Tax and Customs Duty Administration in Botswana

Emmanuel Botlhale[*]

Abstract

For governments to effectively deliver on the social contract which includes providing physical infrastructure and social goods and services, they need adequate financial resources. Public financial resources come from taxes and customs duty. Sufficient public revenues require efficient and effective tax and customs duty administration. As the pressure to deliver the social contract increases in the face of the post-2007 fiscal strictures, there is a need to continuously improve tax and customs duty administration. The aim of this paper is to discuss tax and customs duty administration in Botswana. The study on which this paper is based used a qualitative research approach and a case study method. It concluded that while there are successes in tax and customs duty administration, there are problems such as low tax effort. To ensure effective tax and customs duty administration, the system requires some improvement.

Introduction

There are certain goods and services, for example, defence and police protection that the market does not provide for; or if it provides them, it does so in insufficient quantities, for example, education and healthcare. In order to address this, public provision has to be made for these types of goods and services and they must be financed through taxes and customs duty. To provide clarity, the key terms, *tax* and *customs duty*, must be defined. Taxes are involuntary contributions to the government that do not entail a direct *quid pro quo* (Gildenhuys 1997:215). It is not clear when taxes were first introduced; this is not only due to poor historical records but also due to the cultural and societal structures of the ancient empires (Samson 2002:21). However, taxation is as old as organised government (Stiglitz 2000) and taxes are levied directly on individuals and corporations (direct taxes) and indirectly on goods and services (indirect taxes). Tax and customs duty constitute a large proportion of a government's total annual revenue. To illustrate this point, total revenues and grants in Botswana during the 2019/2020 financial year are estimated at 60.20 billion Pula (US$ 5.44 billion), non-mineral income (predominantly constituted by taxes) is estimated at 11.55 billion Pula (US$ 1.05 billion) while Value Added Tax (VAT) is estimated at 9.12 billion Pula (US$0.82 billion) (Matambo 2019). Thus, non-mineral income constitutes ten per cent of the total.

A tariff or customs duty, is a tax levied upon goods as they cross national boundaries, usually by the government of the importing country (*Encyclopaedia Britannica* 2019) The words tariff, duty, and customs can be used interchangeably (*Encyclopaedia Britannica* 2019). Tariffs may be levied either to raise revenue or to protect domestic industries. A tariff that is primarily designed to raise revenue may also exercise a strong protective influence, while a tariff levied primarily for protection may yield revenue (*Encyclopaedia Britannica* 2019). Von Haberler (1936), in *The Theory of International Trade*, suggested that the best way to distinguish between the primary motives for charging customs duty (revenue duty and protective duty), is to compare their differential effects on domestic versus foreign producers. Import duties are the most important and common types of customs duty (*Encyclopaedia Britannica* 2019). A tariff may be specific, *ad valorem*, or compound (*Encyclopaedia Britannica* 2019). A specific duty is a levy of a given amount of money per unit of the import, such as $1 per yard or per pound; an *ad valorem* duty is calculated as a percentage of the value of the import (Encyclopaedia Britannica 2019); and a compound

[*] Emmanuel Botlhale, Department of Political and Administrative Affairs, University of Botswana. Email: botlhale@mopipi.ub.bw

duty is a combination of the other two. Botswana, as a member of the Southern African Customs Union (SACU) together with South Africa, Lesotho, Eswatini (formerly Swaziland) and Namibia, applies *ad valorem* customs duty, excise duty as well as surcharges and other duties on imports. There is an additional specific excise duty imposed on luxury items. Goods imported into Botswana from outside the SACU market are liable to a twelve per cent VAT and tariff rates as set out in the Customs and Excise Tariff Schedule (Botswana Unified Revenue Service 2013a). Goods imported from any of the SACU Member States attract only a twelve per cent VAT (Botswana Unified Revenue Service 2013a). Irrespective of the reasons for imposing customs duty or the modality used (specific, *ad valorem*, or compound), they are a common feature of public finance systems. To illustrate this point, total revenues and grants in Botswana during the 2019/2020 financial year are estimated at 60.20 billion Pula (US$ 5.44 billion) and customs and excise revenue is estimated at 14.02 billion Pula [US$1.27 billion] (Matambo 2019). Thus, customs and excise revenue constitutes nearly thirty-three per cent of the total revenues for the 2019/2020 fiscal year.

