

Miners to suffer 55% CIT without 100% capital allowances

Mining companies, with the exception of diamond mining companies in which the Government has a shareholding, will continue to pay Corporate Income Tax (CIT) at 55% without the currently applicable 100% claims on development or capital expenditure. This change is contained in the Income Tax Bill No. 36 of 2025 which was recently passed by Parliament. This change has not set well with mining entities which believe that they will be the highest taxed businesses in the country without clarity on the justification of such a high tax rate. In this article words importing the masculine shall be deemed to include the feminine.

The current regime

Under the current Income Tax Act, mines are allowed a generous 100% claim of capital expenditure as tax deductions. Capital expenditure for mines includes the purchase of mining equipment, construction of roads, construction of buildings and purchase of vehicles.

If a mining company makes a profit of say P100 million when its capital expenditure is P600 million, it is allowed the P600 million as a tax deduction such that it will automatically fall into a tax loss position of P500 million. The said tax loss will then be allowed to be carried forward indefinitely on the basis that mines take time to make profits.

On the other hand, the laws recognize that mines start making profits after a number of years in operation and in order to compensate for the 100% capital allowances, the said mines are then taxed progressively depending on their profitability. The minimum CIT rate is 22% and it may shoot to 55% in periods of high profitability. This arrangement seats well with mining companies as they recognize the fact that the 55% tax rate is justified considering the 100% capital allowances they would have enjoyed.

The new proposed law

Under the new proposed law, the above-mentioned mining companies will still be required to pay CIT at 55% but they will not be allowed a 100% capital allowance on all their capital spending with the exception of exploration expenditure. Whilst it is acknowledged that mining companies spend a lot on exploration, their biggest capital spending is actually on the developmental/actual mining stage. The development expenditure for mines is proposed to be granted allowances over 10 years (basically reducing the capital allowances from 100% to 10%). Further, the 10% claims would only commence after the Minister of Finance is satisfied that the mine has commenced production/actual mining.

Conclusion

The implication of this change basically means that the impacted mining companies will be heavily taxed at 55% after having lost the 100% capital allowances. This change is viewed as too sudden and has the likely impact of making prospective mining companies withdraw their spending or look elsewhere within the world for mining capital developments.

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.