

Chandrawat  
& Partners

# Doing Business in Botswana

A comprehensive guide

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# INTRODUCTION

Botswana is located at Southern Africa, positioned between South Africa, Namibia, Zambia, and Zimbabwe having its capital at Gaborone. One of the world's poorest countries at independence in 1966 and one of Africa's most stable countries, it is the continent's longest continuous multi-party democracy and rapidly became one of the fastest-growing economies. It is relatively free of corruption and has a good human rights record. Its Safari-based tourism is an important source of income.

The country has had its share of problems: It once had the world's highest rate of HIV-Aids infection. The country has one of Africa's most-advanced treatment programmes, however, and medicine for the virus is readily available. It has an area of 581,730 sq km with a population of 2.5 million (2022). English, and Setswana are the common languages used in the country.

Botswana is the world's largest producer of diamonds and the trade has transformed it into a middle-income nation. Significant mineral (diamond) wealth, robust institutions, prudent economic management, have made it an upper-middle-income country with an aspiration of becoming a high-income country. At the same time, as one of the most unequal countries in the world.



# ECONOMIC OVERVIEW

Botswana's macroeconomic policy framework is anchored in its robust economic institutions, particularly around diamond revenue. It has contributed to a long period of positive economic growth.

## INFLATION

Inflation has receded faster than anticipated and fell within the Central Bank's 3-6% objective range by May 2023 and further breached the lower objective bound in July. The Bank of Botswana tightened monetary policy in 2022, raising the newly introduced Monetary Policy Rate by a cumulative 151 basis points and maintaining it at the same level throughout 2023. Inflation is expected to remain within the Central Banks's target range in the medium run.



## OTHER FACTORS

Poverty remains high despite Botswana's relatively high income level, unemployment is high at 25.4% (end of 2022), inequality (Gini index of 53.3) is among the highest in the world. Growth is projected to slow down to 3.8% in 2023, from 5.8% in 2022. Additional investment opportunities in Botswana include clean energy, large water infrastructure projects, electricity, transportation, telecommunications, horticulture, and agriculture. Botswana's 2023-2030 NIS also maps opportunities in several sectors which include automotive, cargo freight and logistics, and the digital economy. Economists note Botswana's considerable potential in mining critical minerals (in addition to diamonds), raising beef, tourism, solar energy, and financial services.

## GROSS DOMESTIC PRODUCT ("GDP")

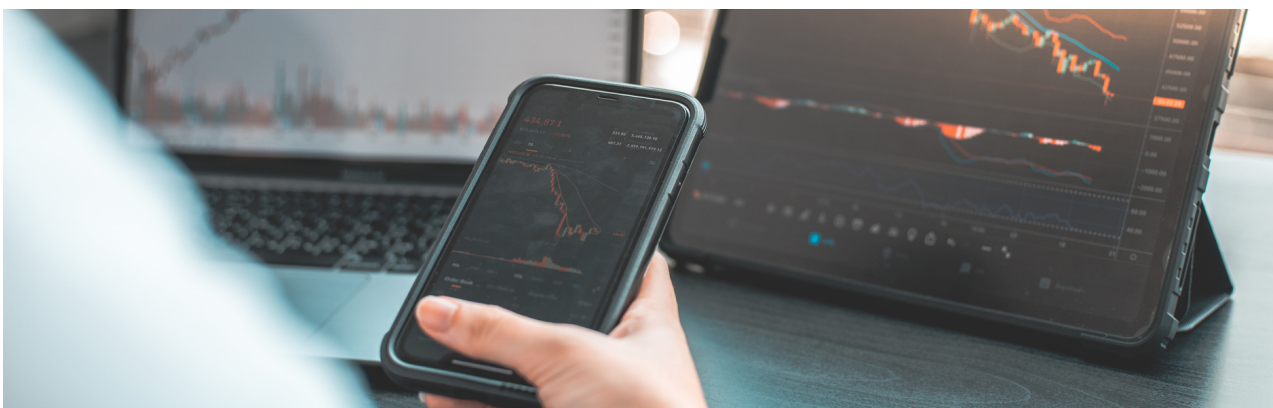
The overall fiscal deficit will reach an estimated 2.8% of GDP in 2023, and public debt is expected to reach 21.9% of GDP. The economy of Botswana advanced by 3.4% from a year ago in the second quarter of 2023, the least since Q1 2021, after an upwardly revised 5.5% rise in the previous three-month period.