Tax and customs duty constitute the bulk of government revenue. Consequently, the generation of adequate tax revenue through efficient tax and customs duty administration is important for "a viable statehood as it serves as the basis for all other state functions" (Soest 2009:15). Since 1973, the Botswana government has initiated a series of reforms to improve the administration of tax and customs duty. The latest initiatives are yet to be implemented through the forthcoming Tax Administration Act, the ongoing review of fiscal legislation related to the Financial Intelligence Act (2009) and Regulations to address the shortcomings identified by the Mutual Evaluation Review for Botswana by the Eastern and Southern Africa Anti-Money Laundering Group in May 2017 (Botswana Press Agency 2018). In relation to the forthcoming Tax Administration Act, the then Minister of Finance and Economic Development, Kenneth Matambo, during the 2018/2019 Budget Speech to parliament (5 February 2018) noted that efforts were underway to promulgate the Act. He said that 'my Ministry continues to work on the simplification of the country's tax administration by developing a Tax Administration Act to improve on the efficiency of tax revenue collection' and that 'progress in drafting this legislation has been slow, but it is expected to be completed during the next financial year' (Matambo 2018:17).

While it was yet to be finalised, Matambo re-affirmed the government's resolve to promulgate the Tax Administration Act during the general assembly of the African Tax Administration Forum (ATAF) which was hosted by the Botswana Unified Revenue Service (BURS) in Gaborone in October 2018. He stated that 'this overarching tax administration law will result in the consequential amendments to other revenue laws such as the income tax and the value added tax acts to synchronise and harmonise them… these reforms aim to ensure tax efficiency, effectiveness, accountability and transparency… in addition, they aim to develop a tax system close to the highest international standards on taxation' (*Sunday Standard* 2018).

Based on the developments since 1973, it can be inferred that there have been concerted efforts to engender efficient and effective tax and customs duty administration in Botswana. Given the importance of tax and customs duty in the calculus of government revenues, the main aim of this paper is to discuss tax and customs duty administration in Botswana. Secondly, the paper makes policy recommendations to further improve the country's tax and customs duty administration. Thirdly, the paper seeks to add to the fledgling literature on tax and customs duty administration in the country.

Tax and customs administration

Some countries have separate organisations for taxes and customs duty but, in others, taxes and customs duty are integrated into a single Tax and Customs Administration (Allink and Kommer 2000). The common trend is to combine taxes and customs duty administration under one roof and call such organisations

Revenue Authorities. For example, the South African Revenue Service (SARS) is the nation's tax collecting authority. The SARS was established under the South African Revenue Service Act 34 of 1997 as an autonomous agency responsible for administering the South African tax system and customs service (South African Revenue Service 2018). Thus, the SARS deals with both tax and customs duty administration. The same can be said of the Kenya Revenue Authority (KRA). The KRA, was established by an Act of Parliament (Chapter 469 of the laws of Kenya), which became effective on 1 July 1995, and is charged with collecting revenue on behalf of the Kenyan government. The same is true in Botswana where the tax and customs administration is the responsibility of the BURS (cf. Botswana Unified Revenue Service 2013b). In almost all Sub-Saharan African countries, tax and customs duty are integrated into a single Tax and Customs Administration. The term 'Revenue Authorities' is used in such countries, as these institutions are responsible for collecting revenue from tax and customs duty. However, some texts refer to Revenue Authorities as Tax Authorities which implies that the organisation is only responsible for tax administration. Most Revenue Authorities are responsible for both tax and customs duty administration.

Revenue Authorities, treated in this paper as Tax and Customs Administration bodies, are organisations created for a specific purpose and business. The core purpose of Revenue Authorities is the enforcement of tax and customs duty legislation and regulations (cf. Allink and Kommer 2000:3). The core business of the Tax and Customs Administration usually comprises of the following activities: assess, collect and audit government-imposed taxes; prevent fraud; surveillance of imported and exported good in order to assess, collect and monitor the various duties linked with import and export; assess and collect social security contributions; and additional assessment and collection activities on behalf of other governmental agencies (Allink and Kommer 2000:11). For example, the mandate of the BURS is 'to perform tax assessment and collection functions on behalf of the Government and to take appropriate measures to counteract tax evasion on the one hand, and to improve taxpayer service to a much higher level on the other' (Botswana Unified Revenue Service 2013b).

