

Botswana Taxation Summary 2020

INTERNAL DOCUMENT

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1. Introduction

1.1 Official Currency

The official currency of Botswana is the Botswana Pula (BWP)

1.2 Tax Year End

Botswana's tax year is a period of 12 months from July – June.

The tax year ends on the 30th of June.

1.3 Revenue Service

Botswana Unified Revenue Service (BURS)

Website: www.burs.org.bw

2. Basis of Taxation and Tax Residency

Residents are taxed on their gross income less allowable deductions. Joint tax returns are not permitted and spouses are taxed separately.

2.1 Resident

'Resident in Botswana' in relation to a tax year means, in the case of an individual, that:

- his/her permanent place of abode is in Botswana;
- he/she is physically present in Botswana for not less than 183 days in that tax year, whether or not he/she maintains a place of abode in Botswana;
- he/she maintains a place of abode and is physically present in Botswana for not less than 183 days in that tax year; and for the purposes of this paragraph he/she shall be deemed to be physically present in any part of that period notwithstanding that he/she is temporarily absent for business, recreation or similar purposes; or
- he/she is physically present in Botswana for any period of time in that tax year and such period is continuous with a period of physical presence in the immediately preceding or immediately succeeding tax year, and provided he/she is treated as a resident for such preceding or succeeding tax year.

2.2 Non-Resident

An individual is not treated as a resident in Botswana if:

- he/she is in Botswana for some temporary period only; and
- not with any view or intent of establishing his/her residence in Botswana, and

- if he/she is not actually resided in Botswana at any one time or several times for a period equal in the whole to 183 days in the tax year.

3. Administration and Compliance

3.1 The Employer's Duties

Every person who pays or becomes liable to pay remuneration to any employee shall register as an employer with the Commissioner. Every person who becomes an employer should register as an employer with the Commissioner within 30 days after the end of the month in which he/she became an employer. Every employer who changes a business address or ceases to be an employer shall notify the Commissioner accordingly within 30 days of such change of address or ceasing to be an employer.

3.2 Returns to be Submitted by an Employer

Manual Monthly

Remittance for monthly PAYE (ITW7A)

- Tax is payable by the employer within 15 days after the end of month during which it was deductible. Late payments of PAYE attracts interest at 2% per month or part of a month.

Manual Annually

Every employer is required to submit an annual return with tax certificates within 31 days after the end of the tax year showing:

- details of the employer and totals of tax deducted and paid to the Commissioner General in form ITW10 (annual withholding tax return for PAYE);
- a list of employees and all details pertaining to PAYE (ITW10A), and
- a copy of the tax certificates (ITW8) indicating the tax deducted in respect of each employee.

ITW8 tax certificate

- Every employer who has deducted any tax in any tax year shall, within the time and in relation to the period of employment, furnish to every employee or former employee to whom remuneration has been paid, a certificate in the prescribed form (ITW8).
- The ITW8 should include the following:
 - the total remuneration accrued to that employee or former employee; and
 - the total of the amounts of tax deducted from such remuneration.
- Tax certificates must be issued:
 - by 31 July each year,
 - on the day of the resignation of an employee, or
 - 15 days after the employer ceases to be an employer.

ITW10 annual return

- This is a reconciliation report reflecting total remuneration and the total amount of tax deducted per individual.

- Every employer should submit an ITW10:
 - by 31 July each tax year, or
 - within 30 days after an employer has ceased to be an employer, or
 - within such further time as the Commissioner may allow,
- Displaying the total amount of tax deducted by the employer from the employees during the tax year and the total payments of such tax which have been made to the Commissioner.

In the event of any difference between the total amount of tax deducted and the total payments of such tax made to the Commissioner, the employer shall be required to account to the Commissioner for such a difference.

Online Monthly and Annually

Online ITW7A

Registration:

The employer has to be registered online with e-service to be able to do the online submission of the ITW7A, ITW10 and ITW8. If an employer is not registered, then they still have to submit the manual ITW7A, ITW10/ITW10A reports and manual ITW8 certificate.

How to register for BURS e-service

- Go to BURS website (www.burs.otg.bw)
- Click on e-service and register online.
- Download the application form for e-service, complete and submit to BURS offices for account activation.

Online Submissions:

Taxpayers can submit monthly schedules via file upload or can manually be entered online.

File uploads must be in XML or CSV format.

Schedule submitted online will be automatically processed by the system according to automation business rules.

Employee's account will automatically be updated with PAYE amounts withheld from them on monthly basis.

At the end of the year, all the monthly submissions will be cumulated and populated in the annual PAYE return, see Annual PAYE Online Return for more information.

The same submission dates and late submission penalties for the manual ITW7A apply to the online ITW7A.

The taxpayer will receive an email message for successful return submission and payment.

The taxpayer will receive an SMS message for late return submissions and late payments.

Taxpayers can also view their messages by accessing them through "my messages" in the portal on e-service.

- **Annual PAYE Online Return:**

If the employer is not registered for e-service and submitted the online ITW7A's for the entire tax year, then they still need to complete and submit the manual ITW10.