# FOREIGN DIRECT INVESTMENT

Botswana Foreign Direct Investment (FDI) increased by 51.0 USD mn in Dec 2022, compared with an increase of 53.4 USD mn in the previous quarter. The Bank of Botswana provides Foreign Direct Investment in local currency based on BPM6.



However, the GoB has released a new National Investment Strategy (NIS) for 2023-2030 to maximize the quantity and quality of annual flows of foreign and domestic investment. The GoB has launched initiatives to promote economic activity and foreign investment in specific areas, such as establishing a diamond hub which brought more value-added businesses (i.e., cutting and polishing) into the country.



## KEY SECTORS



- Diamond- 1/3rd GDP (almost all export earnings, and half of the government's revenues)
- Agricultural Production (Dairy, Horticulture, etc.) and beverages, hunting & forestry (1%), subsistence farming, and cattle raising
- Minerals (12%)
- Construction/building materials (9%) and hardware
- Stationery
- Chemicals

- Trade, hotels & restaurants accounts (24% of GDP)
- Financial & business services (17%)
- General government (15%)
- Community, social & personal service activities (8%)
- Transport, storage & communication (7%)
- Manufacturing (7%)
- Electricity, gas & water supply both around (1%)
- Tourism
- Pharmaceuticals and medical equipment



### **The Botswana limited liability company (“LLC”)**

This is the most common type of business entity by foreign entrepreneurs when incorporating in Botswana. It must appoint one director who must be a resident of Botswana, and one shareholder of any nationality. Minimum paid-up capital is not required and it takes approximately 48 days to complete the incorporation process. The LLC must have a registered office in Botswana and must submit audited financial statements within five months of the year end and therefore must appoint a qualified company secretary.



### **The Botswana offshore company (“IFSC” company)**

Incorporating an offshore company in Botswana requires to setup a Botswana company and then to apply to the international Financial Services Center Authority for an IFSC certificate.

Such company can henceforth be created with only:

- (i) 1 shareholder of any nationality and
- ii) 1 resident director.

The authority will however ask for a documented descriptive of our Client's current business a business plan for the IFSC company and an amount of share capital sufficient to finance the proposed business in Botswana.

The IFSC company will only be allowed to conduct commercial operations with non-residents, but may however conduct limited productive operations in Botswana including BPO and call centers asset management and bank and insurance activities. It will benefit from incentives including:

- (i) a reduced corporate tax rate of 15%
- (ii) no VAT
- (iii) no capital gains tax and
- (iv) no withholding tax.

## The Botswana public limited company (“PLC”)

This entity must appoint at least two directors and seven shareholders of any nationality who must be natural persons for incorporation to be complete. One of the directors must be a resident of Botswana. Minimum paid up share capital is not required and the incorporation process takes approximately 80 days to complete. The PLC must have a registered office in Botswana and must submit audited financial statements within five months of the year end and therefore must appoint an auditor in addition to the statutory company secretary required for all Botswana companies.



## The Botswana branch

The Botswana branch may be 100% foreign owned and is allowed to engage in business activities related to the parent company within Botswana. Only one shareholder and one director are required for incorporation of a branch in Botswana, However, the corporate tax rate for the branch is 30% thus making this the least efficient tax option for business incorporation in Botswana



# ADVANTAGES OF DOING BUSINESS



## **Low Cost Registration**

Only 360 P is required for registration.

## **Secure System**

Botswana is the safest place on the earth regarding peace.

## **Enforcement of Law**

The crime percentage is low so that everyone can work in a peaceful place and grow his business.

## **Top FICO scorer**

The Botswana is one of the top countries with respect to financial stand point as well as the political dependence in the world.

## **Safe Expansion**

The expansion has always been kept in check and now is having even a descending detour.

## **Close Market**

As the other countries of Africa are connected to Botswana with land, so there is a greater chance to expand small or big business .

## **Exchange controls**

There is absence of exchange control and has lead to a vast number of people that enter in Botswana to access one of the largest markets.

## **Taxation System**

The World Bank has noted that there have been the monetary changes in the Botswana so that tax assessment system can be improved and there are some strategic planning being done to increase the installment system to let it thrive. There is low taxation.



### **Data System**

Data system has positive outlook in ICT accompanied by solid innovative work activities being registered in Botswana.

### **Middle Class Economy**

The country was poor at a time but then has improved to become a middle class country in economy. Now the country is working to hail more investors to improve its class again.

### **Infrastructure**

Botswana has invested a lot to organize an infrastructure such that dams, roads and other things are well built. The urban and rural areas rural as well as the tourist areas are well developed. The roads are specially built to connect with the closed countries by the roads so the transportation can be done at low costs.