Revenue Authorities develop a mission statement in order to deliver on their mandate. There are many definitions of a mission statement (cf. Ackoff 1999; Bart 1997 and 2001). Ackoff (1999:83) noted that 'a mission statement states the organization's reason for being, its ultimate ends, its ideals'. In a related manner, Bart states that a mission statement is 'a formal written document designed to capture and convey a firm's unique and enduring purpose. It should answer some fairly basic yet critical questions, such as What is our purpose? And, Why does our organization exist?' (Bart 1997:9). Bart further observes that 'mission statements answer the question: why do we exist as an organization (or what is our purpose) (Bart 2001:322).

David and David (2003:13) listed nine components of an effective mission statement namely: customers (the target market); products/services (offerings and value provided to customers); geographic markets (where the firm seeks customers); technology (the technology used to produce and market products); concern for survival/growth/profits (the firm's concern for financial soundness); philosophy (the firm's values, ethics, beliefs); public image (the firm's contribution to communities); employees (the importance of managers and employees);and distinctive competences (how the firm is different or better than competitors). Though the above components of a mission statement do not all apply to not-for-profit Revenue Authorities some aspects are applicable such as ways to deliver on their mandates of efficient and effective tax and customs duty administration.

From the definitions given by Ackoff (1999) and Bart (1997 and 2001), a mission statement states the organisation's function and how it intends to deliver on its core mandate. Mission statements do not exist in a vacuum and should relate to the macro-economic environment. This is particularly true for public organisations. For example, the Canada Revenue Agency (CRA)'s mission is 'to promote compliance with Canada's tax, trade and border legislation and regulations through education, quality service and responsible enforcement, thereby contributing to the economic and social well-being of Canadians' (Government of Canada 2008).

It is apparent that its tax and customs duty administration is aligned to the macro-economic goals and social well-being of Canadians. Given the severe post-2007 fiscal strictures experienced by mono-cultural, or single export economies, revenue diversification is an important fiscal tool. Due to the post-2007 fiscal strictures experienced by diamond-reliant Botswana, revenue diversification is one of the priority areas for the National Development Plan (NDP) 11 (2017/2018-2022/2023). In order to deliver on its priority area, the BURS must align its mission statement to this priority. The mission statement states that the BURS is 'leading the way in revenue mobilisation' (Botswana Unified Revenue Service 2013c). While there are other stakeholders involved in revenue collection, the BURS plays a pivotal role in revenue mobilisation. By leading the way in revenue collection in respect to tax and customs duty collection, it aims to help in the delivery of the NDP 11's priority area namely, the development of diversified sources of economic growth and revenues.

Every Revenue Authority strives to ensure efficient and effective tax and customs duty administration. In this regard, Principles of Good Tax and Customs Duty Administration have been developed by different multilateral organisations, for example, the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN), the International Monetary Fund (IMF), and the World Bank; as well as regional organisations such as the ATAF and the Inter-American Centre for Tax Administration (CIAT). However, as cautioned by the OECD's Centre for Tax Policy and Administration, principles should be context-aware:

> each Revenue authority faces a varied environment within which they administer their taxation system. Jurisdictions differ in respect of their policy and legislative environment and their administrative practices and culture. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance. The documents forming the OECD Tax guidance series need to be interpreted with this in mind. Care should always be taken when considering a Country's practices, to fully appreciate the complex factors that have shaped a particular approach (OECD 1999:1).

It is worth noting that the Centre for Tax Policy and Administrations' *Principles of Good Tax Administration* (cf. OECD 1999) are considered best practice. They address issues such as the: roles and challenges of Revenue Authorities; relations with taxpayers (eg apply tax laws in a fair, reliable and transparent manner); relations with employees (eg communicate with employees and uphold high ethical standards); relations with other Revenue Authorities; legal characteristics (eg apply the provisions of tax treaties in a fair and consistent manner); administrative characteristics (actively facilitate exchange of information with treaty partners in a timely fashion and provide feedback on results); and, the management of and adaption to changes (eg review administrative practices on an on-going basis and make recommendations and/or take actions appropriate to address changes in the domestic and international taxation environment, such as the increasing globalisation of the world economy) (OECD 1999). In a similar vein, CIAT's (1996) *Minimum necessary attributes for a sound and effective tax administration* define attributes considered to be desirable and necessary for the CIAT member countries' tax administration in order to ensure that they are efficient, effective, modern and professional. It addresses issues such as: a guarantee of the integrity and impartiality of a tax administration; a guarantee of continuity of a sound tax administration; and a guarantee to ensure the taxpayers' trust.

