



**Malawi
Revenue
Authority**

2024-2025

**ANNUAL
REPORT**

2024/25 ANNUAL REPORT

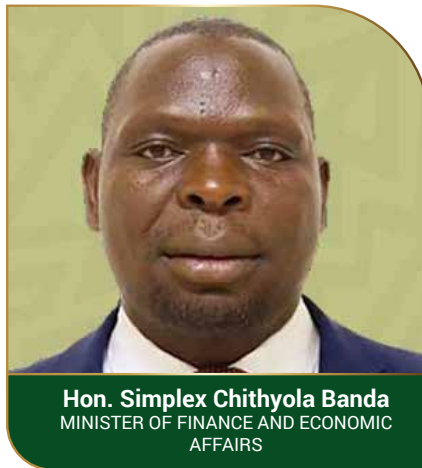
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LIST OF ABBREVIATIONS AND ACRONYMS

AEO	: Authorized Economic Operator
ASYCUDA	: Automated System for Customs Data
BMS	: Block Management System
BOBJ	: Business Objects
CFE	: Collection, Filing and Enforcement
CIT	: Corporate Income Tax
CSP	: Corporate Strategic Plan
CSR	: Corporate Social Responsibility
DRS	: Disaster Recovery Site
EFDMS	: Electronic Fiscal Device Management System
EPZ	: Export Processing Zones
ESS	: Employee Self-Service
FAST	: Flexible Anti-Smuggling Team
GDP	: Gross Domestic Product
ITA	: Institute of Tax Administration
KPAs	: Key Performance Areas
KPIs	: Key Performance Indicators
MBS	: Malawi Bureau of Standards
MCDE	: Malawi College of Distance of Education
MDAs	: Ministries, Departments and Agencies
MRA	: Malawi Revenue Authority
MUST	: Malawi University of Science and Technology
NSW	: National Window Single
OSBP	: One Stop Border Post
RBM	: Reserve Bank of Malawi
SAP	: Systems Application Products
TAA	: Tax Administration Act
TRA	: Tanzania Revenue Authority
UPS	: Uninterrupted Power Supply
USD	: United States Dollar
WCO	: World Customs Organization
WTO	: World Trade Organization
ZRA	: Zambia Revenue Authority

STATEMENT BY MINISTER OF FINANCE AND ECONOMIC AFFAIRS



Hon. Simplex Chithyola Banda
MINISTER OF FINANCE AND ECONOMIC
AFFAIRS

It is with great pleasure that I present the Malawi Revenue Authority's (MRA) annual report for the 2024/25 financial year. This period was marked by significant economic challenges, both locally and globally. Despite these headwinds, MRA remained steadfast in its mission to mobilize revenue in support of the Government's fiscal and developmental priorities and agenda.

The year was characterized by subdued economic growth, persistent inflation, foreign exchange shortages and exchange rate volatility. These conditions, compounded by structural shifts in trade and production, tested the resilience of our economy and institutions. Yet, MRA responded with agility by adopting innovative collection strategies, strengthening enforcement and enhancing digital platforms. Although the revenue outturn fell slightly short of target, the performance was commendable, reflecting the dedication and professionalism of staff members.

However, critical challenges persist. Tax evasion, smuggling, illicit trade, and non-compliance continue to undermine revenue collection efforts. In addition, inefficiencies in the tax system and the emergence of sophisticated tax avoidance schemes

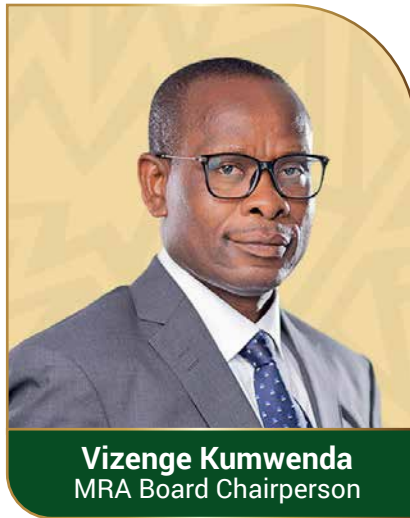
demand urgent reform.

To confront these challenges, MRA is intensifying taxpayer education, enforcement, widening the tax net, and investing in advanced digital and risk management systems. This is intended to improve efficiency, transparency, and voluntary compliance. These reforms are central to building a modern, responsive and equitable tax system. The Government remains fully committed to supporting the Authority in delivering on its mandate.

Looking ahead to the 2025/26 financial year, MRA's revenue target of MWK4.33 trillion will be vital in funding a projected Government expenditure of MWK8.05 trillion. Meeting this goal will require sustained collaboration, improved compliance and continued innovation. With the unwavering commitment by stakeholders and the resilience of the MRA team, I am confident that we will rise to the occasion and deliver on our collective vision for a stronger Malawi.

Hon. Simplex Chithyola Banda, MP.
MINISTER OF FINANCE AND ECONOMIC AFFAIRS

STATEMENT BY THE BOARD CHAIRMAN



Vizenge Kumwenda
MRA Board Chairperson

On behalf of the Board of Directors, I am honoured to present the MRA's Annual Report for the 2024/25 financial year. This year brought both significant progress and considerable challenges as the Authority continued to advance its mandate of revenue mobilization for national development.

Key milestones included the implementation of excise tax stamps branded as Kalondola, Call Centre, the upgrade of the Electronic Fiscal Device Management System (EFDMS), automation of the Cash Book and upgrade of the COMESA Virtual Trade Facilitation System (CVTFS) commonly known as Cargo Tracking System. These collectively improved service delivery, enhanced compliance and reduced tax evasion. These reforms contributed to the substantial 40% growth in revenue collection compared to the previous financial year thus demonstrating the positive impact of the Authority's modernization efforts.

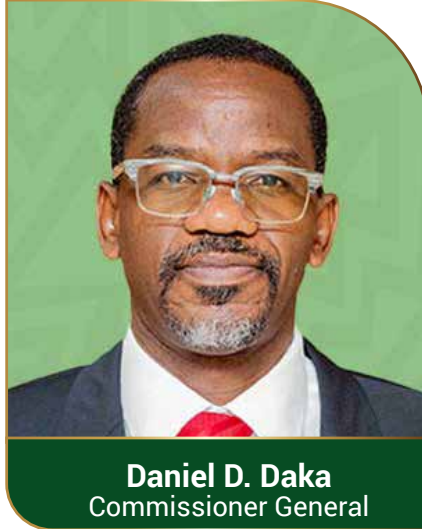
Despite these gains, MRA faced a challenging

macroeconomic environment where a short-fall of 6% against the revenue target reflects broader national economic conditions, including high inflation, slower Gross Domestic Product (GDP) growth (down from 4.0% to 3.2%) and persistent foreign exchange shortages. Operationally, Value Added Tax (VAT) compliance and disruptions in key sectors such as manufacturing and logistics partly due to fuel shortage also affected taxable transactions.

Looking forward, the Board remains committed to strengthening policy reforms, enhancing compliance and promoting stakeholder collaboration. We commend the Commissioner General and the entire MRA team for their resilience and professionalism during this period. As we prepare for the year ahead, our focus will be on building a robust and efficient tax system that underpins Malawi's long-term economic growth.

Vizenge Kumwenda
MRA BOARD CHAIRPERSON

FOREWORD BY
THE COMMISSIONER GENERAL



It is my privilege to join the Minister and Board Chairperson in presenting the 2024/25 Annual Report. This year reflected both the resilience of our organization and the ongoing challenges we face in fulfilling our revenue mandate.

MRA collected MWK3.06 trillion against a target of MWK3.26 trillion, representing 94% performance and a remarkable 40% growth from the previous financial year. These results were achieved despite a tough economic environment marked by inflation, exchange rate instability and fuel supply disruptions.

Our modernization agenda yielded tangible improvements. The upgraded MRA Taxpayer Portal improved service delivery; the launch of the new e-Tariff system streamlined Customs processes; and intensified enforcement efforts, particularly against smuggling and reduced revenue leakages. We also deepened our engagement with the informal sector and rolled out comprehensive taxpayer education initiatives.

However, operational challenges remain like non-compliance, especially in high-risk sectors, and continued under-declaration of goods are some of our areas of concern. We are addressing these through enhanced compliance strategies, data-driven risk analysis, and full implementation

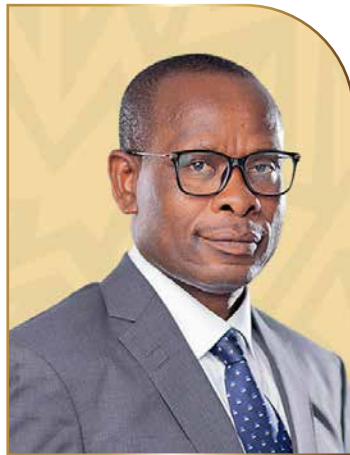
of key reforms such as the Tax Administration Act (TAA), Kalondola on domestically produced and imported excisable goods, cargo scanners and Automated System for Customs Data (ASYCUDA) World interface, implementation of the Integrated Tax Administration System (ITAS) branded as Msonkho Online, the development of Data Marts, Cargo Tracking upgrade, Call Centre etc.

In the 2025/26 financial year, we will focus on consolidating gains through the rollout of the Electronic Invoicing System (EIS), full implementation of TAA and the expansion of Kalondola on domestically produced and imported goods. Furthermore, digitalization of our processes will enable efficient and transparent service delivery. I extend my sincere appreciation to our staff, compliant taxpayers and stakeholders whose contributions were instrumental to this year's results.

MRA remains fully committed to building a fair, modern and efficient tax administration that supports Malawi's development agenda. With continued innovation and collaboration, we will deliver even tangible outcomes in the year ahead in the spirit of Winning as One.

