

Income Tax Amendment Act, 2024

To Our Valued Client,

Botswana Parliament enacted the Income Tax (Amendment Bill) 2023 on December 20, 2023. This amendment, now **effective from January 15, 2024**, broadens the scope of income tax exemptions to include terminal payouts received by both employees and pensioners, applicable to retirement and certain early withdrawals.

The amendments aim to harmonize the Income Tax Act with the Retirement Funds Act of 2022. Additionally, they are aimed at leaving more in the hands of “pensioners” for their welfare, especially considering the heightened cost of living and the economic challenges posed by the COVID-19 pandemic.

The following changes have been made:

i) Terminal Payments to Employees

Citizens who receive gratuity and severance payments during or at the end of their employment, or who get retrenchment packages, can now enjoy a 50% tax exemption on these payments. This is an increase from the previous 33.33%. This benefit also applies to non-citizens who receive bonus or gratuity payments under an employment contract.

ii) Pensions on retirement

Retirees are now entitled to 50% tax exemption on their pension income, up from the previous 33.33%.

iii) Annual Pension or Annuity Payments

Pension pay-outs of P20,000 or less get a 100% exemption from tax. This is a significant increase from the previous threshold of P500.

iv) Medical Treatment Exemptions for Deferred Members under the Retirement Funds Act

The new amendment also allows deferred members under the Retirement Funds Act to withdraw any amount from their pension entitlement for medical treatment purposes without paying tax on it.

v) Enhanced Loan Settlement Provisions for Deferred Pension Members

Moreover, the new amendment also allows deferred pension members 50% exemption from any amount withdrawn for purposes of settling a loan BUT where tax payable thereon would render the amount insufficient to settle the loan, then the whole amount will be 100% exempt from tax.

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