

Taxation – Botswana (BWA) (F6) June & December 2015

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS AND EDUCATION RECOGNITION

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 23 and 35 main

subject area headings depending on the nature of the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations F5-F9 are all paper based three-hour papers containing a mix of objective and longer type questions. The *Corporate and Business Law* (F4) paper is a two-hour computer based objective test examination which is also available as a paper based version from the December 2014 sitting.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the tax papers, ACCA will publish *examinable documents*, or tax rates and allowances tables, once a year to indicate exactly what legislation could potentially be assessed within identified examination sessions. These should be read in conjunction with the information below.

For **UK** tax papers, examinations falling within the financial year 1 April to 31 March will examine the Finance Act which was passed in the previous July. I.e. Exams falling in the period 1 April 2015 to 31 March 2016 will examine the Finance Act 2014.

For **SGP** tax papers, examinations falling within the year 1 April to 31 March will be based on legislation passed before the previous 30 September. I.e. examinations falling in the year 1 April 2015 to 31 March 2016 will be based on legislation passed by 30 September 2014.

For **MYS** tax papers, examinations falling within the year 1 October to 30 September will be based on legislation passed before the previous 31 March. I.e. examinations falling in the year 1 October 2014 to 30 September 2015 will be based on legislation passed before the previous 31 March 2014.

For **CYP** tax papers, June and December examinations will be based on regulation or legislation published in the Official Gazette of the Republic of Cyprus ("the Gazette") on or before 30 September. I.e. June and December 2015 papers will be based on regulation or legislation published in the Official Gazette of the Republic of Cyprus ("the Gazette") on or before 30 September 2014.

For **CZE** tax papers, December and June examinations will be based on legislation passed before the previous 31 May. I.e. December 2014 and June 15 papers will be based on legislation in force at 31 May 2014..

For **VNM** tax papers, June and December examinations will be based on legislation passed before the previous 31 December. I.e. June and December 2015 papers will be based on legislation passed by 31 December 2014.

Tax papers for the following variants:

BWA, CHN, HUN, HKG, IRL, LSO, MWI, MLA, POL, PKN, ROM, RUS, ZAF, ZWE.

The June and December examinations will be based on legislation passed before the previous 30 September. I.e. June and December 2015 papers will be based on legislation passed by 30 September 2014.

Syllabus

TX (BWA)

AIM

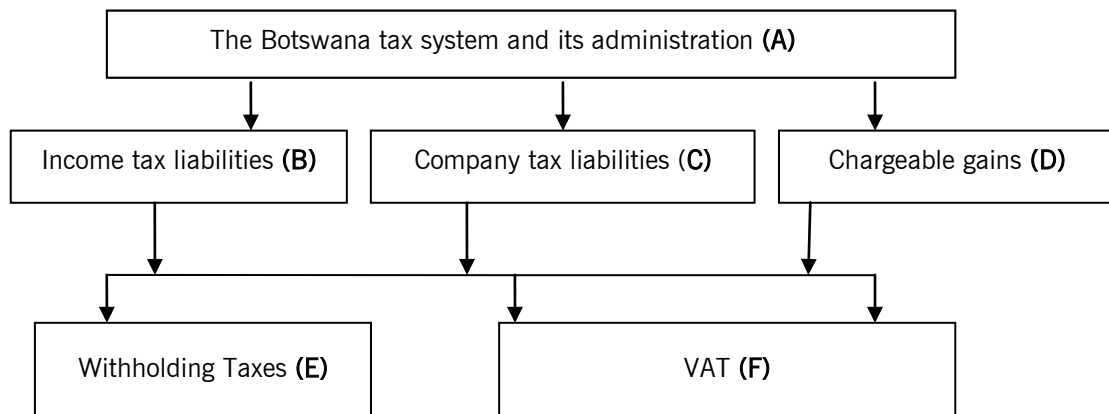
To develop knowledge and skills relating to the tax system as applicable to individuals and companies in Botswana.

MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A.** Explain the operation and scope of the Botswana tax system and the obligations of tax payers and/or their agents and the implications of non-compliance.
- B.** Explain and compute the income tax liabilities of individuals.
- C.** Explain and compute the tax liabilities of companies.
- D.** Explain and compute the chargeable gains arising on companies and individuals
- E.** Explain the operation and scope of the system of withholding taxes.
- F.** Explain and compute the effects of value added tax on incorporated and unincorporated businesses.

