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Botswana's tax landscape underwent a fundamental transformation on **1 July 2026** following the enactment of three new tax statutes by Parliament in December 2025:

- The Tax Administration Act, 2025
- The Value Added Tax Act, 2025
- The Income Tax Act, 2025

While the Tax Administration Act introduces a unified framework for the administration of taxes, both the Value Added Tax Act and the Income Tax Act have been substantially rewritten and modernised. The reforms align Botswana's tax system with evolving international standards, broaden the tax base, simplify certain compliance obligations, and introduce several new concepts that taxpayers and advisers will need to understand.

This article provides an overview of the significant changes.

The Tax Administration Act — A Unified Administrative Framework

For the first time, Botswana has enacted a dedicated Tax Administration Act to govern the administration of its principal taxes. The Act seeks to harmonise tax administration across the various tax types while improving certainty, transparency and dispute resolution.

Among its key features are:

- the introduction of a **tax ruling system** to primarily act as an advance ruling system where taxpayers can obtain certainty on the tax consequences of proposed transactions before they happen.
- registration and regulation of **tax agents**; any individual, partnership, or company wanting to provide tax agent services is required under the tax administration act to apply to the Commissioner General of Taxes for registration as a tax agent, or face penalties amounting to P5,000 or 1 year imprisonment.
- **establishment of a specialised Tax Tribunal** to handle tax disputes. The tax tribunal will handle all tax objections and appeals. Taxpayers will be required to apply using specified forms to the chairperson of the tax tribunal for their queries with the Botswana Unified Revenue Service (BURS). This is expected to shorten the length of resolution of tax disputes unlike in the past where taxpayers would have to go to through the courts to get their disputes with BURS resolved. This time, the tax tribunal will rule on tax matters, but disputes can still be appealed through the normal court system if they remain unresolved.
- **harmonisation of administrative provisions** across the VAT and Income Tax Acts.

The legislation is expected to improve consistency in tax administration while providing taxpayers with greater certainty regarding the interpretation and application of Botswana's tax laws.

Key Changes Under The Value Added Tax Act

1. VAT on Remote Services

One of the significant reforms is the introduction of VAT on **remote services** supplied by non-residents. Previously, many digital and professional services supplied from outside Botswana escaped VAT. Under the new legislation, qualifying non-resident suppliers are required to register, charge and remit Botswana VAT where they exceed the prescribed registration **threshold of five hundred thousand pula (P500,000) worth of supplies to Botswana residents over a 12 month period.**

Examples of remote services include:

- legal and consulting services;
- accounting and audit services;
- engineering and architectural services;
- IT support and cloud computing;
- software licences and Software-as-a-Service (SaaS);
- online advertising;
- website design and hosting;
- electronic databases; and
- other electronically supplied or digital services.

To facilitate implementation, remote service suppliers were required to register from **1 June 2026**. A transitional period runs until **30 September 2026,** after which suppliers are required to charge VAT from **1 October 2026** and submit quarterly VAT returns, with the first return due in January 2027.

2. Extended Period for Claiming Input VAT

The Act significantly increases the period within which taxpayers may claim input VAT. Previously, input VAT could only be claimed within four months. The new legislation **extends this period to 12 months**, providing taxpayers with greater flexibility and reducing the risk of losing legitimate VAT deductions due to administrative delays.

3. VAT on Private Medical Services

Private medical services, which were previously exempt from VAT, are now taxable.

Private healthcare providers were required to register for VAT by **31 July 2026** and are required to begin charging VAT from **1 August 2026.**

An important accompanying change is that **prescription medicines are no longer exempt**. Instead, they are now **zero-rated**, ensuring that patients are not burdened with additional VAT while allowing suppliers to recover input tax.

4. Reduction in Zero-Rated Supplies

The new Act narrows the range of zero-rated supplies, thereby broadening Botswana's VAT base. Businesses should carefully review whether supplies that previously qualified for zero-rating continue to do so under the new legislation.

5. New VAT Return Filing Deadline

The deadline for filing VAT returns has been extended.

VAT returns must now be submitted within **28 days** after the end of the tax period, replacing the previous 25-day filing requirement.

Reverse Charge Mechanism

The new VAT Act considers the application of the reverse charge mechanism.

The reverse charge will apply to services supplied by non-residents to:

- VAT-registered persons;
- Government entities (ministries, departments, agencies, institutions, state-owned entities and local authorities); and
- Exempt bodies/Large Unregistered Persons (LUPs).

A large, unregistered person is generally a person making supplies exceeding **P1 million** within a twelve-month period, but who is not registered for VAT. Rather than registering for ordinary VAT, qualifying entities will register as LUPs solely for reverse charge purposes. Registration for Government entities and LUPs commenced on **1 June 2026** and closes on **31 July 2026.** Their first accounting period runs from **1 August to 31 December 2026**, during which they will account for VAT under the reverse charge mechanism.