On the African continent, the *Principles for supporting developing countries in revenue matters* apply (cf. OECD 2012; 2014a). These principles were initiated by the OECD's Task Force on Tax and Development and were drafted by their Tax and Development Secretariat. The initial draft was welcomed by the Network on Governance (GOVNET) members, including the ATAF, at a meeting in November 2011 (OECD 2012). The final OECD draft was approved in 2012. The principles offer some guidance based on the experiences of other countries and recent research (OECD 2012). The principles are organised around ten areas, that include: follow the leadership of government and agree on country level co-ordination mechanisms; do no harm (eg a priority responsibility of international partners is to be alert to the possibility that their actions could damage the revenue prospects of developing countries); promote transparency in tax matters; balance revenue collection imperatives with governance and social objectives; encourage broad-based dialogue on tax matters that includes civil society, business, and other stakeholders; and strengthen revenue and expenditure linkages (OECD 2012).

Research Methodology

Research methodology is a theory of how an inquiry should proceed (Schwardt 2007:195). The research methodology outlines the ways in which research is to be carried out and the procedures researchers use in undertaking research. Amongst others, it addresses issues such as the research approach/paradigm. The research on which this paper is based used a qualitative research approach/paradigm. Qualitative research occurs in natural settings, therefore 'qualitative researchers tend to collect data in the field at the site where participants experience the issue or problem under study' and 'they do not bring individuals into a lab [a contrived situation]' (Creswell 2009: 175). Qualitative research seeks to answer the 'what?', 'how?' and 'why?' of the issue. A case study method was employed and data was gathered using multiple sources. This included some of the following sources on taxation in Botswana: statutes (for example, the Income Tax [Amendment] Act, 2018) and the BURS Annual Reports). In addition to secondary data collection sources, primary data was also gathered through interviews with staff at the BURS (7 June 2016) and the Ministry of Finance and Economic Development (MFED) Tax Policy section (25 May 2016). The research focused on a small number of respondents who provided an in-depth account of the subject matter. Thus, the emphasis was on data richness (depth) as opposed to data thickness (numerous respondents).

In addition to a telephonic interview with the MFED's Tax Policy Section (25 May 2016), an email request was sent to the Tax Policy Section on 6 June 2016, soliciting their input on tax and customs duty administration in Botswana. The Tax Policy Section responded to this request on 9 June 2016. The information contained in this response was used to fill any data gaps and correct any factual inaccuracies.

In qualitative research, informant feedback or respondent validation is vital to improving the accuracy, credibility and validity of a study (Creswell 2009). As such, a draft report was sent to the main respondent (BURS) on 27 May 2016 and a detailed response was received on May 30th 2016. The comments and suggestions from the BURS were incorporated into the final research findings. A final follow-up interview for further clarifications was held with the BURS office on 7 June 2016.

Tax and customs duty administration in Botswana

Legal and institutional framework of tax and customs duty administration

The Ministry of Finance and Economic Development has the overall responsibility for taxation policy issues under the Income Tax (Amendment), Act (2018) (cf. Republic of Botswana 2018) and related instruments. The MFED's Tax Policy section is responsible for tax matters (Ministry of Finance and Economic Development 2009a). The Section currently serves as a Secretariat for both the Taxation Review Committee, which reviews taxation laws, and the Board of Adjudicators, which hears appeals from taxpayers aggrieved by decisions made on their objections to assessments by the BURS (Ministry of Finance and Economic Development 2009a). The Tax Policy Section is responsible for the formulation of taxation policies and reviews both direct and indirect tax legislation (Ministry of Finance and Economic Development 2009a).

