

## **Invest in SPEDU and pay less tax in Botswana**

Tax is a cost which, if the laws allow, must be minimised. By taking advantage of the tax incentives offered by SPEDU, businesses and investors can significantly reduce their tax burden. In today's instalment, we will explore the SPEDU tax incentive and who can benefit from the same. In this article, words importing the masculine shall be deemed to include the feminine.

### **Enter SPEDU Tax**

SPEDU tax is a special corporate tax rate that applies to qualifying businesses operating specific development projects in the SPEDU region. Accordingly, the SPEDU designated region consists of the following areas: Selebi-Phikwe, Bobonong, Mmadinare-Sefhophe, Lerala-Maunatlala and neighbouring villages, farms, as well as cattle posts. In this regard, qualifying business enterprises will be liable to a tax rate of 5% of their taxable income for the first 5 years of operations. Thereafter, the tax rate will increase to 10% from the 6<sup>th</sup> year onwards. As alluded to above, the reduced tax rate applies to qualifying entities approved by the Ministry of Finance and Economic Development (MOFED) through granting a Development Approval Order (DAO).

### **The qualifying entities**

Every business enterprise which requires to take advantage of the SPEDU tax incentives is required to be operated through a Botswana-registered company. Further, the tax incentive i.e., SPEDU tax, is only granted to business enterprises operating within the boundaries of the specified SPEDU regions which produce goods and services in agriculture, manufacturing and tourism. Technically, this implies that any business operations other than those producing goods and services in the above-mentioned industries do not qualify for the reduced tax rates.

So how does one obtain the DAO? Businesses are required to complete an application form that is accompanied by BURS's confirmation of tax registration and a valid tax clearance certificate for new businesses and existing businesses, respectively. Further, the MOFED is empowered to request additional information as it deems fit before it grants the DAO to any applicant. As you can see, any business operating in the SPEDU region does not automatically qualify for the concessionary tax rate without the DAO. Simply put, without the DAO from MOFED, a business is liable to tax at the prevailing rate i.e., 22%.

### **Take advantage**

Given that the general corporate tax rate is pegged at 22%, a business operating in SPEDU stands to save on taxes to the extent of 17% for the first 5 years and 12% thereafter. As an example, a company which makes taxable profits of P10m will save P1.7m in each of the first 5 years and P1.2m from the 6<sup>th</sup> year. The SPEDU tax undoubtedly brings about some form of tax relief due to the reduced tax rates. Conversely, the same will attract development of the SPEDU region and its infrastructure which will improve the people's livelihoods and foster economic growth. On the other hand, operating in the SPEDU region may be a good tax planning strategy for both new and business operators due to the reduced rates. Therefore, it is key for interested business operators to observe and adhere to the regulatory requirements to qualify and take advantage of the incentive.

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us at [jhore@aupracontax.co.bw](mailto:jhore@aupracontax.co.bw). You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax articles' tab.