

EXAMPLE

Ms BURS works for Botswana Government. Below find her income for the 2007/2008 tax year.

- Salary 75000 tax of P1 850 has been deducted through PAYE by the employer
- Rental Income of P 12 000. The following expenses were incurred at the house that is being rented out;
 - Changed corrugated roofing to tiles 6 000.00
 - Replaced locks 300.00
- Interest from BBS Subscription Shares account =7 000.00
- Butchery; the financial statements show a profit of P 38 000

Tax due from the income

Rental Income	12 000
Less	300
	<u>11 700</u>

*The roofing will not be allowed as deduction before tax because it is an amount of a capital nature, thus it will be increasing the value of the house.

*Interest from BBS account is exempt thus it is not taxable

Calculation of Tax for Ms BURS	
Salary	75 000
Rental Income	11 700
Business (Butchery)	38 000
	<u>124 700</u>
Tax on the	124 700
1 st 120 000	10 875
Excess @ 25 % (4700* 25%)	1 175
	<u>12 050</u>
Less Tax Already Paid (PAYE)	(1 850)
Tax Payable	<u>10 200</u>

INDIVIDUAL TAX RATES

**TABLE I
RESIDENT TAX RATES**

Remuneration	Tax to be deducted	
More than	but <u>Less than</u> (PULA)	
0	30 000	Nil
30 000	60 000	0 + 5% of the excess over 30 000
60 000	90 000	1 500 +12.5% of excess over P60 000
90 000	120 000	5 250 + 18.75% of excess over P90 000
120 000 and above		10 875 + 25% excess over P120 000

**TABLE II
NON RESIDENT TAX RATES**

Remuneration	Tax to be deducted	
More than	but <u>Less than</u> (PULA)	
0	60 000	5 % of every pula
60 000	90 000	3 000 + 12.5% of the excess over P60 000
90 000	120 000	6 70 + 18.75% of the excess over P60 000
120 000 and above		12 375 + 25% of excess

**TABLE III
Tax table for net aggregate gains of individuals**

Taxable Income	Tax
0 - 15 000	0
15 000 – 60 000	0+5% of excess over P 15 000
60 000 – 90 000	2 250 + 12.5% of excess over P 30 000
90 000 – 120 000	6 000 + 18.75% of excess over P 60 000
Over 120 000	11 625 + 25% of excess over P 120 000

WHERE DO I FIND BURS?