The Annual return is a summary of the monthly returns. The employer will find that they do not fill anything into the annual return, all they do is verify the information summarized by the system from the monthly returns.

Upon processing the annual PAYE return the system will allow the employer to review the return before submitting it to BURS. As long as they have not submitted the online annual PAYE return

they can edit or correct it where they find there is a need. The editing/correcting is done on individual months where there is an error. Such correction / amendment can only be done where they are increasing the amounts previously submitted. The system will not allow a correction that tries to reduce the amounts previously submitted. The reduction of the return amount can only be done through contact with BURS.

The employer have the option of saving the annual return for as long as they need to before they submit it. They also have the option of printing it out once they have completed it, before and after submitting it.

- **Online ITW8 Certificates:**

If the employer and all employees are not registered online and if the employer did not submit the monthly ITW7A online every month and the online annual PAYE return, then the employer must still issue manual ITW8 certificates.

If online submissions was done for the ITW7A's and the ITW10 by the taxpayer, but all the employees are not registered, then manual ITW8 certificates must still be issued for those employees.

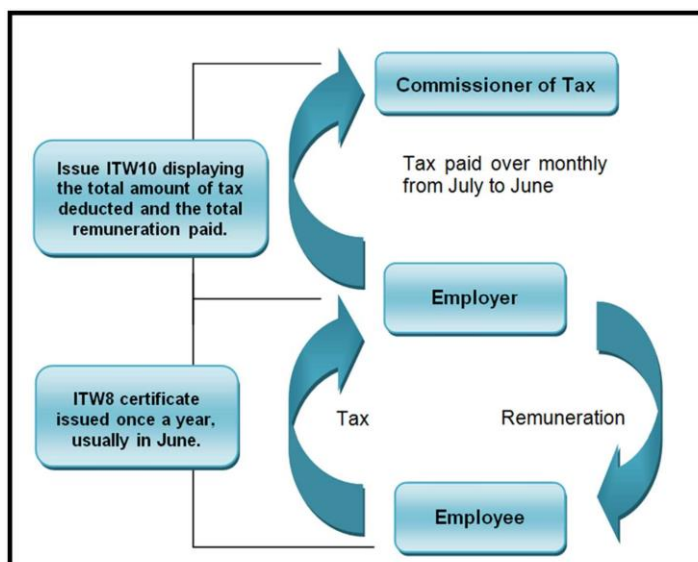
The online ITW8 is only verified once the employer submits the online annual PAYE return.

Once the employer submits the correct online annual PAYE return, the ITW8 certificates will be verified in the employees' individual accounts.

The employer should then be able to print the ITW8 certificates from e-service.

Employers should encourage their employees to register online so that they can file their own individual return online (ITW 20). There will be no need for the employees to go the Tax Office to do individual returns if they are registered

A diagram of the obligation to deduct and pay over tax:



3.3 Keeping Records

Every employer shall, in respect of each employee, maintain a record displaying, in relation to each tax year:

- the tax amounts of remuneration accrued by the employee; and
- the amount of tax deducted from the employee's remuneration.

The record must be kept for a minimum period of 8 years and must be available for examination by the Commissioner as and when required.

4. Employment Income

For employment, tax is deducted by the employer from the employment income through Pay As You Earn (PAYE).

What is employment?

Any activity where;

- A relationship of master and servant subsists
- There is an appointment of office, public or not
- Whether or not that relationship is permanent.

Employment income is the gross amount, whether in cash or otherwise, accrued or deemed to have accrued to such person from employment and includes any pensions, annuities or other benefits.

4.1 Remuneration

Any amount accrued to an employee by way of:

- wages, salary, leave pay, fee, commission, bonus, gratuity or compensation
- commutation of moneys due under any contract of employment or service; or
- pension, lump sum payment or other benefits, but does not include any amount to any resident individual in respect of services rendered where such amount does not exceed an annual rate of P600; or
- any other cash or non-cash employee benefits

4.2 Allowances

The following is a list of examples of allowances payable to employees categorized as taxable and non-taxable, it does not include certain allowances which are due in terms of special legislation e.g. parliamentary allowances. These allowances are allowable provided they are reasonable, commensurate with the duties to be performed and are paid wholly, exclusively necessarily for the purpose of performance of the duties by the employees.

Taxable	Taxable	Non-Taxable
Frontier	Utilities	Subsistence
Local	Housing	Commuted
Radio Operations	Special Duty	Meal
Extra duty	Education	Out of Pocket
Abattoir	Car	Bicycle
Grading	Contract Addition	Donkey
Night Duty	Band	Horse
Bonus	Foot & Mouth	Car Kilometrage
Overtime	Trade Pay	Transfer
Reporters	Police	Uniform
Interpreters	Medical	Travel Concession
Supplementary	M.D. In Charge	Duty Travel
Responsibility	District Officer	Plain Clothes
Acting	Head Master	Foreign Service
Telex Operator	Assistance Headmasters	
Training	Head of Department (Teachers)	
Flying	Lecture	

5. Exempt Income

- The value of contractual travel benefits for employees and their families.
- Medical fund contributions, medical attention provided and medical attention paid for by the employer.
- Severance pay and certain gratuities payable to employees are exempt to the extent of one third. Investment of such payments directly into an approved pension or retirement annuity fund results in 100% exemption.
- Retrenchment package: one third or P36 000 whichever is greater is exempt.

