

# Botswana the Switzerland of Africa?

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# Switzerland overview

political	<ul style="list-style-type: none"><li>• peaceful, prosperous, modern market economy</li></ul>
economic	<ul style="list-style-type: none"><li>• one of the highest GDPs in the world</li></ul>
tax	<ul style="list-style-type: none"><li>• well-developed tax system, various incentives</li><li>• double tax agreements with 88 countries</li></ul>
legal	<ul style="list-style-type: none"><li>• highly developed legal system</li></ul>
operational	<ul style="list-style-type: none"><li>• strong financial services sector</li><li>• no exchange control</li><li>• low unemployment, highly skilled labour force</li></ul>



# Switzerland financial services

- holding company regime
- leading commodities trading center in Europe
- IP-licensing
- financing companies



# Botswana overview

risk profile <sup>1</sup>	<ul style="list-style-type: none"><li>• 1.4/10 (moderate)</li></ul>
political	<ul style="list-style-type: none"><li>• has maintained political stability</li></ul>
economic	<ul style="list-style-type: none"><li>• has enjoyed economic progress, but requires diversification</li><li>• GDP per capita +/-USD7,500 (2014)</li></ul>
tax	<ul style="list-style-type: none"><li>• generally fair, investor-friendly &amp; transparent</li></ul>
legal	<ul style="list-style-type: none"><li>• well-developed legal environment</li><li>• fair contract enforcement but lengthy adjudication processes</li></ul>
operational	<ul style="list-style-type: none"><li>• adult literacy rate of 88.5%</li><li>• low levels of corruption (corruption perception index 31/175)</li><li>• World Bank ease of doing business 72/189</li><li>• no exchange control</li></ul>

<sup>1</sup> Source: IHS (7 March 2016)



# Botswana business & financial services

- Botswana Investment & Trade Center (BITC) identified opportunities:
  - financial services: including investment, accounting, tax advisory & banking
  - life insurance: rapidly growing
  - business process outsourcing: complementary time zone, global connectivity, skilled workforce
  - holding company: IFSC incentives
- IFSC: supporting regulatory framework for regional and international banks, business firms, insurance companies and investment funds a platform in sub-Saharan Africa



# IFSC regime

application process	<ul style="list-style-type: none"><li>• formal application to the International Financial Services Centre Certification Committee through BITC</li><li>• recommendation to the Minister of Finance and Development Planning who will issue a certificate</li></ul>
approved financial operations	<ul style="list-style-type: none"><li>• banking</li><li>• broking and trading of securities, investment advice</li><li>• management &amp; custodial functions in relation to CIS</li><li>• exploitation of IP</li><li>• accounting and financial administration services</li><li>• holding and administration of group companies</li><li>• shared financial services, business process outsourcing &amp; call centers</li><li>• mutual funds, insurance activities</li></ul>
considerations	<ul style="list-style-type: none"><li>• preference given to companies demonstrating employment generation and training of Botswana residents</li><li>• must provide services outside Botswana and in non-Pula currency</li></ul>

# IFSC tax benefits

	standard tax regime	IFSC regime
corporate income tax rate	22% (30% for branches)	15% dividends received in respect of a qualifying foreign participation (25%) are exempt
capital gains tax	22% (16.4% on disposal of shares)	disposal of qualifying foreign participation are exempt
withholding tax on dividend payments to non-residents	7.5%	exempt
withholding tax on other payments to non-residents	15%	exempt
value added tax	12%	services to non-residents zero rated
employees' tax	PAYE to be deducted on remuneration of any employee	PAYE to be deducted on remuneration of any employee

# other IFSC considerations

- limited DTA network with only 12 countries:
  - Barbados, France, India, Ireland, Mauritius, Namibia, Russia, Seychelles, South Africa, Sweden, United Kingdom, Zimbabwe
  - 13 DTAs being ratified / negotiated, including Lesotho, Mozambique, Swaziland, Malawi, Zambia, Tanzania
- compare other tax friendly jurisdictions (Mauritius)
- lack of capacity and flexibility of certain authorities
- uncertainty re industry regulations
- limited popularity





# questions and discussion



thank you

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