Daniel D. Daka
COMMISSIONER GENERAL

DIRECTORS OF THE MRA BOARD IN THE 2024/25 FISCAL YEAR



Vizenge Kumwenda
Chairperson



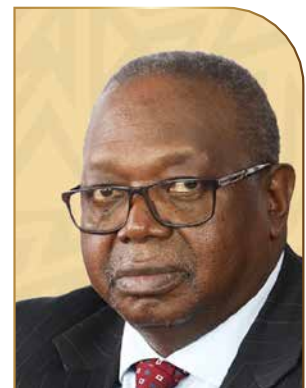
Mr. John Robson Kamanga
Member



Mr. Arnold Mbwana
Member



Ms. Martha Kaukonde
Member



Dr. W. T. Banda
Ex Officio Member
– Governor of Reserve Bank



Mr. H. Mphasa
Ex-Officio Member
– Accountant General



Mrs. C. Chatima Zakeyo
Ex Officio Member
– Secretary for Trade and
Industry



Prof. Betchani Tchereni
Ex Officio Member
– Secretary to the Treasury

THE MRA EXECUTIVE MANAGEMENT TEAM



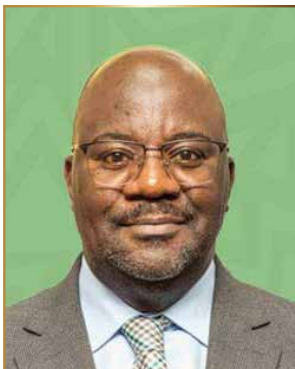
Daniel D. Daka
Commissioner General



Henry Ngutwa
Deputy Commissioner General



Douglas Katchomoza
Executive Director—Corporate Services



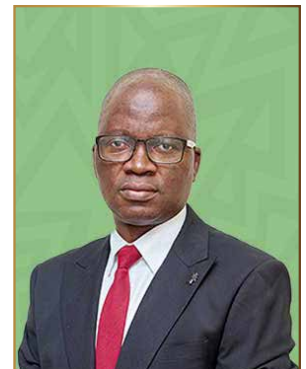
Gray Balawe
Commissioner—Domestic Taxes



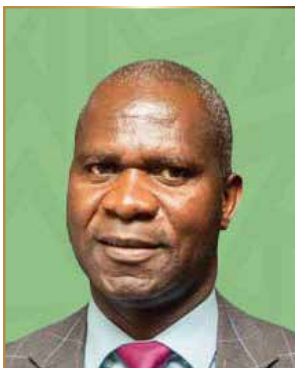
Cornelius Kakwesa
Commissioner Customs & Excise



Beatrice Mwangwela
Dir. Legal & Company Secretary



Alick Mwale
Director of Internal Audit



James Kanani
Director Policy Planning and Reserch



Mofolo Chikaoneka
Director of Finance



Haston Chamba
Director Human Resource



Menard Nyirenda
Acting Director ICT



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01

**CORPORATE
PROFILE**

01

CORPORATE PROFILE

MRA Mandate

MRA is a Government agency tasked with assessing, collecting and, managing the country's tax revenues. Established by an Act of Parliament in 1998 and officially launched in February 2000, the institution operates under the oversight of the Minister of Finance and Economic Affairs to whom it remains directly accountable.

Figure 1: Functions of MRA



Figure 2: MRA High Level Strategy (Mission, Vision and Objective)

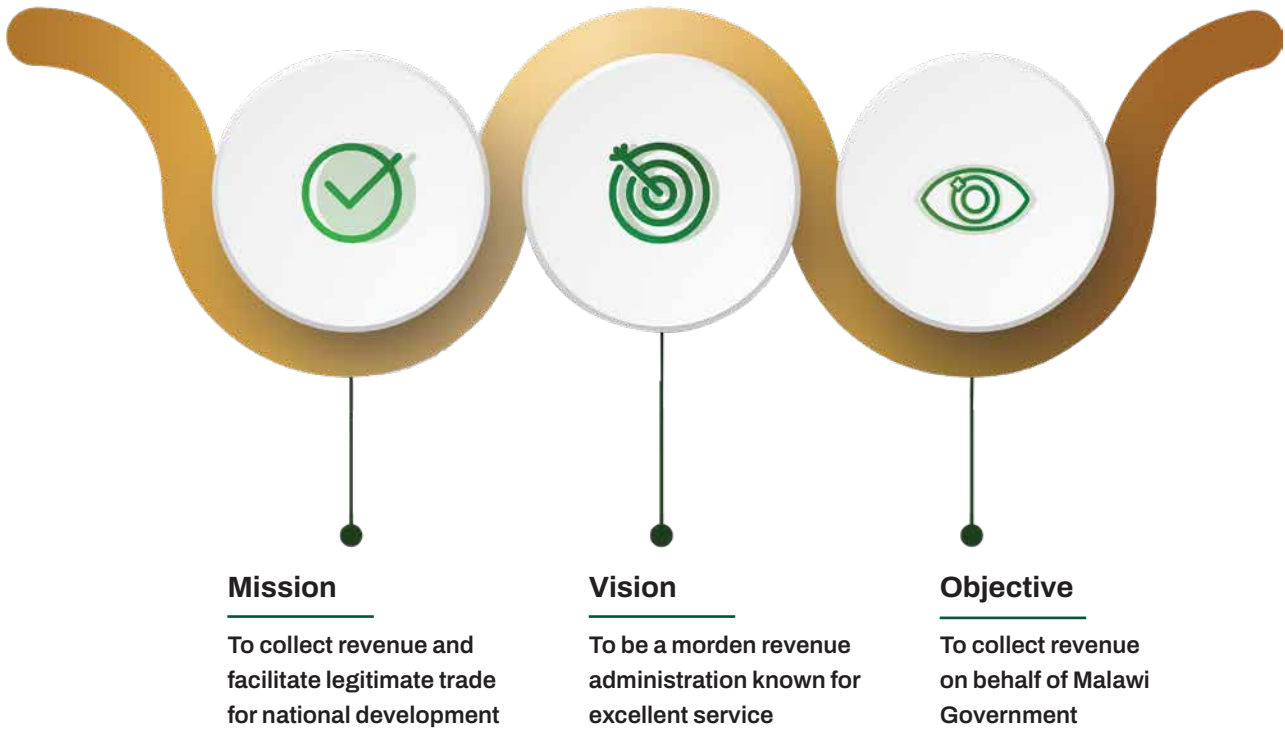
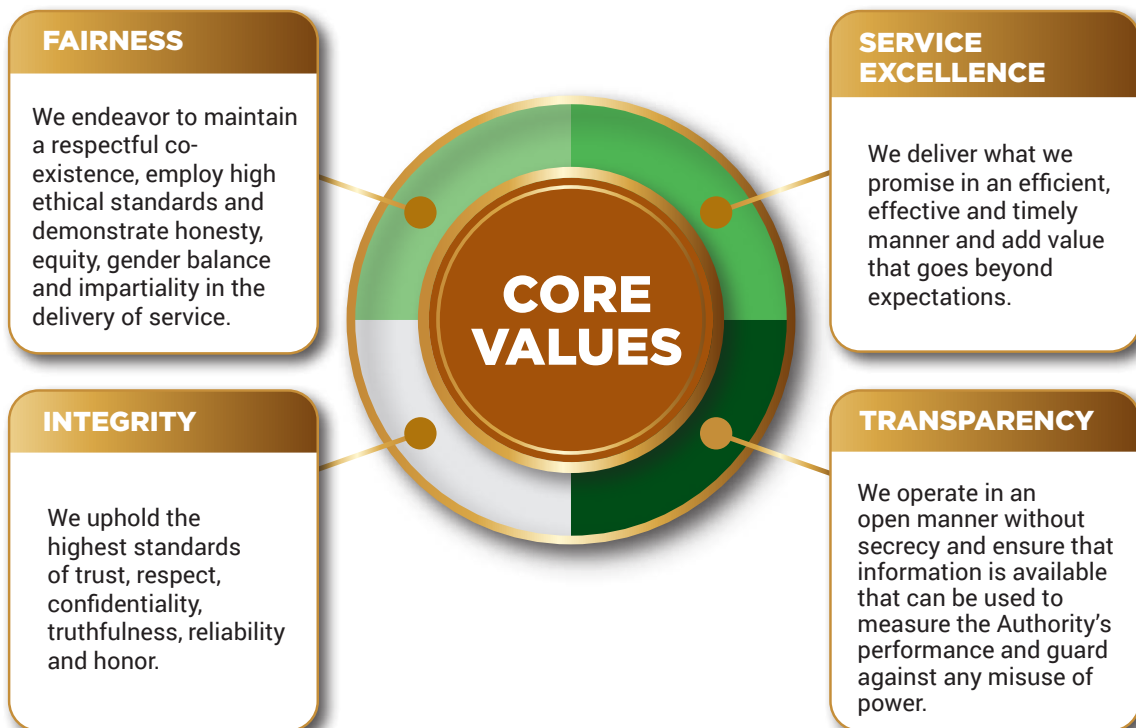


Figure 3: MRA Core Values





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STRATEGIC
PERFORMANCE

02

STRATEGIC PERFORMANCE



Dedza One-Go Border Post

MRA's 2021–2026 Corporate Strategic Plan (CSP) serves a six-year roadmap, structured around the Balanced Scorecard methodology. It focuses on eight strategic objectives distributed across four key perspectives: Financial, Customer Experience, Internal Business Processes, and Organizational Capacity.

The 2024/25 financial year marked the fifth year of implementation, offering a timely opportunity to assess progress and ensure the plan remains aligned with MRA's long-term institutional goals. To guide performance and track results, the CSP includes 20 Key Performance Indicators (KPIs) that serve as benchmarks throughout the implementation period.

The overall performance for the year reflected remarkable progress of the 10 KPIs actively monitored. Three indicators; percentage system uptime, percentage annual growth in revenue collection and percentage of tax arrears collected, not only met but exceeded expectation, highlighting areas of exceptional performance.

Another three indicators, tax revenue collected to target ratio, completion rate of the annual reform plan and percentage of risks within risk appetite showed some progress, indicating steady advancement in critical areas. However, two indicators namely cost of collection and completion rate of the annual infrastructure plan, revealed areas requiring continued focus, as they fell short of desired performance.

Some KPIs were not monitored during the year, particularly those dependent on survey data such as taxpayer perception and taxpayer satisfaction score. These are scheduled to be measured in the sixth year of the CSP implementation after finalization of the Taxpayer Perception Survey that was conducted in the last financial year. Additionally, a few indicators were not tracked due to their complexity and lack of sufficient data for accurate measurement.

Despite these gaps, the 2024/25 performance review offers a meaningful snapshot of progress under the CSP. It highlights both the gains made and the areas for further improvement. As MRA enters the final year of the strategic plan, the focus now remains on staying agile, building on achievements and laying the groundwork for the next long-term strategy.