Gaborone Office
Private Bag 0013
Gaborone
Tel: 363 8000/ 9000
Fax: 395 3101

Francistown Office
Private Bag 38
Francistown
Tel: 2413635
Fax: 2413114

Maun Office
P.O. Box 219
Maun
Tel: 686 1321
Fax: 686 0194

Selebi Phikwe Office
P.O. Box 129
Selibe Phikwe
Tel: 261 3699
Fax: 261 5367

Palapye Office
P.O. Box 97
Palapye
Tel: 492 0784
Fax: 492 0388

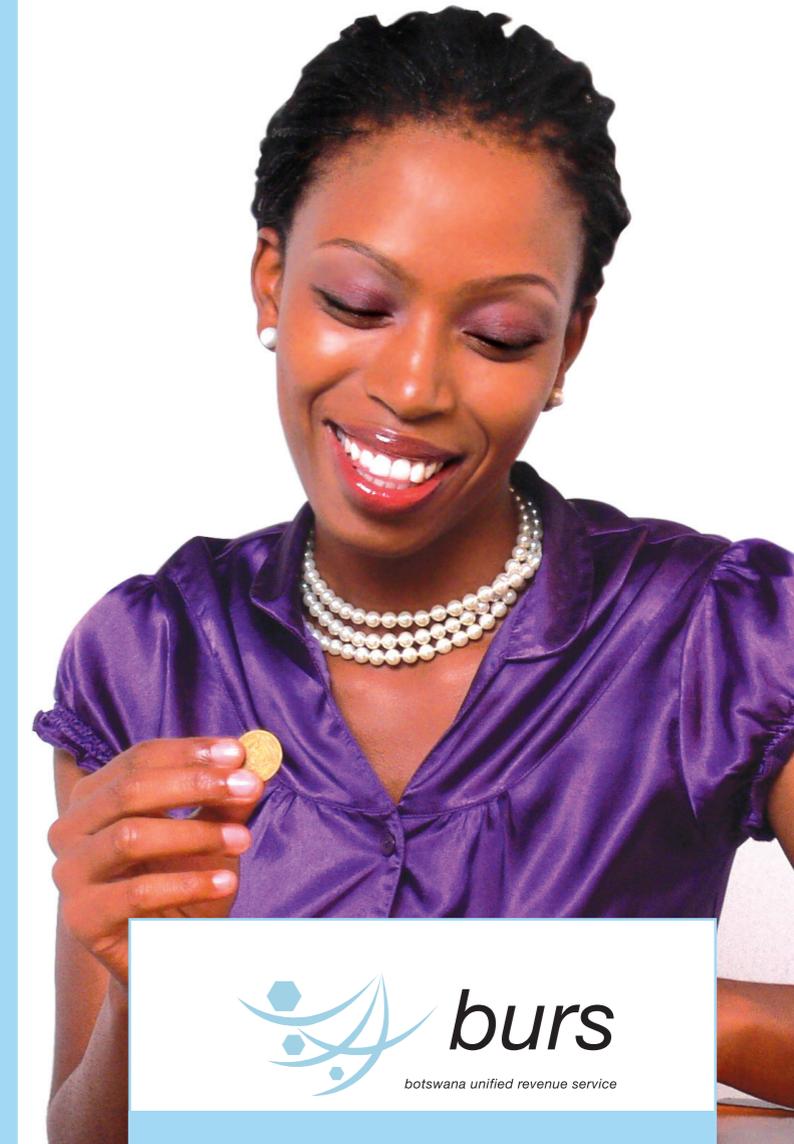
Lobatse Office
P.O. Box 263
Lobatse
Tel: 533 0566
Fax: 533 2477

Ghanzi Office
P/Bag 0018
Ghanzi
Tel: 659 6463

Toll free number for Tax Enquiries

0800 600 649

www.burs.org.bw



INDIVIDUAL TAXATION

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INTRODUCTION

The objective of this brochure is to help you as taxpayers identify the different income that may accrue to an individual.

TAXATION OF INDIVIDUALS

Individuals are taxed on;

1. Employment Income
2. Rental
3. Business (trade or profession)
4. Interest
5. Farming
6. Property disposals
7. Income from foreign investments
8. Royalties
9. Partnership Income

NOTE: all the income is added together in order to be able to get the tax bracket that the individual falls into, except disposal income which is taxed separately.

EMPLOYMENT INCOME

(for more information refer to the Employment Chargeable Income Brochure)

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

What is employment?

- **Any activity where;**
 - A relationship of master and servant subsists
 - There is an appointment or office, public or not
 - Whether or not that relationship is permanent
- **Employment income includes**
 - Salaries, wages, bonus, commission, allowances, director's fees;
 - Terminal and other lumpsum payments e.g. Gratuity, Severance Payment
 - Cash and non – cash benefits

RENTAL INCOME

This is Income from renting out property. For tax purposes a person involved in renting property is considered to be in business where by expenses can be deducted. The following are allowed as an expense before tax from the rental income; Mortgage Interest, rates, repairs to the property etc.

N.B. Mortgage Loan repayment is not allowed as a deduction because it is considered to be capital in nature.

Improvements are not allowed as an expense as they are considered to be of capital expenditure; thus, they increase the value of the property. Example; changing the roof, erecting screen wall etc.

BUSINESS INCOME

This is income from business that is run by an individual. Expenses that have been incurred for running the business are allowed as a deduction before tax. The following are some of the expenses that are allowed for deduction;

- Salaries and Wages
- Rent
- Motor Vehicle Expenses
- Repairs and Maintenance etc.

INTEREST INCOME

This is income that is earned from cash held on savings accounts, certificate of deposits, bonds or other investments. Interest can also be earned from loans to companies by directors and shareholders.