Additionally, the Section is responsible for negotiating double taxation avoidance agreements to prevent tax evasion and to avoid double taxation of income as well as giving technical advice on taxation issues to the Minister responsible for finance (Ministry of Finance and Economic Development FED 2009a). In terms of the implementation of tax and customs assessment and collection, the BURS was created in 2004 after the promulgation of the Botswana Unified Revenue Service Act (Republic of Botswana 2004). The 2004 Act provides for the establishment of the BURS, the administration and enforcement of revenue laws, and related matters (Republic of Botswana 2004). According to sections one and two of the Botswana Unified Revenue Service Act of 2004, the agency is responsible for the assessment and collection of tax on behalf of the Government and its functions. It is mandated to take appropriate measures to prevent tax evasion and to improve service delivery to taxpayers (Botswana Unified Revenue Service 2013b).

In addition, section five (a and b) of the Botswana Unified Revenue Service Act of 2004 provides that the Revenue Authority has power to: study the revenue laws and propose to the Minister, such amendments as it considers appropriate so as to improve the administration of, and compliance with, such laws; and calculate the administrative and compliance costs as well as the operational impact of existing taxes and intended tax changes, and advise the Minister accordingly.

Initiatives to improve tax and customs duty administration

The Botswana government has introduced tax reforms in an effort to achieve equity, efficiency, effectiveness, simplicity, accountability and transparency. In 1973, the government commissioned a team of tax experts to: study the existing tax regime; and, recommend improvements based on their findings. This led to the passing of the 1973 Income Tax Act. Subsequent amendments to the 1973 Act were incorporated into the 1987 Consolidated Act. There were additional amendments, the most comprehensive of which was the 2011 amendment where the International Monetary Fund (IMF) was engaged to assist the government (Mguni 2010). In 2015, the government implemented the Value Added Tax (VAT) Amendment Act. On a related note, on 7 December 2018, parliament promulgated the Income Tax Amendment Bill No. 35 of 2018 into law; which introduced new transfer pricing legislation into the Botswana Income Tax Act (cf. Republic of Botswana 2018). Other legislative amendments include, the Banking (Amendment) Act (2013) which was designed to allow banks to disclose confidential information to the BURS without the strict requirement of obtaining a court order (Botswana Press Agency 2013). Other pieces of legislation aimed at combating financial crime and malfeasances include: the Financial Intelligence Act (2009); the Proceeds of Serious Crime Act (2008); the Banking (Anti-Money Laundering) Regulations (2003); and the Corruption and Economic Crime Act (1994).

In addition to the foregoing, the BURS introduced various initiatives meant to enhance tax and customs duty administration. The foremost initiative was the introduction of *e*-services that are available and accessible through the BURS website. These services include: VAT returns (VAT 002) (available since 2013); individual income tax returns (ITA 20); monthly pay as you earn (PAYE) tax returns and schedules (ITW 7A monthly schedules); corporate income tax returns (ITA 22); monthly other withholding tax returns and schedules (ITW7B monthly schedules); pay as you earn (PAYE) (ITW 10) and other withholding tax annual returns (ITW 10) O; e-payment solution using debit/credit card; registration and de-registration of all tax types; merging and streamlining of the My Services online access portal; and *e*-payment through the Botswana Interbank Settlement System and Electronic Fund Transfer (Botswana Unified Revenue

Service 2016a). Other initiatives that are still in the planning phase include: the application for tax viewing and verification for tax clearance certificate; and an online payment system via direct debit on the BURS *e*-services platform.

The other initiative that aimed to improve revenue administration was the introduction of the Public Finance Management (PFM) Reform Programme for Botswana. The PFM Reform Programme was a response to the current socio-economic challenges that require prudent management of public finances (Ministry of Finance and Economic Development 2009b). The PFM Reform Programme includes five major components namely: legal and institutional framework for PFM; budget planning and formulation; budget execution; budget control and oversight; and revenue management. Revenue management focuses on improving revenue forecasts and collection to support a credible budgetary process, and streamlining the existing revenue functions within MFED to ensure realistic revenue forecasts as well as opportunities for cost recovery/sharing (Ministry of Finance and Economic Development 2009b:4). The BURS is tasked with driving the Revenue Management component. Since August 2009, the BURS has undertaken a series of initiatives, such as: *e*-views software; partnerships with commercial banks; and, a partnership with the Zimbabwean Revenue Authority (ZIMRA) (Ministry of Finance and Economic Development 2009b). Other initiatives include continuous learning and outreach programmes (eg trade fairs).

