

THE IMPORTANCE OF FILING TAX RETURNS



BOTSWANA PUBLIC OFFICERS
PENSION FUND

Driving Member Value

A Tax Return is a documentation filed with a Tax Authority being Botswana Unified Revenue Services (BURS) that reports income, expenses, and other relevant financial information. On Tax Returns, taxpayers calculate their tax liability, schedule tax payments, or request refunds for the overpayment of taxes.

According to the Income Tax Act of 2014 every person shall furnish a return in the prescribed form of his or her gross income (hereinafter referred to as a "tax return") in respect of any tax year, either personally or in a representative capacity.

Are you aware that payment of your pension benefits can be delayed because you did not submit Tax Returns? Are you also aware that increasing your monthly pension contribution can reduce your tax?

WHAT IS RETIREMENT?

Retirement is when a member leaves service after attaining the minimum retirement age of 45 years or on ill health anytime before the minimum retirement age. Such a member receives one third of their pension as a tax-free cash lump sum. Even though the one third is not taxed, the benefits must be cleared for tax at BURS before payment.

DISABILITY/ ILL HEALTH RETIREMENT

Upon receipt of notification from the employer that a member has become totally and permanently incapable of efficiently carrying out his/her duties, the Trustees may retire the concerned member from the Fund at any time before he/she reaches retirement age. A deferred pensioner can also request for ill health retirement whereupon the Fund will seek independent medical advice.

MEMBER WITHDRAWAL

Withdrawal is when a member leaves service before reaching the minimum retirement age of 45 years. If you are declared redundant or dismissed before this age, then you are withdrawing from the Fund. The member is entitled to 25% of what they have accumulated in the Fund. This portion is taxed unlike the one third retirement benefits.

TAX IMPLICATIONS

The implications of tax are the same as of retirement. If you do not submit the Tax Returns, BURS is permitted by the Income Tax Act to withhold your file until you submit the Returns. The Fund will then advise you to contact BURS to settle the issue.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) IMPACT ON TAX

Additional Voluntary Contribution (AVC) is the supplementary contribution that a member can volunteer to give, in addition to the compulsory 5%. You can increase your contribution up to 10% and make a total contribution of 15% every month. When you make AVC, you increase your benefits and, as such, you will be paid an enhanced package when you leave service.

It is important for members to understand that when processing claims for payment of pension benefits (Death, Dismissal / Resignation / Retrenchment / Retirement), all claims are submitted to BURS for tax clearance. Files whose members are compliant with BURS requirements are returned to the Administrator within the agreed number of working days. However, those for members who are non-compliant are withheld at BURS until members file their missing Tax Returns or pay any outstanding funds to BURS. For the latter, such members can arrange with BURS so that the funds can be deducted from their benefit and transferred to BURS on their behalf. Either way, the member still must liaise with BURS.

Members can ensure compliance with BURS even prior to their exit from employment or before their exit claims are submitted to the Administrator.

Mercy Robinson

Director Member Benefits