Figure 4: Financial Perspective

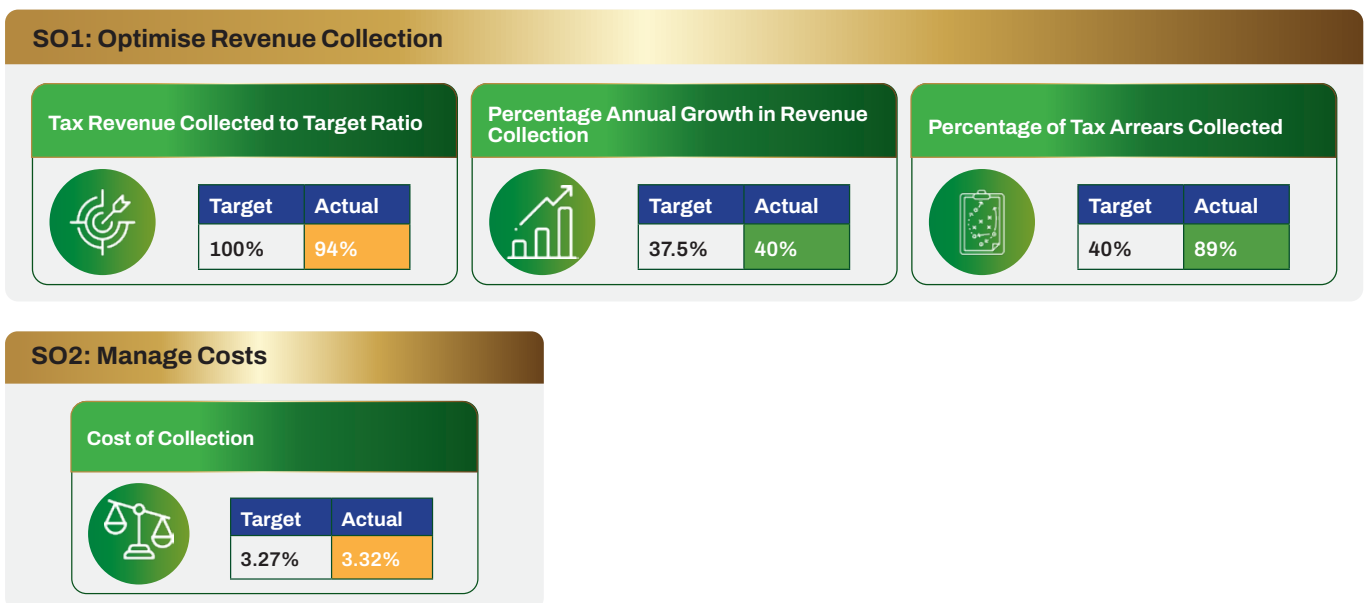
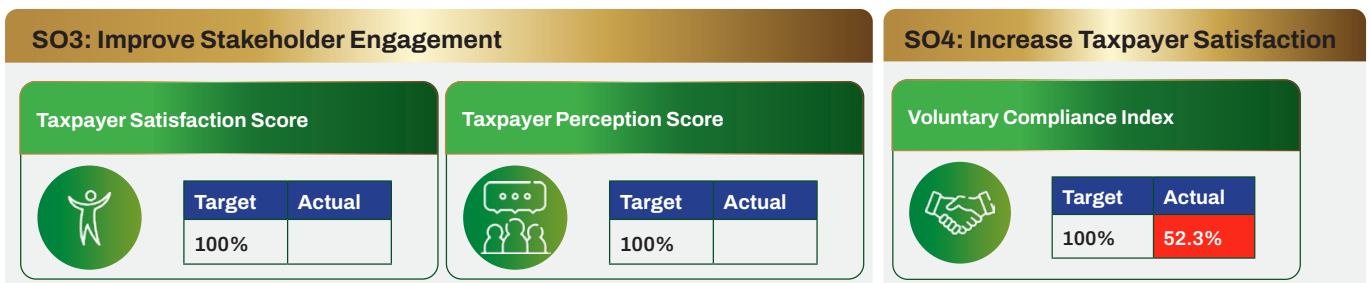


Figure 5: Customer Experience Perspective



Color Code

- Exceptional Performance
- Moderate Performance
- Lagging Performance

Figure 6: Internal Processes Perspective

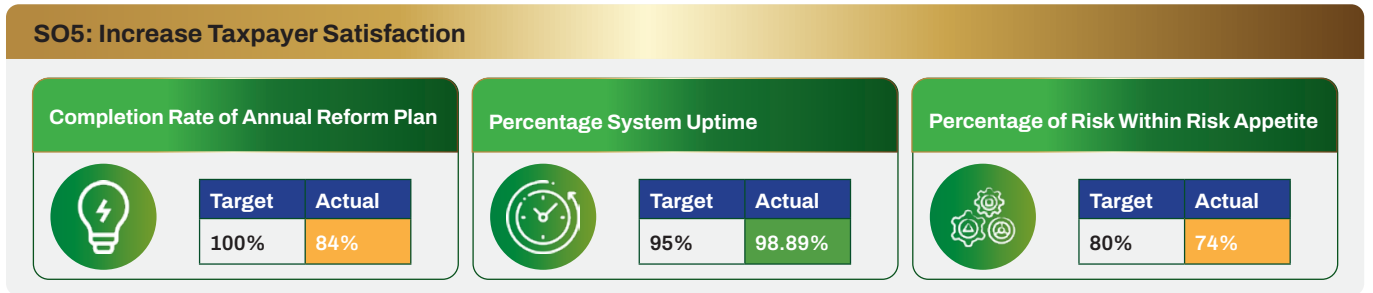
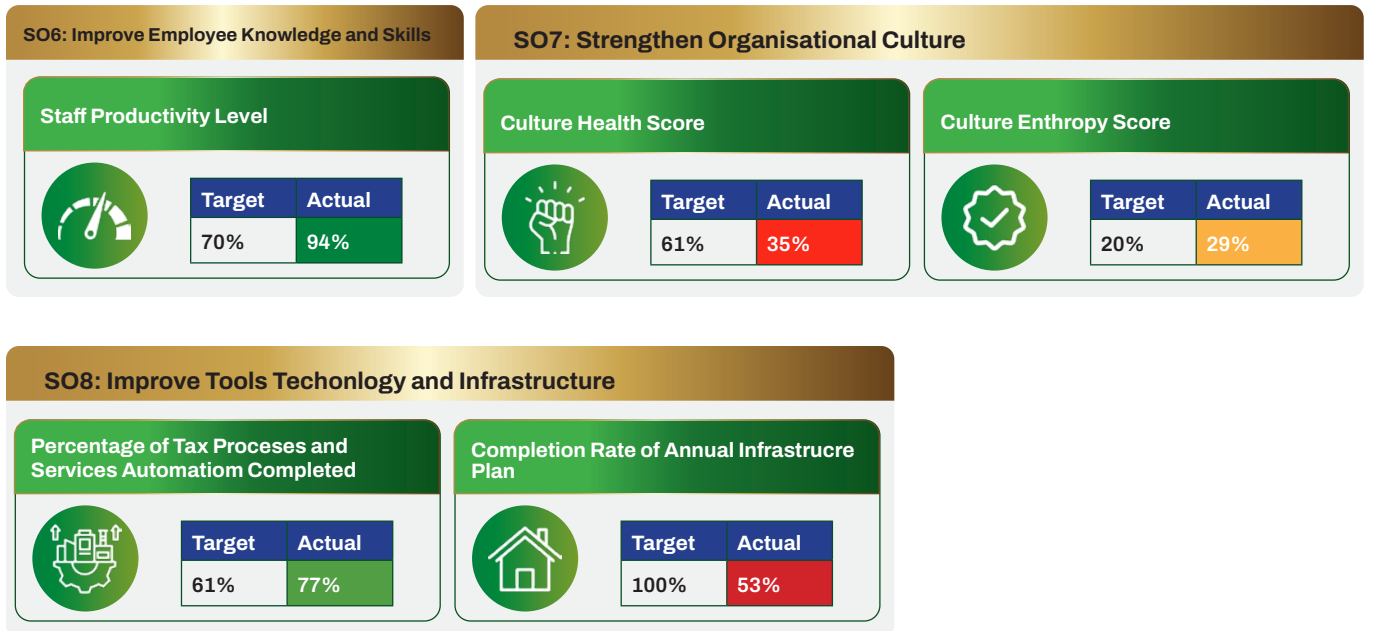


Figure 7: Organizational Capacity Perspective



Color Code

- Exceptional Performance
- Moderate Performance
- Lagging Performance



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03

ECONOMIC OVERVIEW

03

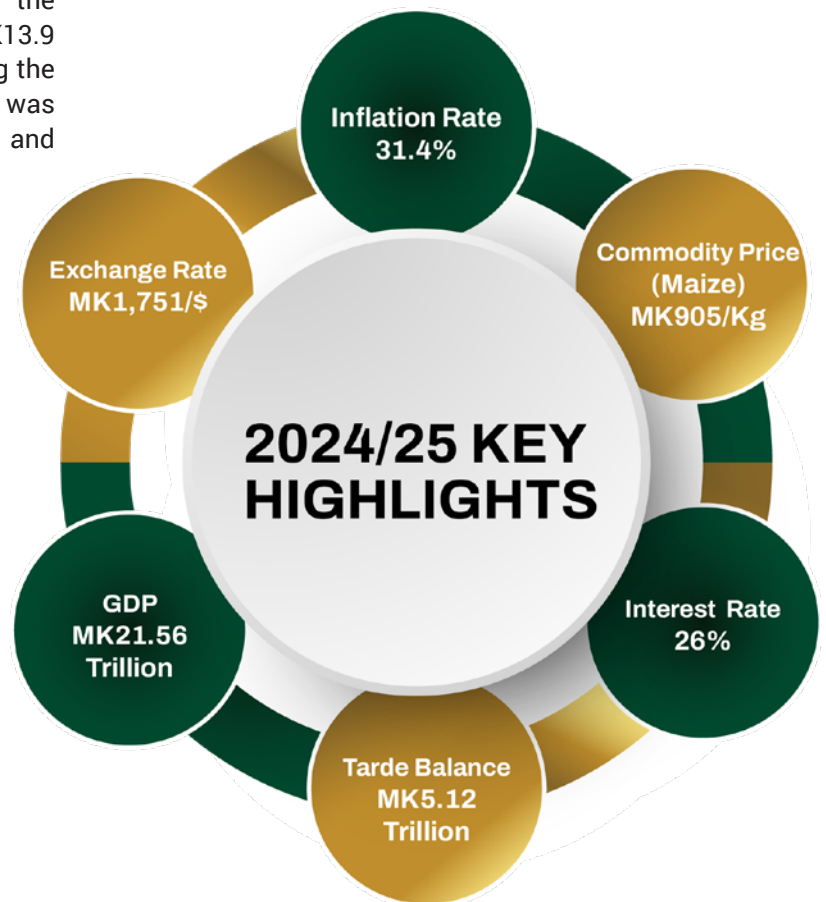
ECONOMIC OVERVIEW

In the 2024/25 financial year, Malawi’s economy experienced significant headwinds, largely due to global challenges such as persistent inflation, geopolitical instability and climate-related disruptions. These factors had cascading effects on developing countries and Malawi was no exception. A severe El Niño-induced drought dealt a major blow to the agricultural sector, prompting a downward revision of GDP growth to 1.8%. At the same time, inflation averaged 33.8%, driven primarily by food price hikes and continued foreign exchange shortages. These inflationary pressures severely strained household incomes and overall economic stability.

On the fiscal front, the Government recorded a deficit of K1.43 trillion, equivalent to 7.6% of the GDP, while public debt rose sharply to K13.9 trillion or 86% of the GDP, further intensifying the macroeconomic instability. The situation was compounded by reductions in foreign aid and

ongoing fuel and import shortages that strained both public services and private sector operations. Despite these challenges, some sectors such as mining, construction, trade and tourism showed signs of resilience thus offering hope going into 2025. Government interventions focused on investment in irrigation, mega-farms and support for smallholder farmers are laying the foundation for longer-term resilience. As Malawi enters a critical recovery phase, successfully managing inflation, public debt and foreign exchange stability will be central to achieving sustainable growth.

Figure 8: Major Economic Highlights 2024/2025



3.1 Domestic Economy Developments

3.1.1 Economic Growth

Economic recovery remained in 2024/25 even though it was constrained by high inflation, weakened consumer demand and the lingering impact of currency devaluation. While export crops like tobacco performed relatively well due to favorable international prices, production for staple agricultural produce suffered erratic weather conditions.