Key Achievements and Challenges in Tax and Customs Duty Administration

The initiatives outlined above have helped to improve tax and customs administration in Botswana. As a result, the BURS has had some key achievements regarding its mandate. It is not possible here to discuss all their achievements but to mention some that were listed in the BURS reports[1]. These include: revenue performance; service delivery enhancers (acquisition of X-Ray container scanners to help combat cross border offences); cost of collection (this has been steadily declining); information systems support and management; performance management system diagnostic study (Botswana Unified Revenue Service 2014); transformation agenda; modern customs and tax information technology systems; staff capacity building initiatives (Botswana Unified Revenue Service 2015; 2016b); and the BURS transformation agenda (Botswana Unified Revenue Service 2017). Lastly, the 2016/17 financial year witnessed a satisfactory performance, especially with respect to revenue mobilisation '[B]URS has since inception recorded a steady increase in revenues collection annually rising from P11,822 billion raised in 2005/6 to P35,808 billion for the year under review [2016/17]' (Botswana Unified Revenue Service 2017:47).

This demonstrates that the annual revenue collection increased more than threefold between 2005/06 and 2016/17. During the 2016/17 financial year, tax revenue collections, as a percentage of the gross domestic product, rose marginally from 23.8 per cent in 2015/2016 to 24.1 per cent. The increase was predominately attributed to improved revenue collection (Botswana Unified Revenue Service 2017).

However, there are some challenges that detract from these achievements. Some of these include: the BURS was not able to start some of its transformation projects such as the acquisition of new information technology systems for the integrated tax management system, due to funding constraints; complex tax administration issues such as tax avoidance and transfer pricing; under-valuation of goods; the challenges of taxing the digital economy; enhancing taxpayer education (Botswana Unified Revenue Service 2014); and manpower constraints (Botswana Unified Revenue Service 2016b). The 2017 BURS report (2017:54) catalogues some of the challenges the BURS faces such as: slow uptake of *e*-services; cross border crime, drugs, and money laundering; and delayed execution of projects.

Some of the challenges that the BURS faces have been highlighted in other outlets and fora. For example, when speaking at the Commonwealth Association of Tax Administrators in November 2014, the

[1] The most recent report available from the BURS website relates to the 2016/17 period which was released in 2017.

then BURS' Internal Revenue Division commissioner, Segolo Lekau, noted that the tax and customs duty administration is out of step with modern business practices. Specifically, Lekau stated that 'the current legislation could not keep with modern business practices' (Lesemela 2014:10). He further stated that 'there are no transfer pricing regulations or legislation and there is no specific capital gains legislation' (Lesemela 2014). Other problems related to issues of capital gains tax (Lesemela 2014).

The BURS also faces some recurring challenges. Of particular importance in this respect is taxpayer non-compliance. This issue was first raised in the 2005/2006 inaugural report, which was released one year after BURS began its operations (Botswana Unified Revenue Service 2006). The Tax gap, first raised in the 2007 report (Botswana Unified Revenue Service 2007) remains a challenge today.

Evaluating Tax and Customs Duty Administration Regime against International Standards

Although there are many international standards on taxation, the one developed by the OECD, through the Global Forum on Transparency and Exchange of Information for Tax Purposes, is the most comprehensive. Botswana's taxation system was peer-reviewed in 2010 (OECD 2010). The review concluded that Botswana's legal and regulatory framework had a number of serious deficiencies, including: bank secrecy, inadequate confidentiality rules, and the lack of exchange of information agreements (OECD 2010:7). Overall, the Global Forum on Transparency and Exchange of Information for Tax Purposes concluded that Botswana did not have the necessary measures in place to achieve an effective exchange of information. As a result, phase two of the review could not be completed until the country acted on the recommendations contained in the report and implemented an improved legal and regulatory framework (OECD 2014b).

A supplementary phase one survey was conducted in 2014. The supplementary survey report, which followed the phase one report on Botswana, was adopted and published by the Global Forum in April 2014 (OECD 2014b). The report noted the improvements made to the legal framework, incorporating the recommendations made in the phase one report of 2010 (OECD 2014b). The report noted that Botswana had also amended its laws to allow it to enter into Tax Information Exchange Agreements (TIEAs) and had signed a number of new agreements to allow for the exchange of information. The phase two review was scheduled for the first half of 2015 and began on 30 June 2015. The phase two review report rated Botswana as largely compliant with international standards (OECD 2016) but made recommendations for improvement. This included ensuring that all accounting information, together with underlying documentation, be retained for all entities and arrangements.

