular situations:

- Where one price covers both taxable and non-taxable items, VAT must be allocated to the taxable portion on a fair and reasonable basis.
- A property developer who builds residential property for sale but temporarily rents it may be treated as making a taxable supply based on construction or improvement cost.
- Exchanges of money and digital currency are treated as financial services in specified circumstances, and digital currency must be translated into Pula using a reputable exchange price.
- Financial institutions may agree an input-tax allocation method with the Commissioner General.
- Islamic financing arrangements producing the same economic result as conventional financial services receive comparable VAT treatment.
- Online services—including software, streaming, cloud storage, e-books, distance learning and remotely delivered professional services—are expressly included within the remote-services

framework. Foreign suppliers may have Botswana VAT registration obligations.

- These changes are most relevant to property developers, banks, fintech and cryptocurrency businesses, online marketplaces, foreign digital-service providers and Botswana businesses purchasing services from overseas.

5. Practical priorities for consideration

1. **Companies should revise tax forecasts and deferred-tax calculations** using 24.5%, subject to the transitional timing for their particular accounting period.
2. **Businesses with manufacturing, IFSC or other concessions should obtain written confirmation of their continuing status.** A historic approval should not be assumed to continue automatically.
3. **Companies and individuals should identify foreign income and assets,** including overseas accounts, property, businesses, investment portfolios and trusts, and retain evidence of foreign tax paid. It is also advisable to ensure that any deposits that go through your bank account can be explained as this amount may be included in your gross income.
4. **Groups should review intercompany agreements and charges,** particularly where annual related-party transactions exceed P5 million.
5. **Businesses and sole traders should prepare for electronic invoicing by 1 April 2027,** including systems, customer and supplier records, staff training and procedures for retaining electronic invoices.
6. **Any planned asset sale should be reviewed before signing,** because the wider CGT rules, non-resident withholding and 28-day advance-payment requirement can affect the cash available from the sale.

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