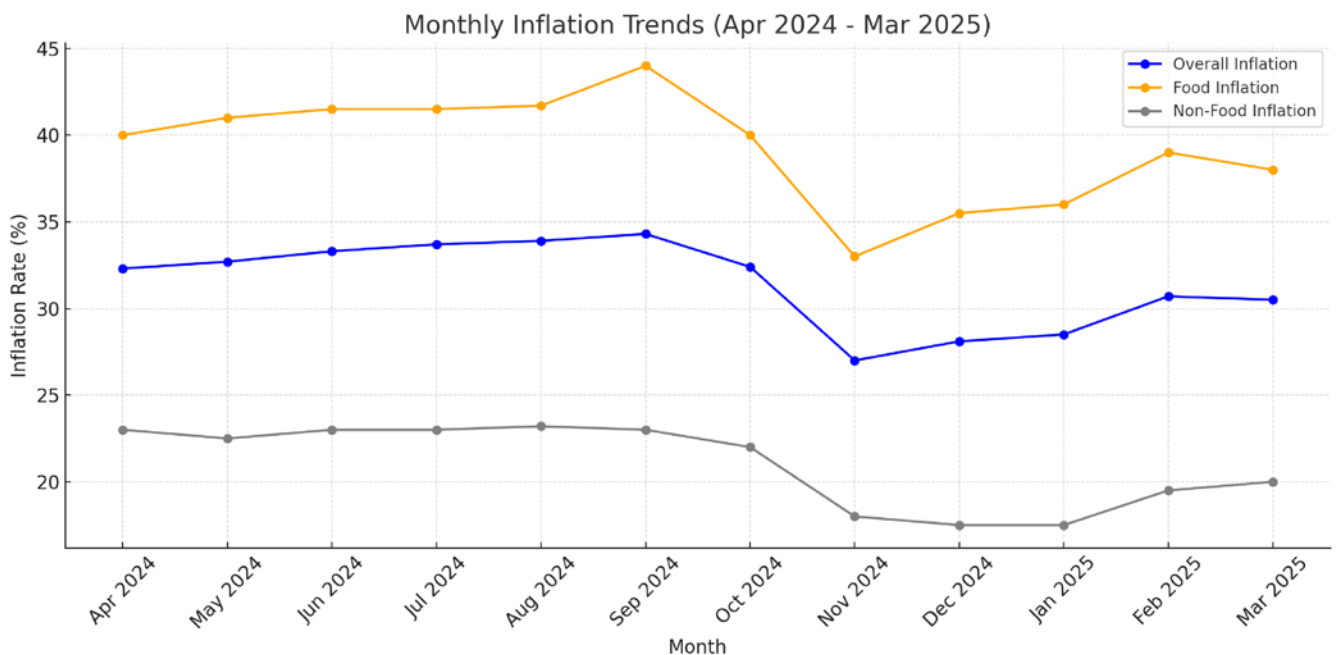
Efforts to stimulate growth through infrastructure development, investments in energy and mining sectors and attracting private investment with a view to stabilize the macroeconomic environment, resulted to unfavorable economic performance. This was due to tight fiscal space and reduced investor confidence.

3.1.2 Inflation

Food inflation was the primary driver of overall inflation throughout the year. After peaking at 44% in September 2024, food inflation declined to 32% by November, before edging back to 38% by February 2025. Non-Food inflation remained low throughout, suggesting that price pressures were largely concentrated in essential food items.

Despite some recovery after November 2024, inflation levels remained relatively high continuing to erode household purchasing power and posing challenges to monetary policy.

Figure 9: Inflation Rate Trends



3.1.3 Exchange rate

Malawi experienced considerable exchange rate volatility during the financial year stemming from structural imbalances and external shocks. A major devaluation of the Malawian Kwacha in November 2023, part of the Government's and the central bank's efforts to realign the official exchange rate with market realities, triggered a sharp rise in import costs particularly for food and fuel and contributed to high inflation.

Although the exchange rate showed some signs of stabilization in early 2025, the Kwacha remained weak. Authorities implemented tighter monetary policies and promoted initiatives like export diversification and enhanced remittance inflows, but progress was challenged by global economic uncertainty and domestic production shortfalls. Overall, the 2024/25 financial year marked a period of painful but necessary adjustment aimed at restoring long-term exchange rate stability.

3.1.4 Trade Balance

Malawi's trade balance deteriorated significantly over the course of the year. From January 2024 to June 2024, exports dropped by 20.1% year-on-year to US\$257.8 million, down from US\$322.5 million in 2023. The trend worsened in early 2025, with February exports plunging by 40.9% to US\$32.6 million.

On the other hand, imports increased there by exacerbating trade deficit. By March 2025, the trade deficit had grown to US\$234.8 million, a 26.8% increase from the same month in 2024. These figures underscore Malawi's heavy reliance on imports and there is urgent need for strategies to boost export and support local production

3.1.5 Commodity prices

Commodity price volatility was a defining feature of the financial year, driven by a poor harvest, currency depreciation and disruptions to global supply chains. The price of maize, Malawi's staple food, hit a record high of MWK 1,663 per kilogram in March 2025, marking a 117% year-on-year increase. This spike was largely attributed to an El Niño-induced drought in 2024 that severely reduced harvests and rising costs associated with transportation and processing of commodities.

In response, the Government introduced minimum farm-gate prices for key crops to protect farmers' incomes and stabilize the market. These included MWK 2,500/kg for soya beans, MK1,050/kg for maize, MWK 2,000/kg for shelled groundnuts, MWK 1,500/kg for beans and etc. Additionally, an export ban on selected food items including maize flour and rice was imposed in March 2025 in order to safeguard domestic supply and control inflation.



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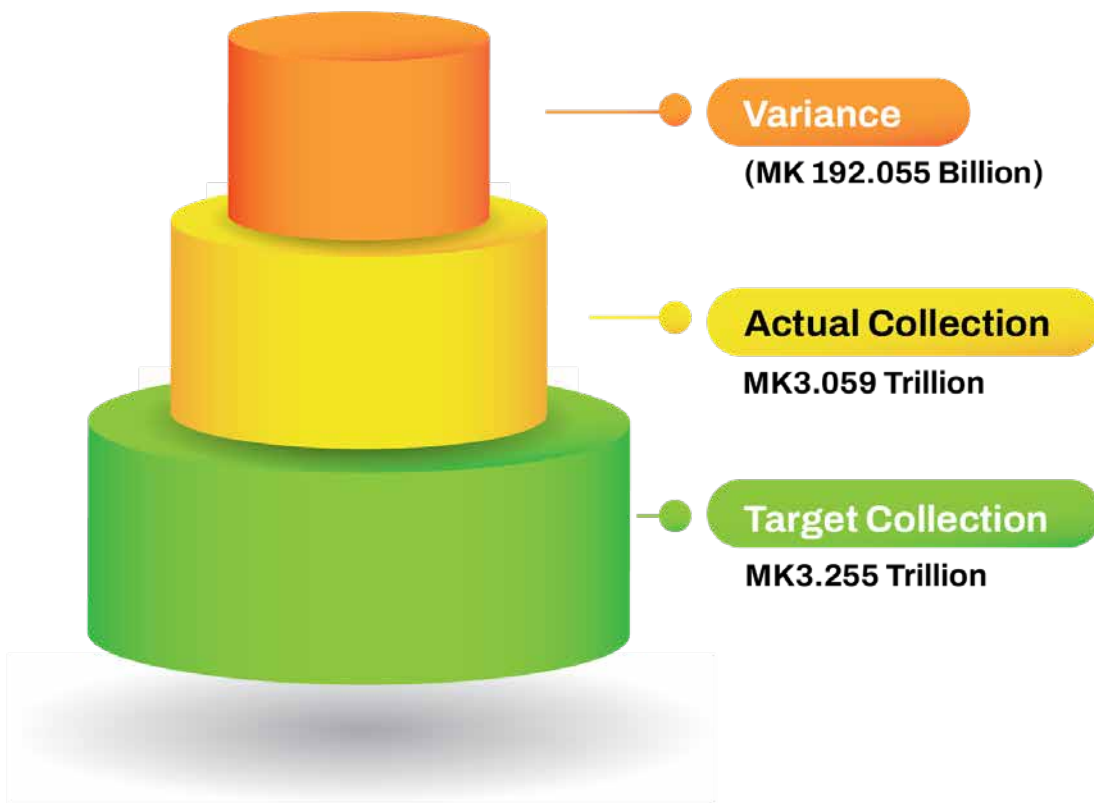
04

TAX REVENUE
PERFORMANCE

04 TAX REVENUE PERFORMANCE

4.1 2024/25 Revenue Collection

Figure 10: Revenue Collection for the 2024/25 Financial Year



The 2024/25 financial year presented a challenging fiscal environment. The Authority was tasked to collect MK3.225 trillion in total revenue; where MK2.294 trillion was projected for domestic taxes and MK960.86 billion for international trade taxes.

By the end of the year, MK3.059 trillion was collected, representing a performance rate of 93.98% against the set target. Domestic taxes contributed MK2.209 trillion, achieving 96.29% of the target, while international trade taxes generated MK850.45 billion, representing 88.51% of the target.

Although the Authority fell slightly short of its revenue target, total revenue collections grew by 40% compared to the previous financial year. Domestic tax revenue posted a 2.84% higher growth rate than in the previous year. However, both domestic and international trade tax performance rates declined relative to previous year, indicating that while there was an increase in revenue collecting, meeting collection targets, especially for trade taxes, proved more difficult in the current environment.

Table 1: Revenue Collection per Category for the 2024/25 Financial Year

	Collection	Target	Performance (%)	Growth (%)
Domestic Taxes				
Tax Revenues	2.209 Trillion	2.294 Trillion	96.29%	44.51%
Trade Taxes				
Tax revenues	850.45 Billion	960.89 Billion	88.51%	29.17%
Overall				
Tax Revenues	2.059 Trillion	3.225 Trillion	93.98%	40%

4.1.1 Revenue Performance Per Tax Type

Collections under taxes on income, profits and capital gains category reached **MK1.572 trillion**, achieving **97%** of the annual target and a **45%** increase over the 2023/24 financial year. Although the collection was just below target by **MK41.24 billion**, all tax types under this category, except for Dividend tax and Withholding tax, registered strong performance. While taxes on the goods and services category yielded **MK1.207 trillion**, achieving **92%** of its target and reflecting a strong **38% increase** compared to the previous financial year. VAT contributed **MK902.93 billion**, driven largely by a 42% rise in domestic VAT, while import VAT showed a more modest performance. Excise taxes also grew by 38%, though they fell short of expectations and achieved only 86% of the target, primarily due to a notable decline in import excise collections. Meanwhile, taxes on International Trade and Transactions brought in **MK272.36 billion**, achieving **88%** of the annual target and registering a solid **24%** year-on-year performance.