6. Taxable Benefits

Fringe benefits are taxable benefits (or perks) that the employer grants to the employee as an advantage of his/her employment, or as a reward for services rendered or to be rendered. The cash equivalent of such benefits must be included in the employee's gross remuneration, and is therefore part of his/her taxable income. Fringe benefits granted to a relative of an employee must also be included in the employee's gross remuneration.

6.1 Value of Quarters or Residence

The value of any quarters or residence provided for an employee in respect of his/her employment shall be deemed to be:

- in such case where the quarters or residence is a rateable property in accordance with the provisions of the Township Act and regulations made there under, an amount equal to 10% of the rateable

value shown in the valuation roll in force in respect of such property at the commencement of the tax year;

- in the case where such quarters or residence becomes a rateable property in the course of the tax year after the completion of the current valuation roll, an amount equal to 10% of the interim valuation made of such property;
- in the case where such quarters or residence is not a rateable property or has not been valued, an amount equal to 8% of such amount as may be prescribed as being the value of the property (referred to as the 'current capital valuation') at the commencement of the tax year or the date of the completion of the construction of the property if such completion took place during the tax year; or
- where the period for which the quarters or residence is provided in a tax year is less than 12 months, such amount as bears to the amount the same ratio as that period bears to the 12 months, less any amount payable by the employee as rent for the quarters or residence on the tax year;

Provided that:

- in the case of any quarters or residence provided during the tax year for an employee whose employment income, excluding the value of the quarters or residence, for that year does not exceed the portion of the taxable income upon which no tax is leviable, the value of the quarters or residence shall be deemed to be nil;
- in any other case, the amount deemed to be the value to an employee of any quarters or residence provided for him/her in any tax year shall not be greater than:
 - where the quarters or residence is provided for the whole of the tax year, the excess of the relevant percentage of his/her employment income, excluding the value of the quarters or residence, for that year over any amount payable by him/her as rent for the quarters or residence during that year; or
 - where the quarters or residence is provided in the tax year for a period less than 12 months, the excess of the relevant percentage of his/her employment income, excluding the value of the quarters or residence, for that period over any amount payable by him/her as rent for the quarters or residence during that period.

Where the quarters or residence is provided for an employee in respect of his/her employment and the Commissioner is of the opinion that any arrangement made in relation to:

- the acquisition or lease of such quarters or residence by the employer;
- the amount or rent payable by the employee for such quarters or residence;
- the employment of the employee or any of his relatives; or
- the amount of the employment income of the employee or any of his relatives.

was made to avoid or reduce the liability to the tax of such employee then the provisions set out above shall not apply and the value to such employee of the quarters or residence shall be deemed to be such amount as the Commissioner considers reasonable having regard to all matters which appear to him to be relevant.

The current capital value is calculated by multiplying the gross floor area in square metres of the residence by P250. The floor area should be measured over all the external and internal walls at the time of construction of the property, if such completion occurred during the tax year. If the commissioner is satisfied that, due to the standard of building, an excessive current capital valuation results, he/she may reduce the factor of P250 to a smaller factor as considered fit and reasonable, which will be no less than P170.

In other words, the housing benefit is the lower of:

- a percentage of the employee's employment income (excluding housing benefit) as determined in the housing benefit table (see **Annexure A** for the housing benefit table); and
- if rated, 10% of the rateable value
if unrated, the gross floor area x P250 per square metre x 8%.

If the employee was not employed for the entire tax year or did not occupy the house for the entire tax year, the value must be pro-rated. The value should also be reduced by any amount contributed by the employee.

Example 1:

Employee A is provided with a residence. The property is not rated. The employee's employment income before the housing benefit is P40 000. The gross floor area of the property is 200 square metres.

The benefit on the payroll will be the lower of:

- a percentage of the employee's employment income (excluding housing benefit) as determined in the housing benefit table; and
- if rated, 10% of the rateable value
if unrated, the gross floor area x P250 per square metre x 8%.

Therefore the lower of:

- $P40\,000 \times 11\% = P4\,400$; and
- $200 \times P250 \times 8\% = R4\,000$

The housing benefit is thus **P4 000**

If the property is shared by other employees of the same company, the value calculated in terms of the percentage of the property (8% or 10%) should be divided by two as illustrated in the example below.

Example 2:

The house is shared by two employees. The property is rated and the rateable value of the house is P295 000. Both the employees occupied it for the full year. The employee income of employee 1 excluding the housing benefit is P118 275, and P130 950 for employee 2.

