

Botswana issues 2019 budget

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On 4 February 2019, Botswana's Minister of Finance & Development Planning (the Minister), the Honorable O. K Matambo, presented the 2019 budget to Parliament.

This Alert outlines the key proposals.

Economic highlights

The 2019/2020 budget proposals emphasize the need for Botswana to *consolidate development gains for further economic development*. According to the Minister, this will be achieved through:

- ▶ The reform of macro-economic policies
- ▶ Streamlining service delivery processes

Through the above agenda items, the domestic economy growth rate is forecasted to be 4.5% (2018) and 4.2% (2019) against the global growth rates of 3.5% and 3.6% for 2019 and 2020 respectively.

The Minister confirmed that Botswana continues on a trajectory towards becoming a fully-fledged upper middle income economy.

Key statistics

- ▶ Expected budget deficit of P7.34 billion for 2019/20 which is 3.5% of Gross Domestic Product, against the 2018/19 figure of 1.1%.
- ▶ Positive economic growth of 4.5% expected for 2018 and forecasted growth to reach 4.2% in 2019 and 4.8% in 2020.

Fiscal legislation

The Minister reported on the passage of the following Acts:

- ▶ *The Customs Act*
- ▶ *Company Registration Amendment Act*
- ▶ *Registration of Business Names Amendment Act*
- ▶ *The Companies Amendment Act*
- ▶ *Re-registration of Business Act*

There is a commitment to conclude the amendments to the *Transfer duty Bill and Trade Act* during 2019.

In addition, the Minister confirmed the publication of the *Income Tax (Amendment) Act, 2018 - Act No.38 of 2018* amending the anti-avoidance provisions and introducing Transfer Pricing (TP) legislation. The effective date of the legislation is 1 July 2019.

Key features of the amendments include:

- ▶ **Arm's-length principle** - All transactions entered into by Botswana resident persons directly or indirectly with connected persons must be at arm's-length.
- ▶ **Commissioner General's (CG) powers** - CG is given powers to make an adjustment to taxable income where a transaction between connected persons is inconsistent with the arm's-length principle.
- ▶ **Documentation requirements** - Botswana entities entering into transactions with connected persons must prepare, keep and furnish TP documentation upon request.
- ▶ **Advance Pricing Agreements (APAs)** Taxpayers may apply to the CG to enter into an APA, and the terms and conditions of the APA are still to be prescribed by the Minister through regulations.
- ▶ **Repeal of the thin capitalization rules.**
- ▶ **Codification of the International Financial Services Centre Company (IFSC) definition.**
- ▶ **Penalties for non-compliance with transfer pricing.**

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

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