



NEWS RELEASE

For Immediate Release

Entry into force of the Lesotho Botswana Double Taxation Agreement (DTA)

Maseru, 26th August 2020: The Lesotho Revenue Authority hereby notifies the business community and the public at large of the entry into force of the Lesotho Botswana Double Taxation Agreement, also known as tax treaty. Following finalization of internal processes by both countries, the date agreed was that of 30 January 2020.

Treaties are meant to attract foreign direct investment and to provide tax certainty to such investors should they decide to engage in business in one of the treaty partnering countries. Of most importance, the role of a DTA is to eliminate double taxation, tax evasion and avoidance. With global guidance by OECD and UN, the SADC region has come up with a model to follow in concluding tax treaties, which has resulted in this new agreement. This DTA should enable trade and enhanced economic relations between Lesotho and Botswana.

The DTA applies to Botswana and Lesotho Tax residents only and brings amongst others, changes in the withholding tax rates on the following gross incomes;

1. Interest; 10%
2. Technical Fees; 10%
3. Royalties; 10%
4. Dividends

(a) 10 per cent of the gross amount of the dividends if the beneficial owner is a company which holds at least 25 per cent of the capital of the company paying dividends; or

(b) 15 per cent of the gross amount of the dividends in all other cases.

While this agreement does not have the OECD recent “Entitlement to benefits Article” , it does however contains provisions on the main purpose test to limit undue claims on the lower withholding tax rates.

It is advised that the entry into force of the Agreement is observed and that is applied. The said agreement can be accessed on the Lesotho Revenue Authority website.

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