Rateable value x 10%

$P295\,000 \times 10\% = P29\,500 / 2 = P14\,750$

Employee 1's housing benefit will be the lower of:

- $P118\,275 \times 25\% = P29\,568.75$, and
- $P295\,000 \times 10\% = P29\,500 / 2 = P14\,750$

The housing benefit is thus **P14 750**

Employee 2's housing benefit will be the lower of:

- $P130\,950 \times 25\% = P32\,737.50$, and
- $P295\,000 \times 10\% = P29\,500 / 2 = P14\,750$

The housing benefit is thus **P14 750**

6.2 Car Benefit

The employee benefits from private use of employer owned vehicles have been revised with effect from 1 July 2001 and will be determined as:

Cost of Vehicle			Employee's Benefit	Fuel Cost Adjustment
1	-	50 000	2 500	1 000
50 001	-	100 000	5 000	2 000
100 001	-	150 000	7 500	3 000
150 001	-	200 000	10 000	4 000
200 001	-	And above	10 000 + 15% on the excess of P200 000	A maximum of P5 000

- Where the cost of fuel is paid for by the employee, the fuel cost adjustment is deducted from the benefit, but where the fuel cost is borne by the employer the full benefit is taxable.
- The table above refers to the annual benefit amount to use in the tax calculation. In order to convert it to a monthly value, you need to divide the benefit by 12.

Example:

The cost of the vehicle is P250 000.

P10 000 (bracket above) + 15% of P50 000 (excess of P200 000) = **P17 500**.

6.3 Interest Free or Low Interest Bearing Loans

The difference in the amount of any preferential rate of interest granted to the employee and the normal commercial rate currently prevailing is the value of the benefit. To ensure uniformity in the application of this provision, the normal commercial rate of interest is taken to be equal to the prime rate of interest as on 1 July of the tax year as announced by the Bank of Botswana for commercial banks. In computing the benefit, the same method of charging interest by the employer on the loan is applied. For instance, if the interest is charged by the employer on monthly balances, the same method is followed. However, where the interest is not charged with reference to any fixed period equal to or less than a year, the interest is calculated on the outstanding daily balance as reflected in the employee's loan account.

The commercial rate of interest is 5.5% since 2016/08/15. Please click on the below link to get the latest commercial rate of interest: http://www.bankofbotswana.bw/indicators/tabular_interests

6.4 Furniture and Furnishing

The benefit is based on the cost of the furniture and furnishing supplied by the employer. No benefit is assessable if the cost of furniture does not exceed P15 000 but where the cost exceeds P15 000, the assessable benefit is 10% of the excess. This is effective from July 2001.

6.5 Share Savings or Share Option Schemes

Where an employee is given the benefit of joining the share savings or share option scheme, the difference between the market value and of the share at the time the option was exercised and the cost incurred by the employee under the scheme is the value of the benefit. Employers are requested to furnish the full details of

the scheme and seek a directive from the Commissioner on the valuation of the benefits provided to the employees under such schemes.

6.6 Valuation of Other Benefits

Where the cost of the benefit provided is met fully or partly by the employer, the value of the benefit will be the higher of:

- the cost to the employer of the benefit;
- the cost reimbursed by the employer; or
- the market value of the benefit, i.e. the cost that would have been incurred by the employee to obtain the same benefit had it not been provided by the employer, whichever is higher.

6.7 Medical Contributions

The employer's contributions to a Medical Benefit Fund on behalf of his/her employee up to an amount equal to 100% of the required contributions shall not become taxable in the hands of the employee.

7. Gratuities

Where tax has been deducted from a gratuity payable to employees in accordance with the Act, it will not be necessary to seek a directive in ITW6. Both the employer and employee should however ensure that the employee does not owe any tax to the Commission General.

In practice, employers are advised to deduct tax on all gratuities in the year of payment only by adding the taxable gratuity to that tax year's employment income and by calculating the tax accordingly.

7.1 Approved Service Gratuities Paid to a Citizen Employees

When an approved service gratuity or severance pay accrues to a citizen employee, during the course of, or on termination of employment, the entire gratuity will be excluded from gross income of such person if it is directly invested on his/her behalf in an approved pension fund or approved retirement annuity fund or scheme.

Where it is not so invested, only one third of such gratuity will be excluded and, at the option of the Commissioner General, the remaining two thirds may be deemed to have accrued at the time it is payable, or accrued in three successive equal annual instalments, the last of such instalments being deemed to have accrued on the date on which the whole amount became payable.

Provided that the employee is not:

- A relative of the employer where the employer is an individual;
- A relative of one or more of the partners where the employer is a partnership; or
- A participator, or a relative or nominee of such participator of the company where the employer is a close company,

Unless the Commissioner is satisfied that it is a bona fide arm's length payment.

