

Botswana's Government presents 2021 Budget to Parliament

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On 1 February 2021, Botswana's Minister of Finance & Development (The Minister), the Honorable Dr. Thapelo Matsheka, presented the country's 2021 Budget to Parliament.

This Alert summarizes the highlights of The Minister's Budget Speech.

Economic highlights

In his budget speech, The Minister acknowledged the extraordinary challenges brought about by the COVID-19 pandemic under which the budget was prepared. Among the key focus areas of the 2021/22 budget as highlighted by The Minister are two major areas:

- ▶ Modernizing Botswana's tax collection systems and exploring new sources of tax revenue
- ▶ Reviewing the current public service delivery model to improve efficiency and productivity in the public sector

According to the Minister, the domestic economy is forecasted to contract by 7.7% in 2020 and recover in 2021 at a growth rate of 8.8% against a contraction of the global growth output by 3.5% in 2019 and expansion of 5.5% in 2020.

The Minister highlighted that this positive economic growth outlook will be dependent on the overall direction of the global economy recovery and successful implementation of policies, programs and projects outlined in the National Development Plan, i.e., NDP11.

Key statistics

- ▶ For Financial Year 2020/21 the projected revenue and grants in the revised budget dipped to BWP48.33 billion, i.e., BWP14.06 billion below the original budget, largely due to a decline in mineral revenues.
- ▶ For Financial Year 2021/22, a deficit is anticipated which is expected to be financed through the issuance of domestic Government securities and external borrowing.
- ▶ The Ministry of Basic Education has been allocated the largest share of 18.8% of the recurrent budget which totals to BWP9.52 billion.
- ▶ 50% of public service vacant positions to be abolished in an effort to reduce the wage bill.

Fiscal legislation

The Minister highlighted the need to broaden the domestic revenue base to complement the external sources of fiscal revenue. To achieve this goal of fiscal stability, The Minister made the following fiscal proposals:

- ▶ Value Added Tax (VAT) to be increased from 12% to 14% with effect from 1 April 2021.
- ▶ Fuel levy to be increased by BWP1 per liter with effect from 1 April 2021.

- ▶ Withholding tax on local dividends to be increased from 7.5% to 10% with effect from 1 July 2021.
- ▶ The minimum taxable threshold for individuals will be increased from annual income of BWP36,000 to BWP48,000 with effect from the 2021/2022 tax year, i.e., from 1 July 2021.
- ▶ Taxpayers with outstanding taxes will be granted a tax amnesty for outstanding penalties and interest, provided that they settle the principal amount. The amnesty will take effect in the 2021/2022 tax year.
- ▶ A levy on sweetened beverages will be introduced at a rate of 2 thebe per gram of sugar above a content of 4g of sugar per 100 milliliters. The levy is meant to control the excessive consumption of sugar in Botswana.
- ▶ A statutory instrument will be introduced to bring into operation a levy on plastic bags. This is a levy that was introduced previously but never implemented.
- ▶ A levy on second-hand vehicles imported into Botswana will be introduced with the objective of raising revenue and addressing environmental concerns regarding pollution.
- ▶ The Government is continuing to review the fees and levies charged for its services, with six ministries currently reviewing their fees. It is anticipated that the revised fees for the six ministries will take effect on 1 April 2021.

For the complete budget speech go to www.finance.gov.bw.

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