Conclusion

It can be concluded from this study and corroborating literature (cf. Ndlovu 2016; OECD 2019) that tax and customs duty administration is Botswana is, overall, a success. The most important achievements in this regard are: improved tax and customs excise assessment; administration and revenue performance; and a decline in the cost of collection. Despite these achievements, there are still challenges in the assessment and collection of tax and customs duty. The main challenges are: inadequacies in the tax law (for instance, the failure to deal with issues of capital gains tax and transfer pricing); taxpayer non-compliance; and the tax gap. Additionally the challenges are operational and include the BURS' lack of capacity to deal with the ever-evolving tax and customs and excise environment; for instance, taxing the digital economy.

These challenges require reforms that will enhance the country's tax and customs duty administration. This is critical given the post-2007 fiscal strictures. Among others, these reforms must include increased public education to improve tax compliance; a widening of the tax base (eg taxing the cattle industry) and transforming the BURS into a fully autonomous body similar to the Kenyan Revenue Authority. As these reforms will promote efficiency and effectiveness they will lead to improved tax and customs duty administration which in turn will help the state deliver the social contract.

Acknowledgement

This paper is a revised and updated version of a conference paper titled *Improving Tax Administration in Botswana*. It was presented at the Public Affairs Research Institute-Friedrich Ebert Foundation (South Africa) conference on taxation and state building in Sub-Saharan Africa, University of Witwatersrand, Johannesburg, 20-22 June 2016.

References

Official reports and documents

Botswana Unified Revenue Service 2006. 2006 Annual Report. Gaborone: Botswana Unified Revenue Service.

Botswana Unified Revenue Service 2007. 2007 Annual Report. Gaborone: Botswana Unified Revenue Service.

Botswana Unified Revenue Service 2013a. 'Assessment and Payment'. http://www.burs.org.bw/index.php/customsexcisemain/payments-of-customs-duty-and-import-vat/assessment-and-payment accessed 30 September 2019.

Botswana Unified Revenue Service 2013b. 'Mandate'. http://www.burs.org.bw/index.php/about-us/mandate accessed 30 September 2019.

Botswana Unified Revenue Service 2013c. 'BURS Vision and Mission Statements'. http://www.burs.org.bw/index.php/about-us/vision-a-mission-statements accessed 30 September 2019.

Botswana Unified Revenue Service 2014. 2014 Annual Report. Gaborone: Botswana Unified Revenue Service.

Botswana Unified Revenue Service 2015. 2015 Annual Report. Gaborone: Botswana Unified Revenue Service.

Botswana Unified Revenue Service 2016a. 'What's New?' http://www.burs.org.bw/images/public_notice_on_available_e-services.pdf accessed 31 May 2016.

Botswana Unified Revenue Service 2016b. 2016 Annual Report. Gaborone: Botswana Unified Revenue Service.

Botswana Unified Revenue Service 2017. 2017 Annual Report. Gaborone: Botswana Unified Revenue Service.

Government of Canada 2008. 'Mission, Vision, Promise, and Values'. https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/mission-vision-promise-values.html accessed 30 September 2019.

Inter-American Centre of Tax Administrations 1996. 'Minimum Necessary Attributes for a Sound and Effective Tax Administration', https://www.ciat.org/Biblioteca/DocumentosInstitucionales/CartaDocumento(AtributosMinimos)/minimum_necessary_attributes.pdf accessed 30 September 2019.

Matambo, K 2018. 2018/2019 Budget Speech. Gaborone: Government Printing and Publishing Services.

Matambo, K 2019. 2019/2020 Budget Speech. Gaborone: Government Printing and Publishing Services.

Ministry of Finance and Economic Development 2009a. 'Financial Policy'. http://www.finance.gov.bw/index.php?option=com_content&view=category&id=21&Itemid=153 accessed 27 August 2015.

Ministry of Finance and Economic Development 2009b. Public Finance Management (PFM) Reform Programme for Botswana. Gaborone: Government Printing and Publishing Services.

Organisation for Economic Co-operation and Development 1999. Principles of Good Tax Administration

– Practice Note. Paris: OECD.