‘Approved service gratuity’ means a payment made to an employee in accordance with the written conditions of employment, approved by the Commissioner, which conditions will include provisions that:

- The conditions must apply to all permanent employees of the employer to whom no retirement benefit accrues under any retirement benefit scheme established either by employer, whether such scheme has been approved under the Income Tax Act or not;
- The payment is to be in recognition of a period of continuous employment not less than 5 years;
- A payment made in the course of employment may be made only at the end of a period of continuous employment of 5 years or multiple of 5 years;
- A payment made shall not exceed 5 weeks’ pay for each year of service at the rate of pay applicable to the last year of service in respect of which the payment is made;
- A payment made on termination of employment may be made in respect of any residual period of service of less than 5 years provided that the employee has served in the employment for a continuous period of not less than 5 years;
- A period of service may be recognised by a payment of gratuity once only;
- The total gratuity up to the time any payment is made must not exceed 2 years’ pay at the current rate when payment is due; and
- Any changes to the conditions shall only apply on approval by the Commissioner; provided that where the Commissioner is of the opinion that there is good reason for so doing, he may approve conditions which do not comply with these requirements in all respects.

Where a citizen employed in service of Government is entitled to a gratuity on the same terms as for an approved service gratuity in accordance with the second to the last bullet above, the same taxation rules apply as approved service gratuities paid to citizen employees.

7.2 Terminal Gratuities Paid to Citizen Employees

When a citizen (not employed in Government) is entitled to a gratuity under a contract of employment at the end of the contract, one third of such gratuity shall be excluded from the employee’s income, and the remaining two thirds thereof shall be deemed to have accrued evenly over the duration of the contract, or over the last three years thereof, whichever is the lessor, or over the last year of contract, at the option of the Commissioner General. Provided that the exercise of the option by the Commissioner General would reduce the tax liability of the employee.

7.3 Terminal Gratuities and Bonuses Paid to Non-Citizen Employees

Where a non-citizen employee is entitled to a bonus or gratuity (whether approved or not) under a contract of employment, one third such bonus or gratuity shall be excluded from his gross income, and the remaining two thirds thereof shall be deemed to have accrued evenly over the duration of the contract over the last three years thereof, whichever is the lessor, or over the last year of the contract, at the option of the Commissioner General.

In terms of DGN4 (Departmental Guidance Note on Terminal Gratuities – Expatriate Employees)

The gratuity received by an expatriate employee under a contract of employment commencing before 1 July 1999 would be exempt under paragraph (xviii) of Part II of the Second Schedule subject to the fulfilment of conditions laid down by the Commissioner.

Where a gratuity is received by an expatriate employee under a contract of employment commencing on or after the 1st of July 1999, one third of such gratuity will be exempt and the balance two thirds will be taxable subject to certain conditions.

Subject to any special arrangements agreed with any individual employer, gratuities payable on termination of employment may be exempted from income tax provided the under noted conditions are met:

- the employee must not be a citizen of Botswana
- the gratuity must be due in terms of a written contract of employment;
- the gratuity must be due only on termination of the contract of employment;
- a minimum of two years should have been completed;
- the employee must not have accrued any benefit under any employer's retirement benefit arrangement;
- the amount of the gratuity to be exempted will not exceed:
 - 25% of the total salary for the first contract
 - 27.5% of the total salary for the second contract
 - 30% of the total salary for the third contract.

Where the amount of the gratuity exceeds the appropriate percentage of salary, but otherwise complies with the conditions of exemption, only the excess is to be taxed.

Mandatory provisions explained:

Expatriate employee:

Where, the employee has become a citizen of Botswana during the course of the employment, a portion will be considered for exemption. That portion considered will be related to the period served, under the relevant contract, as a non-citizen.

Written contract:

The contract must be in writing signed by both parties. Certain employers who have printed standard conditions of employment as a reference of a written offer of appointment and accepted, in writing, by the employee is considered to meet this requirement.

Written contract:

A minimum period of two years of service in the employment or under the contract is looked for. Terminal leave taken is viewed as part of the period of service but, it must be in mind that, were such leave is taken then the employee remains subject to all conditions of the contract and that the date of termination (i.e. the due date for payments of the gratuity) will be the last day of the leave period.

Termination of employment:

The employment with the employer must be coming to an end and in this regard a contract for a fixed period is considered to be an employment which terminated at the end of a contractual period. A renewal of a contract completed is seen as new employment, or a contract that is extended is seen as terminating at the end of the period in which it would have terminated but for the extension and the period after that date is treated as a new contract.

Bonus or gratuity:

These items are seen as rewards in respect of the whole period of the employment. A payment of an annual bonus or other compensation falling due on termination is not seen to fall within the ambit of bonus or gratuity. Amounts considered for exemption are based on salary only and will not include commission, overtime etc., however leave pay or leave entitlement sold may be included to the extent that the payment are based on salary alone. Salary for this purposes includes the car allowance but excludes any contract supplementation of other allowances.

A terminal bonus or gratuity payable to an employee who accrues a retirement benefit for the same period of employment will not be exempted, where that benefit accrues from his employer's retirement benefit scheme.

Tax directive:

A tax directive must be obtained from BURS not less than 15 days before the due date of the terminal gratuity/bonus in the case of contracts which commenced before 1 July 1999.

In the case of contracts commencing on or after 1 July 1999, it will not be necessary for the employer to seek a directive from the Commissioner, provided tax has been deducted in accordance with DGN 4 and the Income Tax Act. If the employer is in doubt, they may seek a directive from the Commissioner.