Table 2: Revenue Performance in 2024/25 in MK' million

Tax Type	Annual 2024-25 Actual Collection (MK)	Annual 2024-25 Target (MK)	Variance to target (MK)	% of Target	Annual 2023-24 Actual Collection (MK)	Growth %
1111.1. PAYE	606,496.45	629,239.65	(22,743.20)	96%	458,305.91	32%
1111.2. Fringe benefits	32,078.93	34,544.78	(2,465.86)	93%	22,532.05	42%
1111.3. Nonresident tax	63,289.81	64,384.12	(1,094.31)	98%	40,373.62	57%
1111.4. Dividend	28,185.54	37,129.55	(8,944.02)	76%	21,799.40	29%
1112. Payable by corporations and other enterprises	842,105.99	848,097.58	(5,991.59)	99%	537,584.08	57%
1112.1 Company assessments	237,294.80	245,045.57	(7,750.77)	97%	59,587.84	298%
1112.2 Provisional	348,951.08	308,292.76	40,658.31	113%	280,850.41	24%
1112.3 Withholding tax	255,860.12	294,759.25	(38,899.13)	87%	197,145.83	30%

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Tax Type	Annual 2024-25 Actual Collection (MK)	Annual 2024-25 Target (MK)	Variance to target (MK)	% of Target	Annual 2023-24 Actual Collection (MK)	Growth %
114. Taxes on goods and services	1,207,397.10	1,319,308.45	(111,911.35)	92%	875,848.31	38%
1141. General taxes on goods and services	903,448.07	965,807.57	(62,359.50)	94%	654,893.11	38%
11411. Value-added taxes	902,934.83	964,503.25	(61,568.42)	94%	653,388.92	38%
11411.1. Domestic	502,591.50	524,574.41	(21,982.91)	96%	353,929.07	42%
11411.2. Import	400,343.33	439,928.84	(39,585.50)	91%	299,459.85	34%
11413. turnover and other general taxes on goods and services	513.24	1,304.32	(791.08)	39%	1,504.19	-66%
11413.1. Turn-over tax (now presumptive tax)	513.24	1,304.32	(791.08)	39%	1,504.19	-66%
1142. Excise	303,949.03	353,500.88	(49,551.85)	86%	220,955.20	38%
1142.1. Local	134,076.55	140,664.51	(6,587.96)	95%	84,123.51	59%
1142.2. Import	168,599.88	207,288.15	(38,688.26)	81%	135,741.83	24%
1142.6. Carbon Tax	1,272.60	5,548.23	(4,275.63)	23%	1,089.86	17%
115. Taxes on international trade and transaction	272,364.57	310,446.23	(38,081.66)	88%	220,467.11	24%
1151. customs and other import duties	272,364.57	310,446.23	(38,081.66)	88%	220,467.11	24%
1151.1. Import duty	249,066.51	279,821.44	(30,754.93)	89%	197,901.33	26%
1151.2. Prepayment	6.80	5.36342476	1.43	127%	(34.31)	
1151.3. Surcharge	9,447.92	11,804.29	(2,356.37)	80%	9,864.56	-4%
1151.4. Advance income tax	13,843.35	18,815.14	(4,971.79)	74%	12,735.53	9%
116. Other taxes	3,012.64	4,342.44	(1,329.80)	69%	1,637.23	84%
1161. Payable solely by business	3,012.64	4,342.44	(1,329.80)	69%		
1161.1. Misc. duties	1,468.11	2,212.68	(744.57)	66%	1,637.23	-10%
1161.2. Mineral royalties	1,544.54	2,129.76	(585.22)	73%	-	0%
143. fines, penalties and forfeits	4,122.46	7,616.12	(3,493.66)	54%	8,202.54	-50%
1431. Penalties	4,122.46	7,616.12	(3,493.66)	54%	8,202.54	-50%
Total Revenue	3,059,053.50	3,255,108.93	(196,055.43)	94%	2,186,750.25	40%

4.1.2 Tax Revenue Performance by Sector for the Large Taxpayer Office (LTO)

In the 2024/25 financial year, the Large Taxpayers Office (LTO) collected a total of **MK1.61 trillion** in tax revenues, accounting for 52.61% of the total annual revenue collection. The top three contributing sectors were Financial and Insurance Activities contributing **MK705.74 billion** (43.86%), followed by Manufacturing **MK287.54 billion** (17.87%) and Information and Communication at **MK174.61 billion** (10.85%). Together, these three sectors accounted for over 72% of total revenue collected by the LTO, underscoring their critical role in national revenue mobilization. Notably, all these three sectors experienced significant year-on-year growth, with an average growth of over 50%.

Other sectors also made meaningful contributions. For instance, Wholesale & Retail Trade brought in 6.82%, Agriculture, Forestry and Fishing contributed 5.54% while Electricity and Utilities added 4.15%. However, sectors such as Mining and Quarrying, Real Estate, and Extraterrestrial Organizations each accounted for less than 1%, pointing to either limited economic activity or a narrow tax base within these sectors.

The data shows high dependency on a few key sectors. While this underscores their importance, it also signals the need to broaden the tax base. Improving tax compliance and enhancing collection efforts in underperforming sectors could strengthen revenue stability and reduce overdependence on a few key industries.

Table 3: Revenue Performance by Sectors for Large Taxpayers

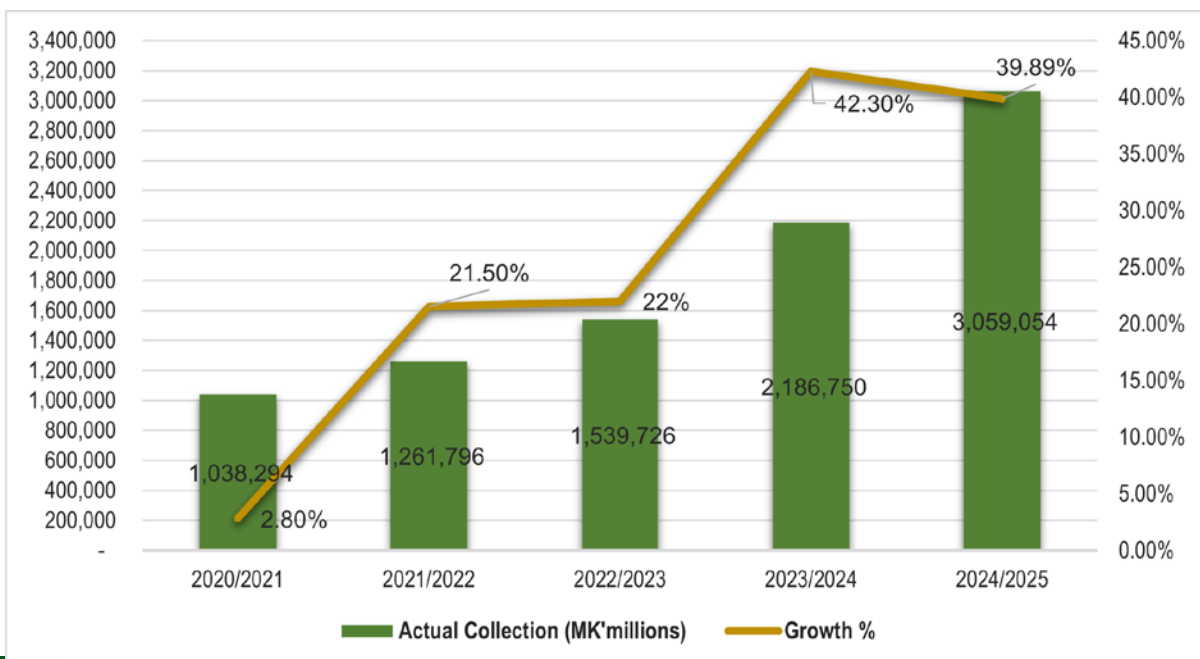
SECTOR	Tax Revenues 2024/25	% Contribution	Tax Revenues 2023/24	Growth %
Financial and insurance activities	705,741.20	43.86%	437,294.36	61.39%
Manufacturing	287,535.96	17.87%	180,339.93	59.44%
Information and communication	174,608.08	10.85%	123,664.46	41.20%
Wholesale and retail trade; repair of motor vehicles and motorcycles	109,766.71	6.82%	78,070.86	40.60%
Agriculture, forestry and fishing	87,704.78	5.45%	73,787.52	18.86%
Electricity, gas, steam and air conditioning supply	66,778.32	4.15%	49,558.65	34.75%
Human health and social work activities	34,980.17	2.17%	26,982.40	29.64%
Transport and Storage	23,993.06	1.49%	17,902.21	34.02%
Accommodation and food service activities	18,958.85	1.18%	14,739.72	28.62%
Public administration and defense; compulsory social security	18,603.77	1.16%	12,865.85	44.60%
Professional, scientific and technical activities	16,017.41	1.00%	11,623.55	37.80%

SECTOR	Tax Revenues 2024/25	% Contribution	Tax Revenues 2023/24	Growth %
Construction	11,094.28	0.69%	6,848.34	62.00%
Administrative and support service activities	11,027.22	0.69%	7,492.17	47.18%
Arts, entertainment and recreation	9,216.81	0.57%	7,990.87	15.34%
Other service activities	7,352.70	0.46%	5,860.45	25.46%
Education	6,883.53	0.43%	5,241.09	31.34%
Water supply; sewerage, waste management and remediation activities	6,763.85	0.42%	13,107.00	-48.40%
Real estate activities	5,146.66	0.32%	4,084.84	25.99%
Activities of extraterritorial organizations and bodies	4,074.42	0.25%	3,789.16	7.53%
Mining and quarrying	2,828.98	0.18%	2,074.84	36.35%
Grand Total	1,609,076.77		1,083,318.27	48.53%

4.1.3 Tax Collections Trend Analysis for 2020-2025

Revenue collections have grown significantly over the past five years, averaging 25.70% annually. Between the 2020/21 and 2024/25 financial years, collections increased from **MK1.04 trillion** to **MK3.06 trillion** reflecting a strong and sustained upward trajectory. The 2024/25 financial year alone recorded a 40% increase, slightly lower than the 42.30% growth recorded in 2023/24, yet still indicative of solid progress. This consistent growth is the result of enhanced compliance strategies, strengthened enforcement efforts and increased stakeholder engagement. Figure 11 illustrates the actual revenue collected and year-on-year growth trends from 2020/21 to 2024/25.