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as income tax from self employment, employment and investments; the company tax liability of individual companies ; the system of withholding taxes; the value added tax liability of businesses; and the chargeable gains arising on disposals of investments by both individuals and companies.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

DETAILED SYLLABUS

A. The Botswana tax system

1. The overall function and purpose of taxation in a modern economy
2. Principal sources of tax law and practice
3. The system for self-assessment tax (SAT) and the making of returns.
4. The time limits for the submission of information, claims and payment of tax, including payments on account.
5. The procedures relating to objections, appeals and disputes.
6. Penalties for non-compliance.

B. Income tax liabilities

1. The scope of income tax

2. Income from employment
3. Income from self-employment
4. Property and investment income
5. The comprehensive computation of taxable income and income tax liability
6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

C. Company tax liabilities

1. The scope of company tax
2. Profits chargeable to company tax
3. The comprehensive computation of company tax liabilities
4. The use of exemptions and reliefs in deferring and minimising company tax liabilities

D. Chargeable gains

1. The scope of the taxation of capital gains
2. The basic principles of computing gains and losses
3. Gains and losses on the disposal of immovable property
4. Gains and losses on the disposal of shares and debentures
5. The computation of the tax payable on capital gains by individuals and companies
6. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

E. Withholding taxes

1. The scope of withholding taxes
2. Calculation of withholding tax
3. Credit for withholding tax

F. Value added tax

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a three-hour paper-based examination.

The paper will be predominantly computational and all questions are compulsory.

Section A of the exam comprises 15 multiple choice questions of 2 marks each.

Section B of the exam comprises four 10 mark questions and two 15 mark questions.

The two 15 mark questions will focus on income tax (syllabus area B) and company tax (syllabus area C).

The Section A questions and the other questions in section B can cover any areas of the syllabus.

Study Guide

A THE BOTSWANA TAX SYSTEM AND ITS ADMINISTRATION

1. The overall function and purpose of taxation in a modern economy

- a) Describe the purpose (economic, social etc) of taxation in a modern economy.^[2]
- b) Identify the different types of capital and revenue tax.^[1]
- c) Explain the difference between direct and indirect taxation.^[2]

2. Principal sources of tax law and practice

- a) Describe the overall structure of the Botswana tax system.^[1]
- b) State the different sources of revenue law.^[1]
- c) Appreciate the impact of Departmental Guidance Notes (DGN) in the tax system .^[2]
- d) Appreciate the interaction of the Botswana tax system with that of other tax jurisdictions. ^[2]
- e) Explain the difference between tax avoidance and tax evasion.^[1]
- f) Explain the need for an ethical and professional approach.^[2]

Excluded topics

Anti-avoidance legislation.

3. The system for self-assessment and the making of returns

- a) Explain and apply the features of the self-assessment tax (SAT) system as it applies to companies.^[2]
- b) Calculate the SAT payable and the timing thereof by companies.^[2]
- c) Explain the system of making tax returns for individuals.^[2]

- d) State the due dates for tax payable by individuals..

4. The time limits for the submission of information, claims and payment of tax, including payments on account

- a) Recognise the time limits that apply to the filing of returns.^[1]
- b) Recognise the due dates for the payment of tax under the self-assessment system (SAT).^[2]
- c) Compute payments on account and balancing payments/repayments for individuals.^[2]
- d) Explain how companies are required to account for company tax on a quarterly basis.^[2]
- e) List the information and records that taxpayers need to retain for tax purposes.^[1]

5. The procedures relating to objections, appeals and disputes

- a) Explain the circumstances and time limits in which the Botswana Unified Revenue Services (BURS) can enquire into a self-assessment and other tax returns.^[2]
- b) Explain the procedures for dealing with objections, appeals and disputes.^[1]

6. Penalties for non-compliance

- a) Calculate interest on overdue tax.^[2]
- b) State the penalties that can be charged.^[2]

B INCOME TAX LIABILITIES

1. The scope of income tax

- a) Explain how the residence of an individual is determined.^[1]

Excluded topics

Double taxation relief

Income from trusts and settlements.