Request for a directive is to be made not less than 15 days before the due date for payment. The request is to be made on an ITW6 form. The directive will be notified, in writing, on an IT4 form to both the employer and employee and will indicate the amount of tax to be withheld.

8. Severance Pay

Severance pay is a payment, which an employer may have a statutory obligation to make to an employee under Section 28 of the Employment Act (on the termination of a contract of employment, whether by reason of the death or retirement of the employee or for any other reason).

When severance pay accrues to a citizen employee during the course of, or on termination of employment, the entire severance pay will be excluded from gross income of such person if it is directly invested on his/her behalf in an approved pension fund or approved retirement annuity fund or scheme.

Where an employee (citizen and non-citizen) elects to receive severance pay from his/her employer only one third of such severance pay will be excluded and, at the option of the Commissioner General, the remaining two thirds may be deemed to have accrued at the time it is payable, or accrued in three successive equal annual instalments, the last of such instalments being deemed to have accrued on the date on which the whole amount became payable.

In practice, employers are advised to deduct tax on severance pay in the year of payment only by adding the taxable portion amount to that tax year's employment income and by calculating the tax accordingly.

Provided that the employee is not:

- a relative of the employer where the employer is an individual;
- a relative of one or more of the partners where the employer is a partnership; or
- a participator, or a relative or nominee of such participator of the company where the employer is a close company,

Unless the Commissioner is satisfied that it is a bona fide arm's length payment.

On the termination of a contract of employment, whether by reason of the death or retirement of the employee or for any other reason, the employer shall pay to an employee who has been in continuous employment with him for 60 months or more, a severance benefit at the rate prescribed:

Provided that –

- the severance benefit shall be payable at the conclusion of each period of 60 months continuous service by the employee, or at the termination of employment, at the option of the employee;

- where, upon the date of payment of any severance benefit, the employee, or his dependent or beneficiary, is at that date or some future date entitled to the payment of a gratuity or pension or both a gratuity and pension in respect of the period of employment under the contract, no severance benefit which would otherwise be payable in terms of this section to the employee or his dependent or his beneficiary shall be payable.

The employer shall, in the case of termination of a contract of employment whether by reason of the death or retirement of the employee or for any other reason before an employee has served a continuous period of 60 months, pay to the employee a severance benefit at a proportionate to that length of service.

Severance pay is calculated at the rate of one day's basic pay for each completed month worked for the first 60 months of employment, and two day's basic pay for each additional month (or portion thereof) of continuous employment.

9. Retrenchment Package

A retrenchment package is remuneration paid to an employee on termination of his or her contract of employment for the purpose of reducing the size of the work force.

Where an employee receives a retrenchment package, one third of the amount received in money or money's worth or equivalent of the threshold (currently P36 000), whichever is greater, shall be exempt from tax and at the option of the Commissioner General, the remaining two thirds thereof may be deemed to have accrued in three successive equal instalments, the last of such instalment being deemed to have accrued on the date on which the whole amount becomes payable; provided that the exercise of the option would reduce the tax liability of the employee.

Example:

- | | |
|--------|--|
| Step 1 | Retrenchment package received P61 000 |
| Step 2 | Calculate the allowance exempt amount: one third of package or P36 000 (the threshold limit) whichever is greater. The greater of the amounts is P36 000 |
| Step 3 | Deduct the allowable exempt amount from the package. P61 000 – P36 000 = P25 000. |
| Step 4 | Include P25 000 as taxable remuneration |

In practice, the employers are advised to deduct tax on a retrenchment package in the year of payment only by adding the taxable portion to that year's employment income and by calculating the tax accordingly.

10. Back Pay

When an employee is paid an amount which related to tax year(s) prior to the current tax year, the tax should be deducted on the payment to the extent it relates to the prior tax year(s). Although the arrears relate to a previous tax year, the whole of the arrears are subject to withholding in the year in which they are paid. The amount of a lump sum received by an employee should be allocated on tax year basis (other than the amount pertaining to the current tax year) and added to the taxable income of each year as computed in the assessment and if there is no assessment as computed by the employer. Below are the steps which should be followed:

- Step 1:** Compute the tax payable on the remuneration which includes the portion of the lump sum relating to the tax year by applying the rate applicable to that tax year.
- Step 2:** Compute the tax payable for the previous tax years' including the portion of lump sum payment relating to those years.

- Step 3:** Deduct the tax calculated at step 2 from the tax calculated in step 1. This will be the tax deductible from that portion of the lump sum received on reinstatement which related to the previous tax years.
- Step 4:** The tax on remaining part of the lump sum pertaining to the current tax year should be computed as given on the current tax tables.

11. Tax Deductions

The only deduction allowable from gross remuneration is on contribution made by the employee to an approved superannuation fund.

The amount of the current contribution to an approved superannuation fund paid during the tax year can be deducted from remuneration before the amount of tax to be deducted is established. The aggregate limit of these deductions is up to 15% of taxable remuneration.