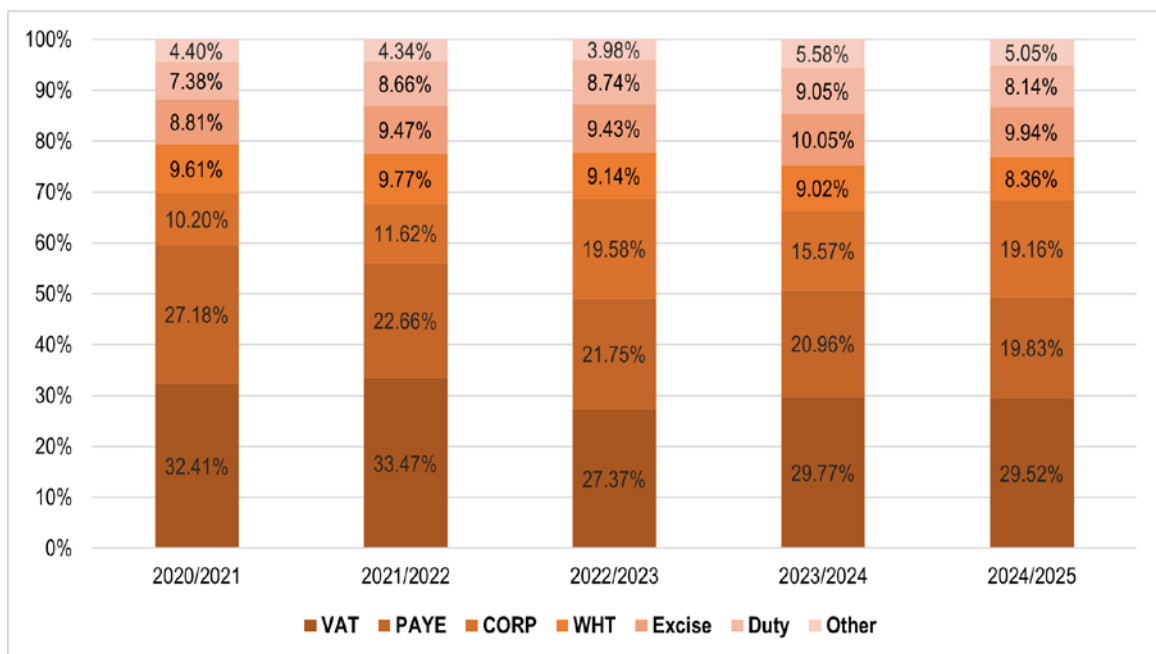
Figure 11: Tax Collection Trend for 2020-2025 in MK' million.



4.1.4 Composition of Tax Revenues Over the Last Five Financial Years

An analysis of tax composition spanning the five-year period from 2020/21 to 2024/25 reveals a fundamentally stable yet gradually shifting structure in revenue streams. VAT and PAYE consistently constitute the predominant components, though their proportional contributions have slightly declined in recent years. Conversely, Corporate Income Tax has demonstrated a strong upward trend, rising from 10.2% in 2020/21 to 19.16% in 2024/25, signaling either increased corporate compliance or profitability. International trade taxes have maintained consistent contributions, while the share of other taxes peaked in 2023/24 at 5.58%, reflecting efforts to broaden the tax base.

Figure 12: Composition of Tax Revenues 2021 - 2025



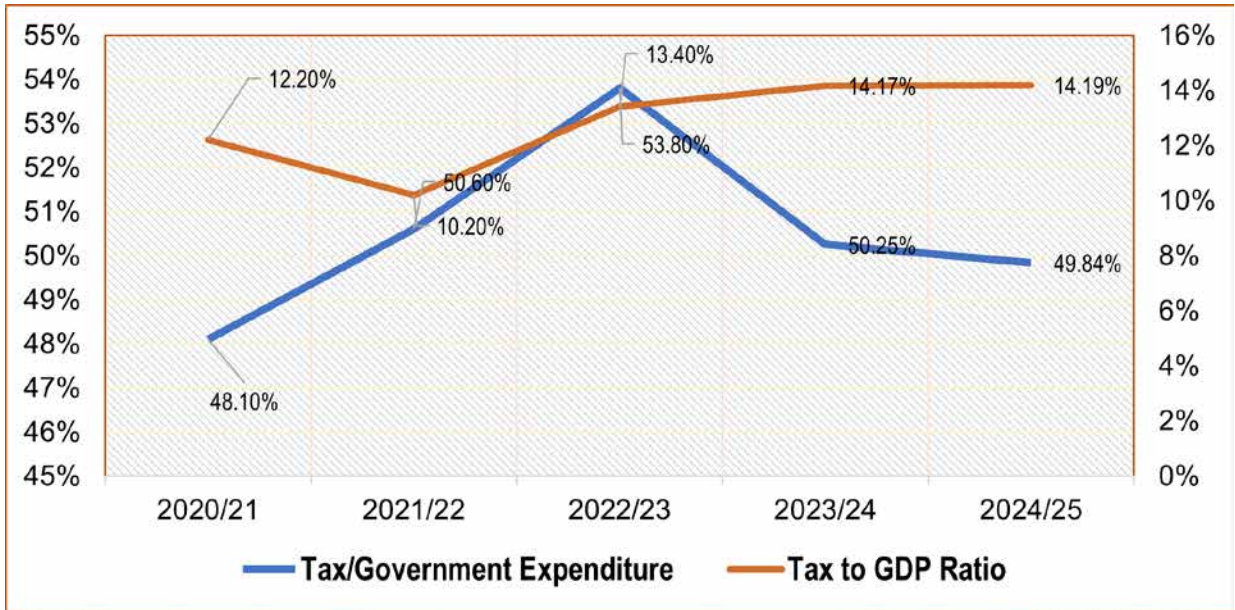
4.1.5 Tax Revenue to GDP Ratio

A country’s fiscal health and domestic resource mobilization capacity are mostly assessed through indicators; tax to GDP ratio and the tax revenue to Government expenditure ratio. For MRA, these metrics are indispensable benchmarks for performance evaluation and guides for sustainable national development.

For the 2024/25 financial year, the tax to GDP ratio was 14.73%, a marginal increase from 14.17% recorded in 2023/24. This upward movement directly reflects MRA’s sustained efforts to strengthen tax compliance, broaden the tax base and improve administrative efficiency amidst prevailing economic challenges. Improving this ratio is essential for reducing reliance on external financing and solidifying Malawi’s fiscal self-reliance.

Concurrently, the tax revenue to Government expenditure ratio stood at 49.84%, a slight decline from 50.25% in the preceding year. Although this decline is modest, it underscores the need for continuous improvement in revenue performance in order to effectively keep pace with the evolving and increasing demands of Government expenditure.

Figure 13: Tax to GDP ratio and Tax to Expenditure



4.1.6 Tax Refunds



At the beginning of the financial year, MK1.72 billion was brought forward as outstanding refund claims. The Authority processed a total of MK70.64 billion refund claims for 2024/25 financial year, giving a total of MK72.36 billion to be paid. MK72.10 billion of the total refund claims brought forward and processed was paid to the taxpayers, thus the Authority achieved 99.63% as a refund rate. Offsets formed 40.55% of the refunded claims. The outstanding refund claims, **MK265,534,454.80**, carried forward from March 2025, were less than 30 days old.



Taxpayer following up on her tax files

4.1.7 General Factors that Affected Revenue Performance in 2024/25 Fiscal Year

Table 4: Factors that affected revenue performance in 2024/25

Positive		Negative
<ul style="list-style-type: none"> Implementation of tax policy measures such as extending the 40% income tax rate to all companies earning profits more than MK10 billion, an increase on import duty and 10% import excise duty on automotive lubricants, change in the basis and point of taxing the airtime from consumption or usage to the time the airtime has been sold and introduction of Kalondola significantly contributed to total revenue collection. Enhanced enforcement initiatives such as interventions at Declaration Processing Centre (DPC) for incorrect tariff subheadings, undervaluation offences, and enhancement of anti-smuggling activities and collaboration with other stations also impacted on the total collection. Exceptional performance of the financial and insurance sector, which contributed to the most revenue among the large taxpayers in the country. The sector paid dividend tax, provisional tax and there was an increase in their PAYE remittance due to gratuities, bonuses and an overall increase in employees' salaries. The financial year also saw an increase in revenue collection from newly registered importers. 	 <p>Positive Revenue Impact</p>  <p>Negative Revenue Impact</p>	<ul style="list-style-type: none"> Use of falsified documents and recycling of documentation negatively impacted revenue collection. This organized tax evasion was driven by taxpayers' non-compliance, undermining the integrity of tax collection. An increase of the PAYE zero bracket from MK100,000 to MK150,000 resulted in significant revenue loss from the tax. Removal of import duty and import excise on the importation of electric motorbikes Shortage of foreign currencies and fuel in the country severely hampered imports and the manufacturing industry. This directly impacted the performance of import taxes and income from production, contributing to lower-than-expected revenue collection. The rise in inflation eroded consumers' buying power. As a result, consumer spending decreased, causing VAT and income tax collections to fall short of their projections. In the financial year there was a decline in used clothing importation which is one of the revenue drivers for international trade taxes.



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05

ENHANCING TAX
COMPLIANCE

05

ENHANCING TAX COMPLIANCE

5.1 Taxpayer Registration

Taxpayer registration is the fundamental step in establishing a fair and functional tax system. It involves identifying individuals and businesses with tax obligations and formally bringing them into the tax net through the issuance of a Taxpayer Identification Number (TIN). This process enables the Authority to monitor compliance, provide services and enforce tax laws effectively.

Beyond simply adding names to the tax register, taxpayer registration provides MRA with valuable insights into the dynamics of the taxpayer population. By tracking the growth or decline in the registered base, MRA can better assess shifts in compliance levels and identify emerging risks or gaps in coverage. In this regard, registration is not only an administrative process, but also a strategic tool for smarter compliance management and evidence-based decision-making. Figure 14 summarizes the taxpayer movement in the MRA tax register.

Figure 14: Movements in the Taxpayer Register



5.1.1 New Registrations

Expanding the taxpayer register ensures broader participation in national development and strengthens domestic revenue mobilization. During the 2024/25 financial year, MRA intensified efforts to bring more economic actors into the tax net. This included a scale-up in taxpayer education and greater use of the Msonkho Online platform. These initiatives resulted in the registration of 17,566 new taxpayers. Each one of them was issued with a TIN via the Msonkho Online platform. Importantly, the growth extended beyond just TINs; registrations across key tax types including Income Tax, PAYE VAT and Presumptive Tax also increased, demonstrating better alignment of taxpayers with their specific obligations.

In total, the Authority recorded 18,978 new tax-type registrations during the year, marking significant progress in taxpayer onboarding. Table 5 presents registration figures over the last three years, including growth rates by tax type.

Table 5: Registration by Tax Type

	2022/2023	2023/2024	2024/2025	
Tax Type	New Registrants	New Registrants	New Registrants	Growth %
Income Tax - Individuals and Corporate	13,916	14,102	15,623	10.8%
Presumptive Tax	14	753	1,605	113%
PAYE	110	95	124	30.5%
VAT	425	536	507	-5.4%
Excise	2	2	2	0%
Customs			1,117	-
TOTAL	14,467	15,488	18,978	23%

5.1.2 Deregistration

Taxpayer deregistration represents the formal removal of taxpayers from the tax register due to the following reasons; closure of business, retirement, mergers, acquisitions, death or changes in legal or residency status. In 2024/25, the number of deregistered taxpayers declined significantly, from 1,714 in the previous year to just 57. This decline is an indication of better taxpayer engagement and retention, signaling a positive trend in sustaining active participation in the tax system.