### **Potential Population**

As the rise in economy is recorded, it is evident that there is a lot of potential in the population hence they are very talented as well as educated.

### **Low Inflation Rate**

### **Language**

English is widely spoken so there is no issue about tie communication there.

# MINIMUM ELIGIBILITY CRITERIA FOR COMPANY REGISTRATION

## Minimum Number Of Shareholders

A minimum of one shareholder is required and the maximum allowed is 25 (excluding employees).

There is generally no requirement for local shareholding, but it may be required in specified industries. There are certain (predominantly small to medium-sized) trades/businesses that are reserved for citizens and licences for such businesses are issued only to citizens and companies wholly owned by citizens of Botswana.

Under the newly enacted Public Procurement Act, Government may from time to time introduce a reservation and preferential procurement scheme for citizen empowerment.



## Minimum share capital

There are no minimum share capital requirements in Botswana. In practice, private companies are typically incorporated with 100 or 120 shares.

## Directors

A private company must have a minimum of one director who must be ordinarily resident in Botswana. It is not required for such person to be a citizen of Botswana.

## Company secretary

Every company (except a close company) must appoint a company secretary, who must be:

- a natural person ordinarily resident in Botswana; or
- a firm or corporation of which at least one member or director is ordinarily resident in Botswana and accepts responsibility for the work of the firm or corporation as secretary.

# HOW TO SET UP A COMPANY IN BOTSWANA ?

## Reserve the Company Name

The first thing is to reserve a business name for the business with the registrar of companies. One week is needed in the business name reservation process, while the reserved name can stay valid for only 30 days. Failure to register the name within the reservation period, the individual will need to reserve the name again otherwise, another business can register under that name.

## Register Your Company

The registration of companies in Botswana is done by the Registrar of Companies and Intellectual Property (ROCIP). The registration fee is P 360 and is done using the name reservation certificate. This is the business registration process. A person needs to apply by proposing 3 business names with the Companies Intellectual Property Authority (CIPA). He can do a business name check online or submit an application form with the registrar of companies. If the name is approved, it will be reserved for 30 days. A declaration of compliance signed by a representative of the company is required which should be done before the commissioner of oaths and is a statutory requirement.

## Company application forms

- Personal details of the directors
- Company's proof of address
- Copies of the IDs and passports of the directors

## Secure Premises for Your Business

When registering a business, a person needs to provide proof of trading license in particular premises. The premises need to comply with the standards of public and environmental health standards. The Ministry of Trade and Industry, together with the Health Department and Environment Department, will inspect the business premises. The process takes around 7 days.

### **Secure a license**

The other step is to get a trading license from the municipal authorities. The process takes around three weeks. One should ensure carrying his health inspection report for his business premises since a copy needs to be submitted.

### **Enroll for tax**

Register the business with Botswana Unifies Revenue Service (“BURS”) to ensure your business is tax compliant. You need to have a Tax Identification Number (“TIN”).



### **Open a Business Bank Account in Botswana**

An individual needs to open a bank account for your business. It is best to have a separate bank account from a personal account. It makes it easier to manage and account for business expenses and revenues. Open a bank account that is convenient for your business.

### **Promote Your Business through Advertisement**

Promote your business and let people know what services and products you are providing. You can advertise it on various platforms like social media, print media, posters and billboards.

# TAXATION SYSTEM

Botswana has a sourced-based taxation system in terms of which both residents and non-residents are subject to tax on income earned from a source in Botswana.

The following tax highlights also should be taken into consideration:

- Corporate income tax (“CIT”) rate – 22% (a type of direct tax levied on the income or capital of corporations)
- Personal income tax rate – 25%
- Value-added tax rate – 12% VAT (is levied on the supply of goods and services in Botswana and on the importation of goods and services.)
- Withholding tax rates – (i) dividends – 7.5% (ii) interests – 15% (iii) royalties – 15% (the money that an employer deducts from an employee's gross wages and pays directly to the government)
- Capital gains tax rates – (i) corporate – subject to the basic CIT rate (ii) personal – 25% (is a levy on the profit that an investor makes from the sale of an investment such as stock shares.)



# ACCOUNTING STANDARDS

## Tax Year

The tax year ends on 30 June; however, companies may set their own accounting year, ending on another date than 30 June. This accounting year is then used for the computation of the company's taxable income.

