

Budget  
2010/2011



## **BUDGET 2010 / 2011: HIGHLIGHTS**

This is an extract of the Botswana budget for the year 2010/11 as presented at the Parliament by the Honorable Minister of Finance and Development, Mr. Matambo on 8<sup>th</sup> February 2010.

The adopted theme of this year's Budget Speech is "*Transforming our economy after the Crisis: 2010 and Beyond*".

SADC – It faced a reduction in demand for exports resulting in significant loss of revenue.

GDP amounted to BWP 86.2 billion GDP in real terms showed a decline of 4.6% over the previous four quarters, caused by a decline of 31.4% in real value by the mining industry, although rest of the economy grew at 11.6% over the same period.

The Pula appreciated by 12.7% against the US\$ and 11.1% against SDR (Special Drawing Rights) while it depreciated by 11% against the ZAR.

Preliminary estimates of the balance of payments current account for 2009 indicate a deficit of BWP 6.8 billion compared to a surplus of BWP 5.1 billion in 2008.

Present forex reserves as at November 2009 stood at BWP 60.9 billion, which will cover about 20.7 months of imported goods and services.

Average year-on-year annual inflation was 8.2% in 2009 compared to 12.6% in 2008. This fall was mainly due to decline in fuel prices.

Formal sector employment grew by 3%. Mining sector employment decreased by 9.3%.

Bank of Botswana lending rates reduced to 10% from the previously 15%.

As at March 2009, employment in mining decreased by 9.3%.

Adoption of National Strategy for Poverty Reduction (NSPR) – focuses on the economic diversification and employment creation.

CEDA and LEA enter into a Memorandum of Understanding to focus on standardizing delivery of services to entrepreneurs.

Review of the Reservation and Price Preference Scheme to revise price ceilings, to enable citizen companies to qualify for wider range of tenders floated by PPADB. The revised price ceilings are expected to be operational by 2010/11.

2011 Population and Housing Census Project was launched in November 2009.

Ipelegeng Programme will be continued during this year and the government expects to spend BWP 200 Million.

Statistics Bill approved in December 2009 will now provide autonomy for the Central Statistics Office.

Public Enterprises performances:           Air Botswana - BWP 87 Million Loss  
  Botswana Housing Corporation - BWP 158.30 Million Profit

Projects under implementation: Glass manufacturing plant in Palapye  
  Manufacture of steel pipes in Palapye  
  Pharmaceuticals in Selebi Phikwe and Gaborone  
  3 new hotels - Maun, Palapye and Gaborone

CEDA launched Arable Seasonal Loan – Ipelege – in September 2008 – applications valued at BWP 11.8 million were approved.

Mergers:           Botswana Technology Centre (BOTEC) with Rural Industries Promotion Company (RIPCO)  
                          Construction Industry Trust Fund (CITF) with Madirelo Trades Testing Centre (MTTC)  
                          Botswana Training Authority (BOTA) with Tertiary Education Council (TEC)  
                          Botswana Savings Bank (BSB) with Botswana Postal Services (BPS)  
                          Botswana Telecommunications Authority (BTA) with National Broadcasting Board (NBB)

Privatisation:   BTC – decision expected in March 2010.

PPADB to increase the level of financial ceiling – implementation from April 1, 2010.

Two new banks begin operations – BancABC and ABN AMRO.

Total Pension Fund assets were BWP 30.8 billion as at September 2009.

Botswana Stock Exchange to introduce Exchange Traded Funds (ETFs) – These are a pre-selected basket of shares that are structured in a way that they trade as a single security.

New FMD Lab in 2010. Re-Opening of Maun abattoir in July 2010.

To facilitate ISPAAD, Government has signed an MOU with NDB to provide seasonal loans at prime lending rate upto 2010/11 cropping season.

Oodi College of Applied Arts and Technology to open in September 2010.

Revised National Youth Policy and Revised Action Plan for Youth will be presented in July 2010.