An approved superannuation fund means a permanent fund, or scheme which provides for the establishment and administration of such exclusively by an insurer, and in either case bona fide established for the purpose of providing such pensions, annuities or other benefits as may be prescribed by the Minister.

Example:

Employee's taxable remuneration is	P100 000
Employee's pension contribution is	P10 000
Employee's retirement annuity contribution is	P10 000

The deduction of these funds are up to 15% of taxable remuneration. Thus, the total deduction allowed is P15 000.

No deduction for contribution to an approved superannuation fund is allowed to non-residents

11.1 Approved Pension Fund Contributions

The amount of the current contribution to a pension fund paid during the tax year can be deducted from remuneration before the amount of tax to be deducted is established. This, the contributions of employees to an approved pension fund are tax deductible.

The tax deductible limit for an approved superannuation fund is calculated at 15% of taxable remuneration per year.

11.2 Retirement Annuity Fund Contributions

The amount of the current contribution to a retirement annuity fund paid during the tax year can be deducted from remuneration before tax is calculated. Contributions of employees to an approved retirement annuity are tax deductible if the employee himself pays the amount to the retirement annuity fund and supplies you with a letter from the fund stating how much he/she pays, this amount can be taken into account for the tax calculation. The tax deduction limit for an approved superannuation fund is calculated at 15% of taxable remuneration per year.

12. Group Life

If the company contributes towards a group life policy, the company contribution is taxable.

13. Tax Tables

An employer is obliged to use the tax tables for determining the tax to be withheld from any payment of remuneration unless he has a directive (Form ITW4) from the Commissioner General or written authority from the Commissioner to use some other method.

If any part of the pay period falls into the earlier tax year it does not affect the withholding tax. Tax is to be withheld from any payment of remuneration as though that payment was due to the year in which it was paid.

If an employee was not employed for an entire year, and the employer deducted tax without considering the period of employment in that tax year, the employee should register as a taxpayer and file the return in order to claim tax overcharged.

13.1 Annual Tax Tables: Residents

An employer is obliged to use these tables for determining the tax to be withheld from any payment of remuneration unless he/she has a directive (Form ITW 4) from the Commissioner General or written authority from the Commissioner to use some other method.

Taxable Income			Tax Payable				
0	-	36 000	0				
36 001	-	72 000	0		5%	over	36 000
72 001	-	108 000	1 800	+	12.5%	over	72 000
108 001	-	144 000	6 300	+	18.75%	over	108 000
144 001	-	and over	13 050	+	25%	over	144 000

13.2 Annual Tax Tables: Non – Residents

An employer is obliged to use these tables for determining the tax to be withheld from any payment of remuneration unless he/she has a directive (Form ITW 4) from the Commissioner General or written authority from the Commissioner to use some other method.

Taxable Income			Tax Payable				
0	-	72 000	0		5%	of each Pula	
72 001	-	108 000	3 600	+	12.5%	over	72 000
108 001	-	144 000	8 100	+	18.75%	over	108 000
144 001	-	and over	14 850	+	25%	over	144 000

13.3 Tax Statusses

Tax Status	Explanation
Resident Tax	Tax is calculated according to the latest statutory rates of Botswana
Non-Resident Tax	Tax is calculated according to the latest statutory rates for non-residents of Botswana
Directive %	This option allows you to enter the percentage according to the directive from the Commissioner, at which the employee's taxable income will be taxed.
No Tax	This option is only allowed in prescribed cases, and should not generally be used.

14. Payments of PAYE, Penalties and Interest

Any tax deducted or deductible by an employer from the remuneration paid to an employee shall be due and payable by the employer:

- Within 15 days after the end of the month during which that tax deducted or deductible; or
- Within 15 days after an employer ceases to be an employer.

Any tax deducted or deductible by any person and not paid within the specified time shall bear interest at the rate of 2% for each month or part of a month during which it remains unpaid.

The Income Tax Act requires that employees should register as taxpayers and provide their employers with their Tax Identification Number (TIN). The employers are required to quote the TIN numbers on all documents/reports when dealing with BURS. The employers are also required to capture the employees' TIN numbers on the payroll records. When individuals register at BURS as an individual taxpayer, a copy of Omang or Identity Document, residence permit and work permit should be enclosed.

It is a requirement that any person earning taxable income should accordingly register with BURS so that the income can be assessed and taxed on the submission of the tax return. The 2011 tax amendments makes it compulsory for all persons with taxable income in excess of P36 000 per annum to register and file a return even if the only source of income is employment which has been taxed at source through PAYE.

For more information on how to register for tax and obtain a Tax Identification Number, contact BURS.

Employees who are required to file a return, must file a return annually to BURS offices by 30th of September of every year.

Types of individual returns:

- ITA 20; this return is used by taxpayers who have employment income only. An ITW8 (tax certificate) should be attached to the return as it will show the tax deducted for the period.
- ITA 20B; this return is used by taxpayers with employment income and other sources of income e.g. business, rental, interest royalties etc. Self-employed individuals also declare their income using this type of form.
- ITA 20BF; this return is used by taxpayers who have employment, business and farming income.