Organisation for Economic Co-operation and Development 2010. Global Forum on Transparency and Exchange of Information for Tax Purposes: Peer Review Report Phase 1, Legal and Regulatory Framework [Botswana]. Paris: OECD.

Organisation for Economic Co-operation and Development 2012. '10 Principles for International Engagement in Supporting Developing Countries in Tax Matters', https://www.oecd.org/ctp/49836627.pdf accessed 30 September 2019.

Organisation for Economic Co-operation and Development 2014a. Accountability and Democratic Governance; orientations and principles for development. Paris: OECD Publishing.

Organisation for Economic Co-operation and Development 2014b. Supplementary Peer Review Report Summary: Botswana. Paris: OECD Publishing.

Organisation for Economic Co-operation and Development 2016. Global Forum on Transparency and Exchange of Information for Tax Purposes Peer Reviews: Botswana 2016: Phase 2: Implementation of the Standard in Practice. Paris: OECD Publishing.

Organisation for Economic Co-operation and Development 2019. Global Forum on Transparency and Exchange of Information for Tax Purposes: Botswana 2019 (Second Round): Peer Review Report on the Exchange of Information on Request, Global Forum on Transparency and Exchange of Information for Tax Purposes. Paris: OECD Publishing (https://doi.org/10.1787/d32b72f9-en).

Republic of Botswana 2004. Botswana Unified Revenue Service Act, 2004. Gaborone: Government Printing and Publishing Services.

Republic of Botswana 2018. Income Tax (Amendment) Act, 2018. Gaborone: Government Printing and Publishing Services.

South African Revenue Service 2018. 'What SARS Does'. https://www.sars.gov.za/About/Pages/default.aspx accessed 30 September 2019.

Secondary sources

Ackoff, RL 1999. Re-Creating the Corporation – A Design of Organisations for the 21st Century. New York, NY: Oxford University Press.

Allink, M and Kommer, VV 2000. Handbook for Tax Administrations Organisational Structure and Management of Tax Administrations. Amsterdam: Inter-American Center of Tax Administrations.

Bart, CK 1997. 'Sex, Lies and Mission Statements', Business Horizons, vol. 40, 6, pp.9-18.

Bart, CK 2001. 'Measuring the Mission Effect in Human Intellectual Capital', Journal of Intellectual Capital, vol, 2 (3), pp.320-30.

Creswell, JN 2009. Research Design: Qualitative, Quantitative and Mixed Methods Approaches. Los Angeles, CA: Sage.

David, FR and David, FR 2003. 'It's time to Redraft your Mission Statement', Journal of Business Strategy, Vol. 24, 1, pp. 11-4.

Encyclopædia Britannica 2019. 'Tariff'. https://www.britannica.com/topic/tariff accessed 30 September 2019.

Gildenhuys, JSH 1997. Public Financial Management. Pretoria: JL van Schaik.

Ndlovu, T 2016. Fiscal Histories of Sub-Saharan Africa: The Case of Botswana. Johannesburg: Public Affairs Research Institute.

Samson, WD 2002. 'History of Taxation', in Lymer, A and Hasseldine, J (eds.), The International Taxation System. Boston, MA: Springer, pp.21-41.

Schwardt, TA 2007. The SAGE Dictionary of Qualitative Inquiry (3rd edn). Urbana-Champaign:

University of Illinois.
Soest, CV 2009. The African State and its Revenues: How Politics Influences Tax Collection in Zambia and Botswana. Baden-Baden: Nomos Verlagsgesellschaft.
Stiglitz, JE 2000. Economics of the Public Sector (3rd edn). New York/London: WW Norton and Company.
Von Haberler, G 1936. The Theory of International Trade: With its Applications to Commercial Policy. London: William Hodge.

Media sources
Botswana Press Agency 2018. 'Tax Administration Act on cards', Daily News, 5 February.
Botswana Press Agency 2013. 'Bill to Curb Tax Evasion', Daily News, 10 July.
Lesemela, K 2014. 'BURS laments Outdated Tax Legislation', Mmegi, 13 November.
Mguni, M 2010. 'IMF Roped in for Planned Tax Reforms'. Mmegi, 23 July.
Sunday Standard 2018. 'Botswana Readies for New Tax Regime', Sunday Standard, 28 October.