Review of Industrial Development Policy and Industrial Development Act to be completed by July 2010 to provide simplified and efficient licensing process and registration of micro businesses.

The business incubation project to be operational in 2010/11:     Pilane Multi purpose Incubator  
Gaborone Leather Incubator  
Glenn Valley Horticulture Incubator  
Francistown Light Industrial Incubator

Full recovery of diamond mines is expected by 2012/13. All the 16 licensed diamond cutting factories are now operating.

Government initiated amendment of the Mines and Minerals Act and Mines, Quarries, Works and machinery Act to improve the regulatory framework.

Morupule Power Station is ongoing and is expected to be completed in 2012/13.

Increase in monthly charges by BPC - 5 thebe per KW consumed from 1 April, 2010. This levy will sustain National Electrification Fund which will target providing electricity to 80% of the population by 2016.

Dams completion date: Dikgatlhong – Feb 2012  
Thune – March 2013  
Lotsane – October 2011

Tourism policy and related legislation reviewed and is expected to be presented in 2010/11.

Forest Act, Agricultural Resources Conversation Act and Herbage Preservation Act – all merged into Forest Act.

Botswana Road Safety Strategy to be finalized in March 2010.

BDC to facilitate the physical development of the Botswana Innovation Hub.

Financial Intelligence Agency to be established – objective shall be to receive, analyse and disseminate suspicious financial transactions to investigating authorities.

Botswana National HIV and AIDS Prevention Support Project launched in 2009.

The budget outturn for 2008/09 was an overall deficit of BWP 4.696 billion.

Revenues:     Mineral BWP 10.182 billion  
                  Customs and Excise BWP 7.75 billion  
                  Value Added Tax BWP 4.377 billion  
                  Non-mineral Income taxes BWP 4.609 billion  
Total expenditure and net lending in 2008/09 was BWP 35.151 billion

2009/10 budget forecasts a deficit of BWP 13.39 billion. Deficit to be financed by support loan from African development Bank and through government accumulated balances and domestic bond issuance programme.

**Value Added Tax increased to 12% from 1<sup>st</sup> April 2010.**

**VAT registration turnover threshold increased to BWP 500,000.**

**Two tier company tax abolished from 1<sup>st</sup> July 2010. One company tax rate of 25% to be followed. Manufacturing and IFSC companies will continue on the 15% tax rate.**

**With the introduction of single tier company tax structure, the provision of setting off the additional company tax against the withholding tax on dividends has fallen off.**

**Final WHT on dividends paid to residents and non-residents to be 7.5%.**

Detailed Review of the Income Tax Act will be presented at the Parliament in the near future.

Recurrent Budget expenditure for 2010/11 is BWP 27.143 billion.

Statutory Expenditure budgeted at BWP 4.98 billion.

Development Budget for 2010/11 is BWP 12.18 billion.

Total revenues for 2010/11 forecast is BWP 27.077 billion. Total expenditure forecast is BWP 39.194 billion. Deficit budget of BWP 12.118 billion. This deficit to be financed by accumulated surpluses and borrowing from the domestic market.

**TAX TABLES**

**PERSONAL INCOME TAX**

**Resident Individuals**

<b>Annual Taxable Income</b>	<b>Tax Liability</b>	<b>Marginal Rate %</b>	<b>Average Rate %</b>
30,000	-	0	0.00
35,000	250	5	0.71
40,000	500	5	1.25
45,000	750	5	1.67
50,000	1,000	5	2.00
55,000	1,250	5	2.27
<b>60,000</b>	<b>1,500</b>	<b>5</b>	<b>2.50</b>
65,000	2,125	12.5	3.27
70,000	2,750	12.5	3.93
75,000	3,375	12.5	4.50
80,000	4,000	12.5	5.00
85,000	4,625	12.5	5.44
<b>90,000</b>	<b>5,250</b>	<b>12.5</b>	<b>5.83</b>
95,000	6,188	18.75	6.51
100,000	7,125	18.75	7.13
105,000	8,063	18.75	7.68
110,000	9,000	18.75	8.18
115,000	9,938	18.75	8.64
<b>120,000</b>	<b>10,875</b>	<b>18.75</b>	<b>9.06</b>
130,000	13,375	25	10.29
140,000	15,875	25	11.34
150,000	18,375	25	12.25
160,000	20,875	25	13.05
170,000	23,375	25	13.75
180,000	25,875	25	14.38
190,000	28,375	25	14.93
200,000	30,875	25	15.44
250,000	43,375	25	17.35
300,000	55,875	25	18.63

