

Taxation – Botswana (BWA) (F6) December 2009

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 where any 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 blue print 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 potentially 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)

Reading lists

ACCA examiners will recommend study texts and text books where these are available, which students may read as part of their preparation for the exam. Relevant articles will also be published in *student accountant*.

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 to what 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

The ACCA qualification does not prescribe or recommend any particular number of learning hours because increasingly study and learning patterns and styles vary greatly between people and organisations and in different personal, professional and educational circumstances.

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 in those particular papers.

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 are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

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.

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 each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks.

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 financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation **issued** or legislation **passed** on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Therefore, paper based examinations in June 2009, December 2009 (and March 2010 where applicable) will be assessed on regulations issued and legislation passed on or before 30 September 2008.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Syllabus

TX (BWA)

AIM

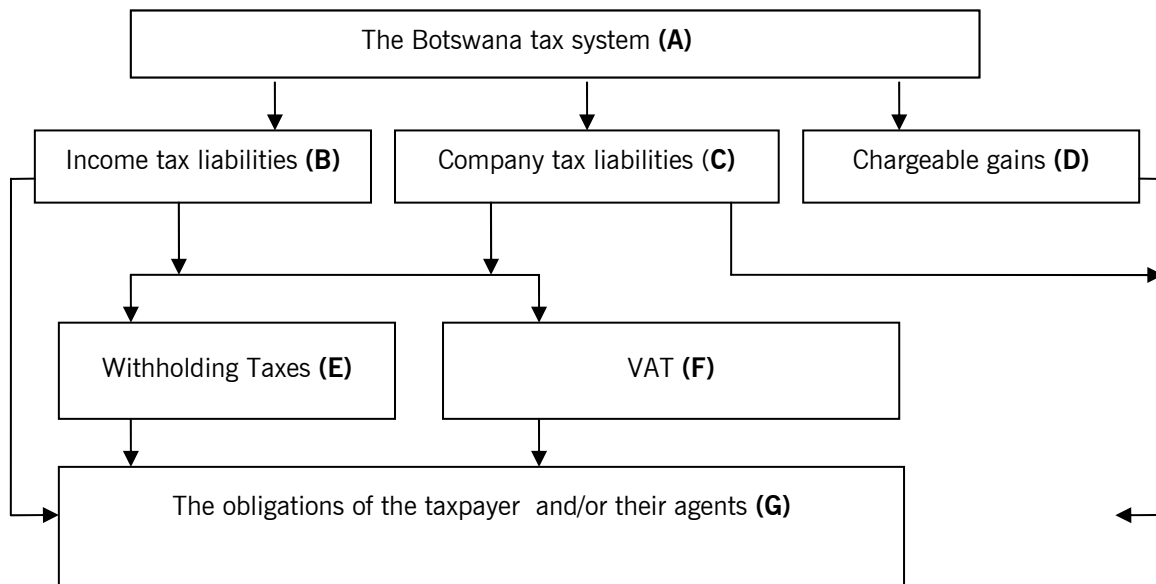
To develop knowledge and skills relating to the tax system as applicable to individuals and companies in Botswana.

MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A.** Explain the operation and scope of the Botswana tax system.
- 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.
- G.** Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance.

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. Different types of taxes
3. Principal sources of tax law and practice
4. Tax avoidance and tax evasion

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

G. The obligations of tax payers and/or their agents

1. The system for self-assessment tax (SAT) and the making of returns
2. The time limits for the submission of information, claims and payment of tax, including payments on account
3. The procedures relating to objections, appeals and disputes
4. Penalties for non-compliance

APPROACH TO EXAMINING THE SYLLABUS

The paper will be mainly computational and will have five questions, all of which will be compulsory.

- Questions one and two will be for a total of 55 marks with one of the questions being for 30 marks and the other for 25 marks. One of these two questions will focus on income tax of individuals including farmers and the other question will focus on company tax.
- Questions three, four and five will be on any area of the syllabus and will be for 15 marks each.

There will always be a minimum of 10 marks on value added tax and a minimum of 10 marks on capital gains tax on any paper. These marks might be included as part of a question or there might be separate questions on value added tax and capital gains tax.

Withholding tax aspects, in so far as they relate to non-residents, will only be examined in questions one and two, and will account for no more than 8 marks in total on any one examination paper. Withholding tax aspects in respect of residents can be examined in any question.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.

Study Guide

A THE BOTSWANA TAX SYSTEM

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]

2. Different types of taxes

- a) Identify the different types of capital and revenue tax.^[1]
- b) Explain the difference between direct and indirect taxation.^[2]

3. 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]

4. Tax avoidance and tax evasion

- a) Explain the difference between tax avoidance and tax evasion.^[1]
- b) Explain the need for an ethical and professional approach.^[2]

Excluded topics

Anti-avoidance legislation.

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]

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]
- 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]
 - iv) Understand and apply the provisions regarding the optional averaging of farmers' incomes
- 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

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) 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.

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]

Excluded topics

Assets held at 30 June 1982.

Part disposals.

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.

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.

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]

Excluded topics

Adjustments for change in use.

Notional input tax

Apportionment.

Penalties for misdeclarations.

G THE OBLIGATIONS OF TAX PAYERS AND/OR THEIR AGENTS

1. 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 by companies.^[2]
- c) Explain the system of making tax returns for individuals.^[2]

2. 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]

3. The procedures relating to objections, appeals and disputes

- a) Explain the circumstances and time limits in which the Department of Taxes can enquire into a self-assessment and other tax returns.^[2]
- b) Explain the procedures for dealing with objections, appeals and disputes.^[1]

4. Penalties for non-compliance

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

READING LIST

Botswana Income Tax – Botswana Government

Silke on South African Tax

Notes on South African Income tax – Huxham & Haupt