

## Budget adds tax benefits and widens operating scope of IFSC companies

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companies, as well as financial institutions.”

Mr Vijay Kalyanaraman of Grant Thornton Acumen commented that the Budget reinforces Government recognition of IFSC as a good opportunity for promoting economic growth and diversification.

“The tax benefits are highly commendable. Disposal gains arising out of sale of shares in an IFSC company will be exempt from capital gains tax, and interest received by IFSC companies will continue to be exempt.”

He said bringing holding and administration companies within the purview of the IFSC will encourage international investors to see Botswana as an attractive regional hub for carrying out their business in Africa and elsewhere.

“Extending the benefits of IFSC accreditation to companies engaged in business process outsourcing and call centre activities will also be a stimulus to attracting them to Botswana. There is considerable scope for growth in this sector, which holds the promise of significant employment and income opportunities for the country.” He added that the inclusion of mutual funds in the IFSC domain could encourage increased volume of trading on the Botswana Stock Exchange.

### Regulatory environment

Botswana IFSC welcomes the proposed Bill to regulate and supervise non-banking financial institutions, which play a growing role in the economic development of the country. The Bill would also boost investor confidence by reinforcing Botswana’s reputation for business transparency.

“Such a Bill would be in line with IFSC’s commitment to integrity, professionalism and best practice,” noted Mr Kalyanaraman.

He also commended the Government’s intention to repeal the Botswana Stock Exchange Act and replace it with a Securities Act. “This will increase investor confidence, transparency and defined practices of trade. It will attract more and more international investors into Botswana and IFSC is seen as an attractive vehicle to carry out their regional operations, ”to African economies.”

### World Bank study

The central role of tax incentives in the operations of Botswana IFSC is highlighted in a 2004 World Bank study on the country’s financial sector. It noted that the main driver of the IFSC initiative in outsourcing the back-office functions of financial institutions and large corporations is the attractive tax benefit to IFSC registered companies.



Mr Vijay Kalyanaraman  
Grant Thornton Acumen

The report says: “This particular business segment is growing fast globally, and the sector can generate additional employment and income with an appropriate incentive framework and effective handling of issues regarding the broader legal environment (data security, protection of privacy and intellectual property rights), reliability and productivity of business process outsourcing operations.”

It adds that there seems a significant potential to create an international capital market to allow foreign firms to raise capital in the country. “If successful, Botswana can become a significant player in capital flows.