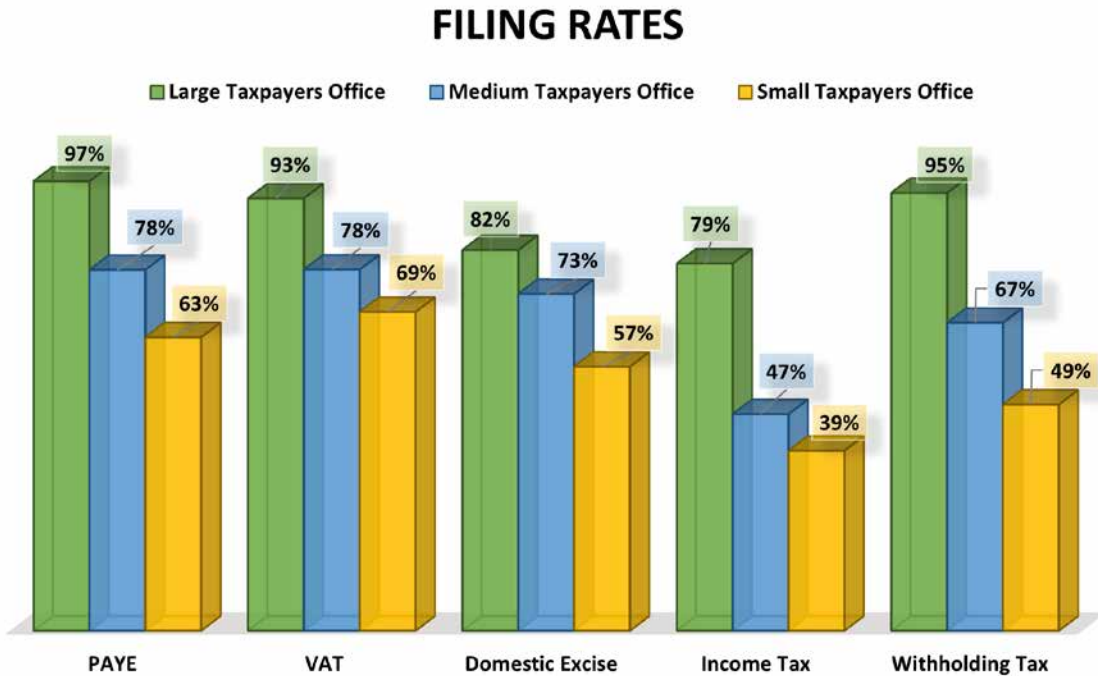


Taxpayer registering

5.2 Filing

Filing tax returns is a fundamental responsibility that allows both taxpayers and MRA to determine tax liabilities accurately. It also serves as a key indicator of overall compliance and informs the Authority's enforcement and education strategies. An analysis of average monthly filing rates reveals that the large taxpayers maintain the highest levels of compliance, followed by medium taxpayers. Small taxpayers, however, continue to show lower filing rates, highlighting the need for ongoing support and targeted interventions. Filing trends also vary across tax types, offering valuable insights into taxpayer behavior at a granular level, helping to illuminate where progress is being made and where challenges remain. Figure 15 presents filing statistics disaggregated by tax office and organized by tax type.

Figure 15: Filing compliance by tax type and tax office in 2024/25



5.3 Inland and Border Enforcement

Enforcement serves as a critical pillar in safeguarding revenue and ensuring compliance with tax laws. During the 2024/25 financial year, the Authority intensified its enforcement efforts, conducting targeted physical examinations at border posts and inland stations. These inspections were aimed at detecting smuggling through misclassification, underdeclaration, undervaluation and use of unchartered routes.

As a direct result of these efforts, the Authority achieved a notable 14% increase in seizures and an 8% increase in top up revenue from physical examinations (refer to table 6). These efforts led to several seizures of prohibited, restricted, or undeclared goods, reinforcing our commitment to combating Customs fraud and fostering legitimate trade. Cumulatively, these robust enforcement activities yielded an impressive collection of MK23.7 billion in additional revenues, as detailed in figure 16.

Figure 16: Customs Enforcement Activities

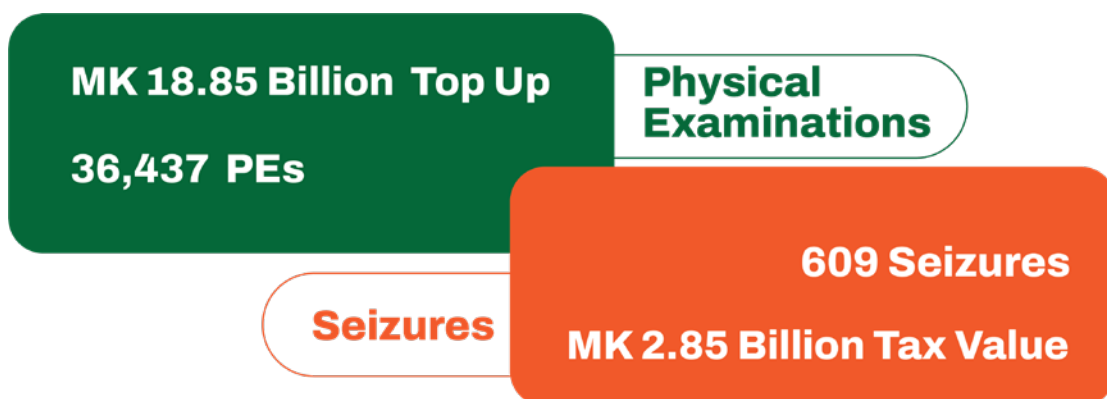


Table 6: Physical Examinations (PEs) Outcomes (Past three years)

	2022/23	2023/24	2024/25	Growth
Number of PEs with Top up	6,347	9,715	7,412	-24%
Total number of PEs	50,083	65,727	36,437	-45%
Total Top up Revenues (MK'million)	9,295.71	17,515.76	18,850.07	8%
Hit rate	13%	15%	20%	33%

5.4 Post-Clearance Audits

Post Clearance Audits (PCAs) played a vital role in ensuring trade compliance and verifying the accuracy of Customs declarations after goods have been released. In the 2024/25 financial year, PCAs resulted in tax assessments amounting to MK4.48 billion from 69 completed cases, representing a 15 percent increase in audit coverage compared to 60 cases finalized in 2023/24. Of the total taxes assessed, MK1.6 billion was collected, translating to a 36 percent collection rate. While this is lower than the 72 percent collection rate recorded in the previous year, the growth in audit coverage and increased tax assessments signify strengthened audit coverage and an expanded revenue base, with ongoing efforts to enhance post-assessment recovery and drive greater compliance among importers. Table 7 presents information on the number of PCAs conducted and the revenues recovered from the audits.

Table 7: Post Clearance Audits

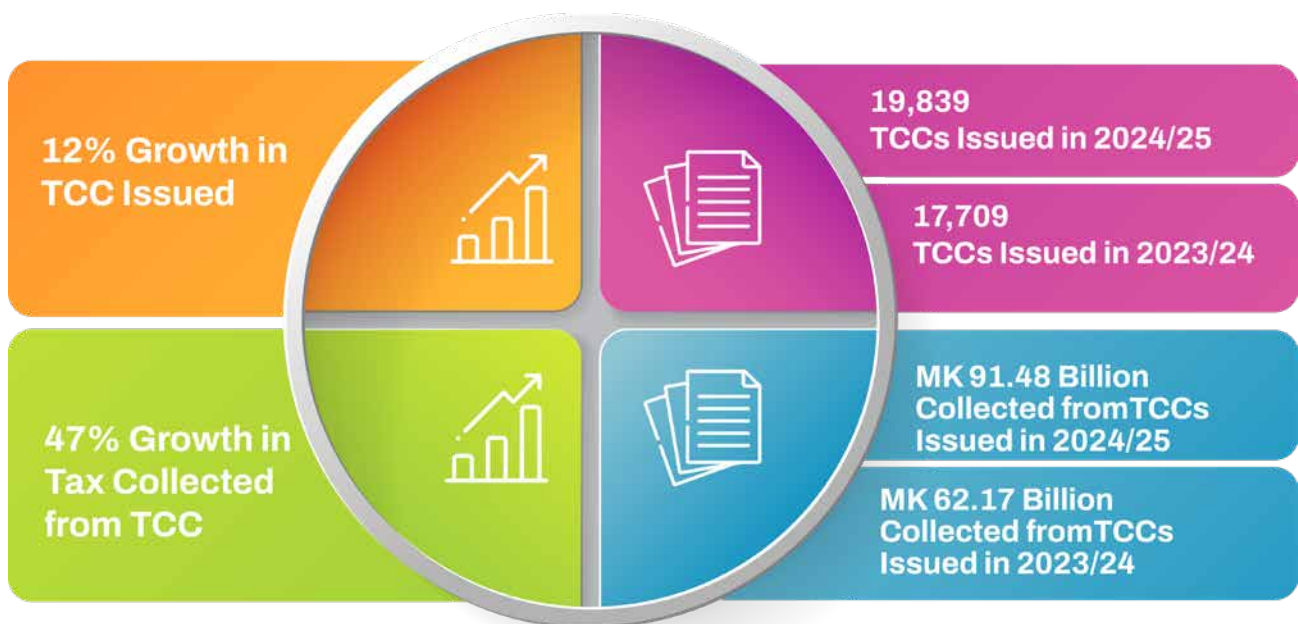
Type of Audit	2022/23	2023/24	2024/25	Growth
Number of audits planned	70	77	50	-35%
Number of audits completed	67	60	69	15%
Value of taxes assessed (MK' Millions)	3,340.26	1,327.75	4,477.66	237%
Tax realized (MK' Millions)	1,492.90	952.40	1,600.91	68%

5.5 Tax Clearance Certificates

Tax Clearance Certificates (TCCs) are official documents issued annually by the Authority to confirm that a taxpayer has no outstanding tax liabilities at the time of issuance. They serve as an important compliance tool, as they are required for public procurement, obtaining certain licenses, transferring assets and engaging in other formal transactions. TCCs not only reflect a taxpayer’s standing with the Authority but also serve as a powerful incentive for taxpayers to remain compliant.

In the 2024/25 financial year, the Authority issued 19,839 TCCs, reflecting a notable increase from the 17,709 issued in the previous year. This upward trend signals strengthened compliance efforts and the Authority’s continued commitment to facilitating efficient taxpayer services. The certificates were issued for a range of purposes including the disposal of land and buildings, externalization of funds, tendering for goods and services, renewal of various permits or licenses, and transfer of shares or company ownership. Notably, these issuances contributed to revenue mobilisation efforts, with a total of MK91.48 billion collected, underscoring the strategic importance of the tax clearance process in enhancing both compliance and revenue generation.