2. Income from employment

- a) Recognise the factors that determine whether an engagement is treated as employment or self-employment.^[2]
- b) Recognise the basis of assessment for employment income including foreign income.^[2]
- c) Compute the income assessable.^[2]
- d) Recognise the allowable deductions.^[2]
- e) Recognise income that is exempt..^[2]
- f) Explain the PAYE system.^[1]
- g) Identify the employment benefits that are assessable.^[1]
- h) Compute the amount of benefits assessable.^[2]
- vi) Compute the initial and annual allowances for industrial buildings and the annual allowance for commercial buildings.^[2]
- vii) Compute the balancing adjustment on the disposal of an industrial or commercial building.^[2]
- viii) Recognise the initial allowance on industrial buildings.^[2]
- ix) Understand and apply roll-over relief on the disposal and acquisition of plant and equipment.^[2]
- e) Farmers
 - i) Apply the standard values to the valuation of cattle stock.^[2]
 - ii) Apply the farming capital expenditure that can be claimed as a deduction.^[2]
 - iii) Compute farming chargeable income.^[2]
- f) Relief for trading and farming losses
 - i) Understand how trading losses can be carried forward.^[2]
 - ii) Recognise that trading losses are ring-fenced and can only be carried forward for five years.^[2]
 - iii) Recognise that 50% of farming losses can be set-off against other sources of income and can be carried forward indefinitely.^[2]
- g) Partnerships
 - i) Explain how a partnership is assessed to tax.^[2]
 - ii) Compute the assessable profits for each partner.^[1]

Excluded topics.

Share and share option incentive schemes for employees.

Payments on the termination of employment, and other lump sums received by employees.

Approved service gratuities and severance pay.

3. Income from self-employment

- a) Recognise the basis of assessment for self-employment income including foreign income.^[2]
- b) Describe and apply the badges of trade.^[2]
- c) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[2]
- d) Capital allowances
 - i) Define plant and machinery for capital allowances purposes.^[1]
 - ii) Compute annual allowances.^[2]
 - iii) Recognise the limitation of capital allowances on motor cars.^[2]
 - iv) Compute balancing allowances and balancing charges.^[2]
 - v) Define an industrial building and a commercial building for capital allowance purposes.^[1]

Excluded topics

Joint property of husbands and wives.

Partnership changes.

Farmers averaging of profits.

Carryback of farming losses.

Farming optional liability.

4. Property and investment income

- a) Compute rental income.^[2]
- b) Understand that capital allowances can be claimed against rental income.^[1]

- c) Understand the taxation of dividend income.^[2]
- d) Understand the taxation of interest income.^[1]
- e) Understand that rental and interest income are subject to withholding tax.
- f) Explain the tax treatment of income from exempt investments.^[1]

5 The comprehensive computation of taxable income and income tax liability

- a) Prepare a basic income tax computation involving different types of income.^[2]
- b) Compute the amount of income tax payable.^[2]
- c) Apply tax credits received to the income tax payable.^[2]

Excluded topics

Maintenance payments.

The income of minor children.

6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

- a) Explain and compute the relief given for contributions to pension schemes.^[1]

Excluded topics

The conditions that must be met in order for a pension scheme to obtain approval.

C COMPANY TAX LIABILITIES

1. The scope of company tax

- a) Define the terms 'tax year', 'accounting period', and 'financial year'.^[1]
- b) Recognise when an accounting period starts and when an accounting period finishes.^[1]
- c) Explain how the residence of a company is determined.^[2]

Excluded topics

Investment companies.

Close companies.

Companies in receivership or liquidation.

Reorganisations.

Mining companies

2. Profits chargeable to company tax

- a) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[2]
- b) Explain the difference between the general deduction formula and specific deductions.^[2]
- c) Understand the treatment of pre-trading expenditure.^[1]
- d) Compute capital allowances (as for income tax).^[2]
- e) Compute property business profits.^[2]
- f) Compute farming business income^[2]
- g) Understand how relief for losses is given^[2]
- h) Compute profits chargeable to company tax.^[2]

Excluded topics

Research and development expenditure.

Leasehold expenditure.

Approved training expenditure.

3. The comprehensive computation of company tax liability

- a) Compute the company tax liability.^[2]
- b) Explain the implications of receiving interest income that has been subjected to withholding tax.^[2]
- c) Apply credits to the company tax liability including SAT payments and withholding tax credits.
- d) Understand that certain expenses that are liable to withholding tax can only be deducted from assessable income in the year in which the withholding tax is paid.

Excluded topics

Farming and mining companies.

Foreign tax credits.

Foreign dividends received.

4. The use of exemptions and reliefs in deferring and minimising company tax liabilities (The use of such exemptions and reliefs is implicit within all of the above sections 1 to 3 of part C of the syllabus, concerning company tax)

D CHARGEABLE GAINS

1. The scope of the taxation of capital gains

- a) Describe the scope of capital gains tax.^[2]
- b) List those assets which are exempt.^[1]

Excluded topics

Assets situated overseas and double taxation relief.

Partnership capital gains.

