

Company Income Tax rate to increase to 24.5%

The Income Tax Bill number 36 of 2025, which was gazetted on the 15th of December 2025 proposes to increase the Company Income Tax rate from the current 22% to 24.5%. The Bill is yet to be presented to Parliament and upon approval it will then increase the Company Income Tax rate to the above-mentioned 24.5%. Bills are generally supposed to float for above 30 days before becoming law, however we believe that the said Bill will float for a longer period given the fact that it was published in December 2025 when Parliament only resumes more than 30 days after the said gazetting. If the changes are to sail through, they are expected to commence from the first of July 2026.

CIT in general

Companies are taxable on their profits after making respective adjustments at the rate of 22%. On the other hand, companies that have been approved as International Financial Services Center companies (IFSCs) will also have their tax rate increase from the current 15% to 17.5%, being tax on the income that they earn from non-residents of Botswana. A company is taxed on its net profit before tax adjusted for tax depreciation and other such amounts with the result being subject to the said 22%, which is set to increase to 24.5%. Regionally, Botswana has the second lowest company tax rates and it comes after Mauritius whose tax rate is below 20%, the said increase means that companies will be paying more to BURS as Corporate Income Tax. It also means that the companies must increase the amount that they prepay to BURS in the form of Self-Assessment Taxes.

Effective tax on dividends

Currently the effective tax rate on dividends stands at 29.8%, being 22% on the profits made by a company and the result of 78% is also taxed at the 10% tax rate on dividends. Technically, a shareholder who withdraws dividends from a company pays effective taxes rising to 29.8% under the current Legislation. Once the said company tax rate increases, the effective tax rate will shoot to 32.05% being 24.5% as Company Income Tax and 10% withholding tax on the balance of 75.5%, giving an effective tax rate of 32.05%. The said changes are certainly going to increase the taxes that shareholders part with and as stated above, whilst the taxes increase, Botswana still remains position 2 in terms of having the lowest Company Income Tax rate in SADC.

Other Companies

Other companies with special tax rates such as manufacturing entities that are currently taxed at 15% and those under the Special Economic Zones Authority whose tax rates begin at 5%, would not be directly impacted by the above-mentioned laws. This is so as their tax rates are determined through what is known as Development Approval Orders. It is those Development Approval Orders which set the company tax rates and they are not regulated by the income tax Act. However, it is our expectation that the Ministry of Finance may increase each of the tax rates by 2.5%, making the manufacturing tax rate to be 17.5% and the Special Economic Zones Authority as well as the SPEDU tax rates to start at 7.5%.

Possible actions

If an entity has a lot of retained earnings and it is contemplating making dividends payments, it would be tax efficient to make the dividends payments before the effective dates of the company tax rate increase, as that will result in the shareholders suffering an effective tax rate of 29.8% as compared to 32.05%.

Tax hint: If you have never had a tax audit/review conducted by a tax consultancy firm to check whether you are tax compliant, or should it be apparent that you are not certain that your tax affairs are in good order, then don't wait for the taxman to pounce on you, as that can be very costly. Contact us today so we can help you fix your tax affairs whilst you still have time.

Contacts: You may contact us at +267 7181 5836 or +267 393 9435 or jhore@aupracontax.co.bw or www.aupracontax.co.bw. This article is general, and tax advice is recommended if decisions are to be made. If you need to join our free Tax WhatsApp groups or to know more about our 9 Tax e-books, please send us a text/WhatsApp on the number above.