## Accounting Standards

International Financial Reporting Standards ("IFRS") are required for both domestic and foreign companies whose securities trade in a public market. SMEs may opt to use IFRS for SMEs Standard if they meet all three of the following requirements:

- Turnover less than BWP10 million (approximately US\$ 950,000)
- Assets less than BWP 5 million (approximately US\$ 500,000)
- Larger SMEs are required to fully meet IFRS Standards.

## Accounting Regulation Bodies

- BICA
- BAOA

## Accounting Reports

The presentation and preparation of financial statements should be performed in accordance with the Financial Report Act No.11. Financial statements must include:

- Statement of Financial Position
- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Distribution
- Statement of Cash Flows
- Statement of Changes in Shareholder's Funds
- Notes to Financial Statements

## Publication Requirements

All companies incorporated in Botswana are required to prepare annual financial statements pursuant to the Companies Act. Group companies are required to prepare consolidated financial statements.

## Professional Accountancy Bodies

BICA: Botswana Institute of Chartered Accountants



# EMPLOYMENT AND LABOUR LAWS IN BOTSWANA

**Employment Act - CAP 47:01-** The Employment Act as amended lays down minimum conditions of employment for employees, whether citizen or expatriate, employed in the private and parastatal sectors. An expatriate employee should be in possession of a valid work permit.



**Employment (Amendment) Act, 2010** is the most prevalent employment and labour legislation.

- **Probation period:** Unskilled employees- 3 months and skilled employees- 12 months.
- **Annual Leave:** 15 days paid leave per year, 8 days of which must be taken within 6 months. The remaining days must be taken within 3 years
- **Maternity Leave:** 12 weeks, 6 weeks to be taken before the birth and 6 after. Employees are eligible to receive at least 50% of their basic pay. (Employment (Amendment) Act of 2010-Sections 113-118 of the Act). The amendment compels employers to pay employees on maternity leave not less than 50% of their salary.
- **Paternity Leave:** There is no statutory paternity leave.
- **Sick Leave:** Employees are generally entitled to 20 days of paid sick leave per year.
- **Working Hours:** In general, the workweek is limited to 48 hours, with no more than 9 hours per day for a 5-day week, or 8 hours per day for a 6-day week.
- **Overtime:** Employees are limited to 14 hours of overtime per week and are eligible for 1 1/2 times their normal hourly rate. Work on public holidays or rest time should be paid at twice the normal wage rate.
- **Notice Period in Botswana:**
  - Two to five years of service, 2 weeks of notice period
  - Five to 10 years of service, 1 month of notice period
  - Over 10 years of service, 6 weeks of notice period



- **Severance in Botswana**

60 months severance is given for continuous employment. The payment is equal to the rate of one day's basic pay for each month served during the first 60 months and two days for each additional month served. Employees who receive a gratuity or pension at the end of employment are not entitled to the severance benefit.



- **Termination of Employment**

Termination of an employee during the probationary period does not require a reason. Both the employee and the employer may terminate the employment contract. Minimum notice, equivalent to the wage period, must be given or pay in lieu unless the employee was guilty of serious misconduct, no notice is needed.

**Worker's Compensation Act No. 23 of 1998:** In case of a work-related injury or occupational disease.

**Trade Unions and Employers Organisations Act, 2003:** The Act makes provision for 3 categories of organisation: trade unions, federations of trade unions and employers' organisations.

**Employment of Non-Citizens Act - CAP 47:02:** This Act regulates the employment and other engagement in occupations for reward or profit of certain persons who are not citizens. The Act provides for categories of non-citizens that should hold permits and those that are exempted from holding such permits. Applications for work permits are considered by the Immigrants Selection Boards which are established in terms of the Immigration Act.

### **The National Policy On Incomes, Employment, Prices And Profits**

This policy regulates incomes, employment, prices and profits.



### **The Manpower Development, Training And Localisation Policy**

This policy addresses the training of citizen employees for the purposes of localizing non-citizens held positions.



# HOW CAN WE HELP?



## Portfolio management

Our firm helps with investments that meet long term financial objectives.



## Risk management

Our firm also monitors risk control, identify and analyze loss exposures in a business.



## Consultancy services

Our firm seeks to assist the business in incorporation and growth in the country.



## Economic growth of the Country

Our team seeks to promote economic growth, encourage entrepreneurship, and establish a vibrant business climate in Botswana.

## SERVING CLIENTS WORLDWIDE



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Chandrawat & Partners is a leading and rapidly growing full-service firm providing high quality professional and corporate services to foreign and local clients, representing companies and individuals in a wide range of sectors through separate entities established in various countries worldwide.

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