15. Worker's Compensation - OID

This worker's Compensation Act provides for compensation of workers for injuries suffered or occupational diseases contracted in the course of employment, or for death resulting from such injuries or diseases and for matters incidental and connected to the foregoing.

Employers need to complete the BL Form 43/02: Wages of worker, and submit it to any of the District Labour Offices or Head Office in the case of employees working in and around Gaborone. The employer has to present his form to his Insurer (Insurance Company) to claim the worker's compensation.

Payment from the employer's insurance is sent to the Labour Offices through the employer. Please note that this form is only completed when a claim is submitted to the Department of Labour declaring earnings paid 12 months prior to the accident.

16. PAYE Calculation

A tax calculator is available on Voogle.
Voogle - Africa - Legislation - Botswana.

17. Botswana Legislation

More information regarding Botswana legislation is available on Voogle.
Voogle - Africa - Legislation - Botswana.

18. References

- Income Tax Act (ITA) Cap 52:01
- Botswana Employment Act, 1982
- BURS www.burs.org.bw
- DGN4: Departmental Guidance Note on Terminal Gratuities – Expatriate Employees
- BURS Tax Tables and Guidance Notes (For Employee's Remuneration) ITW99/2011

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Annexure A: Housing Benefit Table

HOUSING BENEFIT TABLE (Tax Year 2011 – 12 onwards)

FROM PULA 36 100 TO PULA 45 600

Income	Relevant Percent	Housing Benefit	Income	Relevant Percent	Housing Benefit	Income	Relevant Percent	Housing Benefit
36100	1.25%	451.25	40100	11.25%	4,511.25	44100	21.25%	9,371.25
36200	1.50%	543.00	40200	11.50%	4,623.00	44200	21.50%	9,503.00
36300	1.75%	635.25	40300	11.75%	4,735.25	44300	21.75%	9,635.25
36400	2.00%	728.00	40400	12.00%	4,848.00	44400	22.00%	9,768.00
36500	2.25%	821.25	40500	12.25%	4,961.25	44500	22.25%	9,901.25
36600	2.50%	915.00	40600	12.50%	5,075.00	44600	22.50%	10,035.00
36700	2.75%	1,009.25	40700	12.75%	5,189.25	44700	22.75%	10,169.25
36800	3.00%	1,104.00	40800	13.00%	5,304.00	44800	23.00%	10,304.00
36900	3.25%	1,199.25	40900	13.25%	5,419.25	44900	23.25%	10,439.25
37000	3.50%	1,295.00	41000	13.50%	5,535.00	45000	23.50%	10,575.00
37100	3.75%	1,391.25	41100	13.75%	5,651.25	45100	23.75%	10,711.25
37200	4.00%	1,488.00	41200	14.00%	5,768.00	45200	24.00%	10,848.00
37300	4.25%	1,585.25	41300	14.25%	5,885.25	45300	24.25%	10,985.25
37400	4.50%	1,683.00	41400	14.50%	6,003.00	45400	24.50%	11,123.00
37500	4.75%	1,781.25	41500	14.75%	6,121.25	45500	24.75%	11,261.25
37600	5.00%	1,880.00	41600	15.00%	6,240.00	45600	25.00%	11,400.00
37700	5.25%	1,979.25	41700	15.25%	6,359.25	Where employment income excluding the housing benefit is in excess of P45 600 the housing benefit for the purposes of the proviso to (ii) to section 32(3) is 25% of such income.		
37800	5.50%	2,079.00	41800	15.50%	6,479.00			
37900	5.75%	2,179.25	41900	15.75%	6,599.25			
38000	6.00%	2,280.00	42000	16.00%	6,720.00			
38100	6.25%	2,381.25	42100	16.25%	6,841.25			
38200	6.50%	2,483.00	42200	16.50%	6,963.00			
38300	6.75%	2,585.25	42300	16.75%	7,085.25			
38400	7.00%	2,688.00	42400	17.00%	7,208.00			
38500	7.25%	2,791.25	42500	17.25%	7,331.25			
38600	7.50%	2,895.00	42600	17.50%	7,455.00			
38700	7.75%	2,999.25	42700	17.75%	7,579.25			
38800	8.00%	3,104.00	42800	18.00%	7,704.00			
38900	8.25%	3,209.25	42900	18.25%	7,829.25			
39000	8.50%	3,315.00	43000	18.50%	7,955.00			
39100	8.75%	3,421.25	43100	18.75%	8,081.25			
39200	9.00%	3,528.00	43200	19.00%	8,208.00			
39300	9.25%	3,635.25	43300	19.25%	8,335.25			
39400	9.50%	3,743.00	43400	19.50%	8,463.00			
39500	9.75%	3,851.25	43500	19.75%	8,591.25			
39600	10.00%	3,960.00	43600	20.00%	8,720.00			
39700	10.25%	4,069.25	43700	20.25%	8,849.25			
39800	10.50%	4,179.00	43800	20.50%	8,979.00			
39900	10.75%	4,289.25	43900	20.75%	9,109.25			
40000	11.00%	4,400.00	44000	21.00%	9,240.00			