2. The basic principles of computing gains and losses.

- a) Compute capital gains for both individuals and companies.^[2]
- b) Understand the aggregation of capital gains and capital losses.^[1]

- c) Calculate the amount of allowable expenditure for a part disposal.^[2]

Excluded topics

Assets held at 30 June 1982.

Capital sums received in respect of the loss, destruction or damage of an asset.

3. Gains and losses on the disposal of immovable property

- a) Compute the capital gain on the disposal of immovable property.^[2]
- b) Calculate the tax cost of the immovable property including improvements.^[2]
- c) Calculate the indexation allowance available in respect of a disposal of immovable property.^[2]
- d) Understand that expenses incurred in disposing of a property can be deducted.^[1]
- e) Apply capital losses brought forward.^[2]

Excluded topics

The disposal of properties acquired by gift or inheritance.

4. Gains and losses on the disposal of shares and debentures

- a) Calculate the capital gain on the disposal of shares.^[2]
- b) Calculate the allowance available in respect of a disposal of shares or debentures.^[1]
- c) Explain the treatment of bonus issues and rights issues.^[2]
- d) Understand that the sale of goodwill is treated the same as a disposal of shares.^[1]

5. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

- a) Explain and apply rollover relief as it applies to individuals and companies.^[2]

- b) Explain and apply holdover relief for restructures and reorganisations in order to list on the Botswana Stock Exchange.^[2]

E WITHHOLDING TAXES

1. The scope of withholding taxes

- a) Demonstrate the withholding taxes that apply to payments to non-residents.
- b) Demonstrate the withholding taxes that apply to payments to residents.
- c) Recognise when withholding tax is payable.

2. Calculation of withholding tax

- a) Calculate the withholding tax payable in respect of payments of interest to residents and non-residents.
- b) Calculate the withholding tax payable in respect of royalties, entertainment, management and consultancy fees paid to non-residents.
- c) Calculate the withholding tax payable in respect of rentals paid to residents.

3. Credit for withholding tax

- a) Understand which withholding tax payments are a final charge to tax and which can be credited against tax payable.
- b) Understand how the timing of withholding tax payments affects the claim for a deduction of certain expenses.

4. Interaction of tax deductions and payment of withholding tax

- a) Understand that certain expenses that are liable to withholding tax cannot be claimed as a deduction until the withholding tax is paid.

Excluded topics

Foreign withholding tax.

F VALUE ADDED TAX

1. The scope of value added tax (VAT)

- a) Describe the scope of VAT.^[2]
- b) List the principal zero-rated and exempt supplies.^[1]

2. The VAT registration requirements

- a) Recognise the circumstances in which a person must register for VAT.^[2]
- b) Explain the advantages of voluntary VAT registration.^[2]
- c) Explain how and when a person can deregister for VAT.^[1]

3. The computation of VAT liabilities

- a) Explain how VAT is accounted for and administered.^[2]
- b) Recognise the time of supply for goods and services.^[2]
- c) List the information that must be given on a tax invoice.^[1]
- d) Explain and apply the principles regarding the valuation of supplies.^[2]
- e) Recognise the circumstances in which input VAT is non-deductible.^[2]
- f) Compute the relief that is available for impairment losses on trade debts.^[2]
- g) Explain the circumstances in which interest will be applied.^[1]
- h) Explain and apply the apportionment of input VAT between exempt and taxable supplies. .^[2]

Excluded topics

Adjustments for change in use.

Notional input tax

Penalties for misdeclarations.

SUMMARY OF CHANGES TO F6 (BWA)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

Some of the syllabus areas have been reordered as shown in Table 1 below:

Table 1 – Reordering within F6 (BWA)

Section and subject area	Syllabus content
Enlarged syllabus area A	Syllabus area G (the obligations of the taxpayer and/or their agents) has been combined with syllabus area A to create an enlarged syllabus area A (the Botswana tax system and its administration).

The main areas that have been added to the syllabus are shown in Table 2 below:

Table 2 – Additions to F6 (BWA)

Section and subject area	Syllabus content
D2 – The basic principles of computing gains and losses	New part (c) on the amount of allowable expenditure for a part disposal added
F3 – The computation of VAT liabilities	New part (h) on the apportionment of input VAT between taxable and exempt supplies added and deleted from excluded topics

The main areas that have been deleted from the syllabus are shown in Table 3 below:

Table 3 – Deletions from F6 (BWA)

Section and subject area	Syllabus content
B3 – Income from self-employment	B3 (e) (iv) on the provisions regarding the optional averaging of farmers' income deleted and added to excluded topics