



## Press Release – Taxation of Rental Income

Botswana Television (BTV) aired the Botswana Unified Revenue Service (BURS) clip on taxation of rental income on the BTV news bulletin on 5 January 2011. As a result, stakeholders/taxpayers have been making follow ups to obtain further clarification about the subject matter. This, press release therefore, seeks to provide further information on the issue as explained below.

The letting and leasing of property (land, buildings and other properties) is considered a business activity under Section 2 of the Income Tax Act. Consequently, rentals, premiums and the right to have improvements effected on leased out land and buildings/paid to the owners of such properties are regarded as income arising from that activity.

The gross income of the owner of such property (the lessor) includes:

- The gross rent payable
- A premium or other consideration (in addition to the rent) which is payable by a lessee for the right of use or occupation of the property; and
- If there is an agreement that the lessee should effect improvements on the property, the amount stipulated in the agreement as the value of the improvements to be effected.

It is worth noting that, expenditure such as mortgage interest, rates and repairs are allowable deductions when computing rental income for tax purposes but payments relating to improvements to the property and mortgage loan are not allowable since they are capital expenditure.

Rental Income, be it from a backyard room or any other property, should be reported with other sources of income to the Commissioner General on yearly basis. Clients/taxpayers who have rental income(s) are

therefore advised to submit tax returns declaring their rental incomes together with other sources of incomes.

For further information on the matter, please contact the BURS Call Centre on 17649.

**Botswana Unified Revenue Service (BURS)**

**Call Centre - 17649**

**Web - [www.burs.org.bw](http://www.burs.org.bw)**