Guide to filing Income Tax Return for individuals

2010

These notes and guidance to filing the Income Tax Return for individuals for 2010 tax year must be carefully read before filing the return.

PART A: NOTES TO THE RETURN

This return should be filled and submitted to the MRA office where the individual's Tax File is managed.

1. Completion of Return

    - The self assessment return is filled in duplicate by the taxpayer and be submitted within 180 days from the end of the year of assessment.
    - Year of assessment means a period of twelve months in respect of which the tax leviable under the Taxation Act is chargeable.

2. Filing of the Return

    - The filled Self Assessment Return should be presented to the MRA Office where the taxpayer has a tax file within six (6) months after the end of the taxpayers' accounting year.
    - Financial Accounts must not be submitted. Accounts Information Schedule for individuals provided by MRA should be completed and attached to the return.
    - The return form includes a declaration made by the taxpayer on the accuracy and completeness of the return and must be signed by the taxpayer before it is submitted to MRA.

3. Penalties

    - Penalties must be computed for late submission of the return and insufficient provisional tax. The penalties must be indicated in space provided on the return.
    - Where taxes or penalties have been omitted or wrongly computed, the MRA shall recompute them.

4. Payment of tax

    - The due date for payment of any balance of the tax due to MRA after provisional tax payments is the due date for submission of Self Assessment Return (within six (6) months after the end of the taxpayer's accounting year).
    - All Self Assessments Returns including those where there is NIL tax payable MUST be submitted by the due date.

PART B: THE FIELDS IN THE RETURN.

Income Tax Year

The year to which the income tax return relates to should be filled in the space provided.

Field 1 to 10

The current taxpayers' details including the accountants' should be filled in these fields.

Field 11

The primary nature of your business should be entered in this field. The nature could be manufacturing, farming, construction e.t.c

Field 12 to 13, 16 to 17

If you do not carry on trade in your own name, give the trade name under the space provided

In computing income to be entered in fields 12 to 19, any amounts received or accrued under any contract made in Malawi for the sale of goods, irrespective of place of delivery of such goods must be taken into account.

Any remuneration for services rendered or work done in the carrying on in Malawi of any trade or business, wherever such remuneration is payable and wherever the payer is resident must be included.

In computing capital gain on sale of capital assets, the taxable gain shall be computed by finding the difference between the selling price and the adjusted basis of the asset. The basis of the asset should be arrived at by using the CPI Based Conversation Factors.

Business Income shall only include income from the primary source of income for the company. For example, if a company deals in letting of property as the main business, then the gross income should be entered in the business income line. Any other income from other sources other than the primary source should be indicated in the other spaces provided.

In computing share income, gains from sale of shares traded on the stock exchange shall not be Included in the taxable income if those shares are held by the taxpayer for not less than one year. (First schedule paragraph hc)

Any other income written in field 20 should be as specified in the account information sheet.

Field 14

The cost of goods is the total of costs of goods from the primary business and any other income which results in cost of goods sold. For example if your primary nature of business is construction, then in field 14A, indicate the cost of goods sold for this income. But if you have other sources of income like farming, the cost of goods sold for this income should be entered in field 14B.

Field 22

The amount to be entered in this field is the total of all expenses as in the accounts information sheet attached.

Fields 23 and 24

The Net profit/Loss in field 23 should be taken from field 24. In case of a loss, use brackets.

Fields 25 and 26

These fields should contain totals of non allowable and allowable deductions for tax purposes as per sections 28 to 46 of the taxation act. A schedule of these should accompany the return.

Field 29

The rate to be applied on net taxable profit in field 28 should be as specified in the eleventh schedule of the Taxation Act.

Field 30 A

Attach schedule of withholding taxes deducted and all withholding tax certificates for the deducted tax.

Field 32

You must charge yourself a penalty for late submission of return of K50 000 when the return is submitted to MRA later than 180 days after the company's accounting date as per section 112(3).

You must charge yourself penalty for insufficient provisional tax paid if your total provisional tax paid is less than 90% of your total tax liability for the year as follows:(section 84(1)

a) 25% of the unpaid tax if the amount of tax unpaid as a percentage of total tax liability exceeds 10% but does not exceed 50%.

b) 30% of the unpaid tax if the amount of tax unpaid as a percentage of the total tax liability exceeds 50%.

PART C. THE ACCOUNTS INFORMATION SHEET

1. The amounts entered on the fields of this sheet should be copied from the financial statements of the year.
2. For taxpayers who are in partnerships, and have other businesses, they will be required to file a separate Accounts information sheets for the partnership.
3. The amount to b entered in field 24 is the whole contribution paid to the pension fund by the company. However, the excess over the allowable contribution by the employer as per paragraph 2 of the fifth schedule of the act should be included in the non allowable deductions. Paragraph 2 of the fifth schedule states that:

2. The amount to be allowed as a deduction to an employer of an employee who is a member of one or more pension funds in any one year of assessment shall be-

(a) the total of the employer's contributions;

(b) the difference between twenty-four per centum of the annual emoluments of the employee for that year of assessment and the amount of the contribution (if any) allowable as a deduction to the employee; or

(c) K9,000,

(d) Whichever is the lesser amount.