Key Changes Under The Income Tax Act

Individual Income Tax

The Income Tax Act introduces several reforms affecting individuals.

A **new highest marginal tax bracket** has been introduced. Employees earning taxable income exceeding **P400,000** annually or **P33,333.33** per month are now subject to a tax rate of **27.5%** on any amount over the first **P400,000.** This is a 2.5% more than the previous top bracket of 25%.

Simplified Tax Regime for Small Businesses

One of the more progressive reforms is the introduction of a simplified taxation regime for qualifying sole proprietors operating small businesses. These are businesses making supplies of **less than P1,000,000** in a 12-month period.

The simplified regime includes several compliance and tax concessions, including:

- cash basis accounting;
- immediate deduction of trading stock. All stock purchased in a 12-month trading period shall be fully expensed without having to account for closing stock;
- immediate expensing of depreciable business assets; and
- record retention for only three years instead of eight;
- the first 48,000 of their taxable income will be tax exempt.

The new regime is intended to reduce compliance costs while encouraging formalisation of small enterprises.

Self-withholding tax

The Income Tax Act introduces a self-withholding mechanism for employees of entities that are exempt from withholding tax obligations such as embassies and other international organisations. **Such employees should pay on their own from the employment income from such employers, tax directly to BURS.** The tax payable shall be the same tax that would be deducted by the employer had they not been exempt from the withholding tax obligations.

Capital Gains Tax Payment Deadline

Individuals disposing of capital assets (land, and shares) are now required to **pay capital gains tax within 28 days** of the disposal of the capital asset, significantly accelerating the timing of tax payments. In the past, the payment of capital gains tax (CGT) was aligned to that of individual tax. Taxpayers would compute and file CGT with their annual tax returns and pay thereafter.

Corporate Income Tax Changes

Corporate taxpayers are also affected by several notable reforms.

- The general corporate income tax rate increases from **22% to 24.5%**. Conversely, the self-assessment tax payment requirement has been reduced from **80% to 75%,** providing some relief to taxpayers making provisional tax payments.
- The Act also increases the capital allowance cost limitation applicable to passenger motor vehicles (vehicles carrying less than 1 tonne or carrying up to nine (9) seated passengers like safari vehicles, motorcycles and similar vehicles), replacing the longstanding cap of **P175,000** with a higher threshold of **P500,000** under the new legislation.

Other notable changes include:

- abolition of withholding tax on livestock sold for slaughter; and
- revised taxation of mining companies, including the introduction of a variable income tax rate applicable to diamond mining companies in which the Government does not hold an ownership interest/ shareholding.

International Tax Reforms

The Income Tax Act introduces a significantly enhanced international tax framework.

Permanent establishment rules

Comprehensive Permanent Establishment (PE) rules have been introduced to determine when non-resident businesses become taxable in Botswana.
The new provisions consider factors including:

- the duration of business activities conducted in Botswana;
- the presence of personnel within Botswana;
- the nature of activities undertaken; and
- other internationally recognised PE indicators.

These changes bring a lot of clarity to those coming to do business in Botswana unlike in the past where the conditions for qualification as a PE were not as clear. The more businesses are clear about their position; they will register and accordingly fulfil their tax obligations in Botswana.

Comprehensive source rules

The legislation also introduces modern source rules that more clearly determine when income is regarded as arising from Botswana. The new source rules provide greater certainty for cross-border transactions while strengthening Botswana's ability to tax income connected to its economy.

These rules bring about significant structural changes and clearer principles for determining when income is regarded as arising in Botswana. Previously, the Income Tax, source was determined by common law principles, judicial interpretation, and deeming provisions, whereas now, the new Act looks at **the geographic location of the income** based on factor such as:

1. whether the business operations are conducted,
2. where contracts are substantially performed,
3. where employees carry out the income generating activities, and
4. whether a permanent establishment exists in Botswana.

CONCLUSION

The Tax Administration Act, Value Added Tax Act and Income Tax Act collectively represent the most significant overhaul of Botswana's tax system in many years. The reforms modernise the country's tax legislation, expand the tax base, strengthen international tax provisions, introduce taxation of the digital economy, simplify taxation for small businesses and establish a more coherent administrative framework.

While many of the reforms are intended to improve efficiency and align Botswana with international best practice, they also introduce new compliance obligations for both resident and non-resident taxpayers.

Businesses should review their tax positions, accounting systems, contractual arrangements and compliance processes to ensure they are fully prepared for the new legislative environment. **Taxpayers affected by the reforms should seek professional advice to understand the practical implications of the changes** and ensure timely compliance with the new requirements.

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