**Resident Individuals - Tax Summary**

<b>Annual Taxable Income</b>	<b>Rate of Tax</b>
Up to 30,000	0%
30,001 to 60,000	0 + 5% of excess over 30,000
60,001 to 90,000	1,500 + 12.5% of excess over 60,000
90,001 to 120,000	5,250 + 18.75% of excess over 90,000
Over 120,000	10,875 + 25% of excess over 120,000

**Motor Vehicle Benefit - Scale of Values**

Cost Of Vehicle	Value of Benefit	Fuel Cost Adjustments
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 over	15% on excess over 200,000	5,000 maximum

**Valuation of Benefits**

Housing	<ul style="list-style-type: none"> <li>• 10 % of municipal valuation or</li> <li>• 8 % of current capital valuation, (P 250 x floor area)</li> </ul>
Use of employer's furniture	<ul style="list-style-type: none"> <li>• Under P15000.00 - no benefit deemed to have accrued</li> <li>• 10 % of the excess over P 15 000.00 of the cost to the employer</li> </ul>
Loans	The difference between the interest at concessionary rate and prime lending rate announced by Bank of Botswana on 1 July of the tax year

**CAPITAL TRANSFER TAX****Individuals**

Annual Taxable Income	Rate of Tax
0 to 100,000	2% of every Pula
100,001 to 300,000	2,000 + 3% of excess over 100,000
300,001 to 500,000	8,000 + 4% of excess over 300,000
Over 500,000	16,000 + 5% of excess over 500,000

**Companies****12.5%** of every Pula**WITHHOLDING TAX**

Payments of / Payments to	Dividends	Interest	Royalties	Management & Technical Fees	Entertainment Fee
Barbados	7.5%	10%	10%	10%	0%
France	7.5%	10%	10%	7.5%	0%
Mauritius	7.5%	12%	12.5%	15%	0%
Namibia	7.5%	10%	10%	15%	0%
Non-Treaty	7.5%	15%	15%	15%	10%
Resident	7.5%	10%	0%	0%	0%
Russia	7.5%	10%	10%	10%	0%
Seychelles	7.5%	7.5%	10%	10%	0%

South Africa	7.5%	10%	10%	10%	0%
Sweden	7.5%	15%	15%	15%	0%
United Kingdom	7.5%	15%	15%	7.5%	0%
Zimbabwe	7.5%	10%	10%	10%	0%

**COMPANIES - INCOME TAX**

<b>Income Tax – Resident Company Rates</b>	<b>Tax</b>
Manufacturing taxable income	15%
Other taxable income	25%
Capital gains	25%
Foreign dividends	7.50%
International financial services centre company	15%

**Income Tax – Non-Resident Company Rate**

Standard Rate	25%
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**CAPITAL GAINS TAX - RESIDENT AND NON-RESIDENT INDIVIDUALS**

<b>Annual Taxable Income</b>	<b>Rate of Tax</b>
0 to 15,000	0
15,001 - 60,000	0 + 5% of excess over 15,000
60,001 to 90,000	2,250 + 12.5% of excess over 60,000
90,001 to 120,000	6,000 + 18.75% of excess over 90,000
120,000 and above	11,625 + 25% of excess over 120,000





## Our services

Audit

Business consulting

Business accounting

Company secretarial services

Corporate finance

Financial services

Forensic and investigative services

Internal audit

Mergers and acquisitions

Taxation

Wills, trusts and estates



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