- Interest from shareholders's loan wholly taxable.
- Interest that is taxable is interest from any banking institution or building society in excess of P 6000.00 per annum, Non- Resident taxpayers do not get the P6 000 exemption
- There is withholding tax on Interest; Residents 10% and Non Residents 15% as final tax.
- Interest from Botswana Savings Bank is not taxable.
- Interest on any subscription share issued by any building society in Botswana is not taxable

FARMING INCOME

(For more information refer to the Farming brochure)

This is income from farming operations. Any individual who has;

- More than 300 heads of cattle or 1800 sheep or goats
- More than 100 hectares of dry land farming is considered to be in the business of farming and as such is required by the law to pay tax.

Note: anyone with lesser amounts has an option to register with BURS for tax purposes.

- The above limitations are not applicable to other farming activities like dairy farming, poultry, horticulture etc.
- Expenses that relate to farming income will be allowed for deduction before tax e.g. drilling boreholes, wages for farm help etc

PROPERTY DISPOSAL

Income from any disposal of property is subject to tax. This property includes

- Immovable Property e.g. buildings
- Movable Property e.g. shares

The following computations are used when calculating disposal income;

Immovable Property

When computing the gain an allowance is given to cater for the effect of inflation.

- For properties bought before 1st July 1982, the allowance is applied using a compounding Factor of 10%.
- For properties after 1 July 1982, the allowance is given through the application of National Cost of Living Index (NCOLI)/ Indexation.

$$\frac{\text{NCOLI Date of Sale} - \text{NCOLI Date of Purchase} \times \text{Purchase Price}}{\text{NCOLI Date of Purchase}}$$

EXAMPLE

Mr X bought a house for P 105 000 in March 2001. He sold it for P350,000 in November 2006. Expenses relating to the sale amounted to P6,500.

NCOLI is as follows; March 2001 P587.20: November 2006 P935.4

Disposal / Capital gain	P
Sale Proceeds	350 000
Less Selling Expenses e.g. Legal Fees	6 500
	343 500
Less Purchase Price	105 000
	238 500
Less Indexation	$\frac{935.4 - 587.20 \times 105\,000}{587.20}$ 62 263
Disposal Gain	<u>176 236</u>

Tax due on P176 236 will be calculated as:

Use Table III Rates below

First 120 000	11 625
Excess @ 25 % (25%* (176236-120000)	14 059
	<u>25 684</u>

Movable property (e.g. Shares)

Sales Proceeds	30 000
Less: Cost of acquisition	5 000
	25 000
Less: 25% x 25 000	6 250
Chargeable disposal gain	<u>18 750</u>

INCOME FROM FOREIGN INVESTMENTS

This is income from investments outside Botswana. Therefore the income is deemed to be income from Botswana. Any citizen of Botswana investing outside has to declare income from foreign investments through an individual return.

ROYALTIES

- This is earnings from intellectual rights either to a property or a service e.g. earnings from book writing, songs, poems, software development etc.
- Royalties earned by a resident person should be included in his return
- Non- Resident persons receiving royalties is subjected to a 15% withholding tax.

HOW DO I PAY TAX?

- Register with BURS (refer to the registration brochure for information on registration)
- BURS will send tax returns at the end of the tax year for you to complete, where returns are not issued to you in any tax year, you are requested to ask for them from BURS as it is your obligation to submit returns.
- Submit the return annually to BURS offices by 30th September of every year
- BURS will issue an assessment which will show the tax that you have to pay.
- When paying use the **remittance slip for assessed tax.**

TYPES OF INDIVIDUAL RETURNS

Individuals having any other source of income beside employment income must submit tax return. If you are an individual and your only source of income is employment, there is no need to complete a return unless you have been over/under taxed.

- **ITA 20;** this return is used by taxpayers who have Employment Income only. It is to be used only when an individual has been over or under taxed. 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 individuals 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 return.
- **ITA20BF;** this return is used by Individuals who have employment, business, and farming income.
- Self Employed individuals also declare their income using this type of return.

HOW DO I KNOW THAT I HAVE BEEN OVER OR UNDER TAXED?

Your employer will give you a form ITW8, tax certificate which shows the total employment income and the tax charged. As an individual you can call BURS, or use the BURS website to check whether the tax charged is correct. This will then indicate whether or not a return should be submitted.