Figure 17: Tax Clearance Certificates Issued



5.6 Domestic Tax Audits

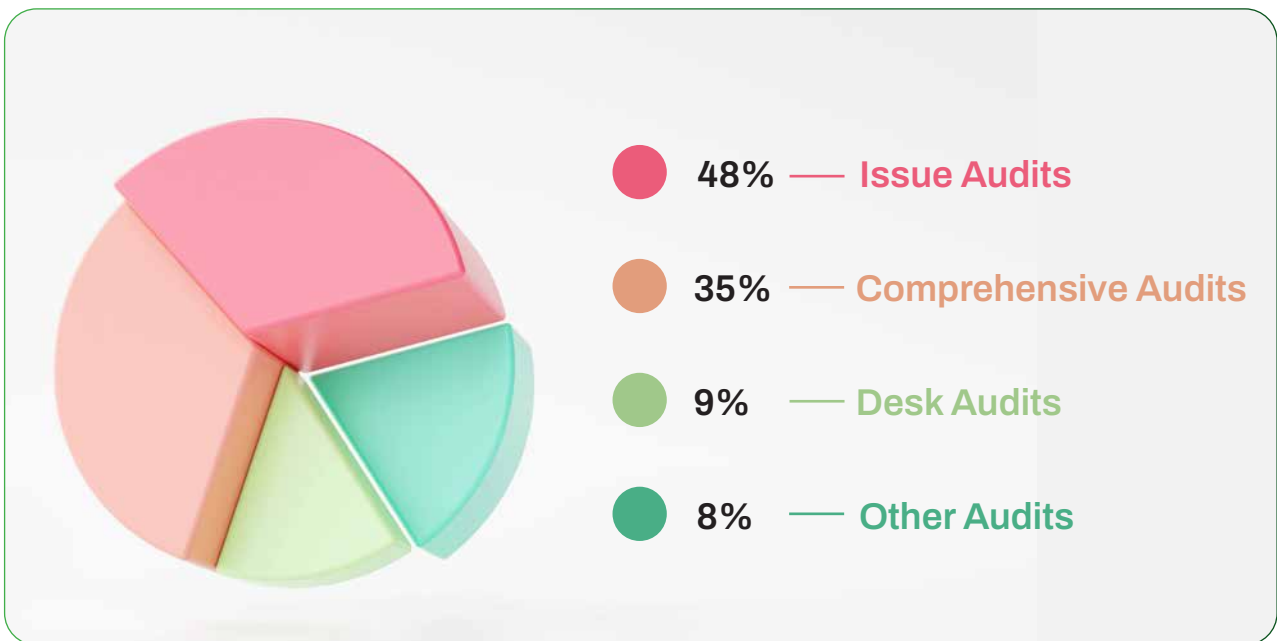
Domestic tax audits play a vital role in verifying the accuracy of tax declarations submitted by taxpayers. Through audits, the Authority assesses whether the correct amount of tax has been reported and paid, helping to detect underreporting, misstatements, or non-compliance. In the 2024/25 financial year, the Authority conducted 553 domestic tax audits, representing a 19 percent increase from the 466 audits conducted in the previous year. These audits generated MK72.67 billion in revenue, marking a 19 percent rise from the MK60.88 billion collected in the 2023/24 fiscal year. Notably, revenue collected directly from resolved audit cases rose to MK40.18 billion, reflecting a substantial 74 percent increase compared to the previous period. By the end of the fiscal year, outstanding revenue from audit cases stood at MK32.49 billion, representing

a 14 percent reduction from the previous year’s outstanding balance. Table 8 provides further detail on the number of domestic tax audits conducted and the associated revenue collections.

Table 8: Number of Domestic Audits and Revenues Collected

	2024/25	Growth
Number of Audits Conducted	551	18%
Revenue Yield (MK’ Million)	72,621.07	19%
Balance B/d MK’ Million	25,861.90	
Revenue Collected (MK’ Million)	43,128.47	86%
Outstanding Revenue (MK’ Million)	40,630.00	-8%

Figure 18: Distribution of Audits Conducted by Audit Type

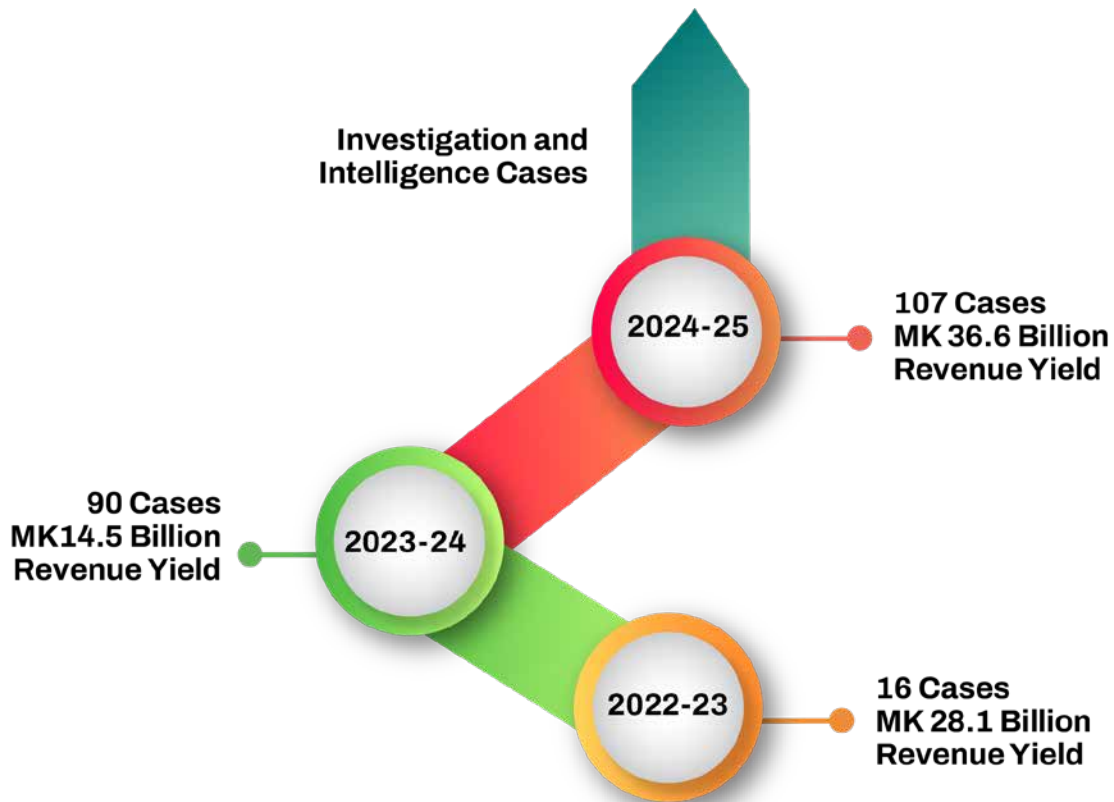


5.7 Tax Investigations and Intelligence

The Tax Investigation Division (TID) plays a critical role in enforcing compliance by uncovering deliberate tax evasion and other serious forms of non-compliance. The division operates through two key components: Intelligence and Investigation. Intelligence activities focus on gathering, analyzing, and profiling taxpayer information to detect potential risks or suspicious behavior before any formal investigation begins. These insights form the basis for launching targeted investigation cases, which involve in-depth scrutiny of taxpayers suspected of willful non-compliance, fraud, or concealment of taxable activities. Together, these functions enhance the Authority’s ability to enforce the law, safeguard revenue and maintain integrity within the tax system.

In the 2024/25 financial year, TID completed a total of 107 cases which is an increase from 90 cases completed in the previous period. Further to this impressive increase in the number of cases handled, the total revenue yielded was even more impressive with 152.4 percent more than in the previous financial year. Figure 19 provides a summary of the cases handled by TID highlighting the increase in investigative activity.

Figure 19: Cases handled by TID



Of the 107 cases concluded by the Tax Investigations Division in 2024/25 financial year, 75 were investigation cases where 47 related to Domestic Taxes, while 28 pertained to Customs and Excise. Completed intelligence cases were 32, out of which 20 were for the Domestic Taxes Division and 12 for Customs & Excise Division.

During this period, two cases were disputed and referred for prosecution while no case was finalized by the Court. Although the tax assessed from the cases was higher than in the previous period, tax collection saw a slight decrease of 18 percent. Additionally, tax arrears from investigation cases significantly increased by 735 per cent. The table 9 below highlights the key outcomes of the tax investigation

Table 9: Tax investigations outcomes for 2023/24

	2022/23	2023/24	2024/25	Growth
INVESTIGATION CASES				
Number of cases – Domestic Taxes	11	40	47	18%
Number of cases - Customs and Excise	5	50	28	-44%
INTELLIGENCE CASES				
Number of cases – Domestic Taxes			20	
Number of cases - Customs			12	
Total Number of cases	16	90	107	19%

Number of cases referred for prosecution in the Court of Law	3	7	2	-71%
Revenue Assessed from cases (MK'billion)	28.1	14.5	36.6	152%
Collection (MK'billion)	1.8	3.9	3.21	-18%
Arrears (MK'billion)	30.7	4	33.4	735%
Cases concluded in court	1	4	0	-
Cases ruled in favor of MRA	1	4	0	-

5.8 Litigation

Litigation plays a critical role in safeguarding the MRA's mandate to enforce tax and Customs laws, uphold compliance and protect public revenue. Through litigation, the Authority not only resolves disputes but also establishes legal precedents that reinforce voluntary compliance and deter non-compliance.

During the 2024/25 financial year, the Legal Services Division managed a diverse portfolio of cases, including tax-related disputes, labor matters, industrial relations, and miscellaneous (other) cases. These cases were handled across various courts and quasi-judicial bodies. A total of 18 cases were actively pursued, of which 10 cases were finalized, one was settled out of court and was withdrawn by the taxpayer.

The Division also provided comprehensive legal advisory services to internal departments to ensure that operational decisions and policy implementations were legally sound and risk-informed. This support was instrumental in areas such as enforcement actions, tax policy changes, and institutional reforms. Table 10 and 11 below provides the civil and criminal matters in different Courts of Law in 2024/25 fiscal year respectively.

Table 10: Civil and Criminal Matters in Different Courts of Law

	2023/2025	2023/2024	2024/2025
Cases Handled	59	64	18
Cases Concluded	18	15	10
Cases Ruled in Favor of MRA	14	8	5

Table 11: Litigation in 2024/2025 Fiscal Year

Case Types	2023/2025	2023/2024	2024/2025
Customs and Excise Cases	23	20	9
Domestic Taxes Cases	17	31	3
Industrial Relations	16	8	2
Commercial cases	2	0	2
Miscellaneous (other) cases	1	5	2
Total cases	59	64	18
Number of cases in Magistrate Court	22	38	11
Number of Cases in High Court	18	15	5
Number of Cases in Supreme Court	3	3	0
Number of cases in Industrial Relations Court	16	8	2

Number of Cases finalized	18	15	10
Number of Cases Withdrawn by Taxpayers	1	2	1
Number of Cases Terminated	0	0	0
Number of Cases Settled out of court	1	2	1
Number of Judgements in favor of MRA	14	8	5
Number of judgements not in favor of MRA	2	3	4

5.9 Uptake of Authorized Economic Operator (AEO) programme

The Authority promotes the Authorized Economic Operator (AEO) programme, a strategic initiative aligned with the World Trade Organization’s (WTO) Trade Facilitation Agreement. This programme provides accredited, compliant traders with significant benefits including expedited Customs clearances and exemptions from physical inspections. The benefits of the AEO programme are instrumental in reducing the cost of doing business and fostering a more efficient trade environment for compliant traders. Following a period of modest recovery, the AEO programme demonstrated substantial growth in the year under review, with the number of accredited AEOs rising from 9 to 15, a notable increase of 6 new operators underscoring the programme’s increasing value and the Authority’s commitment to enhancing trade facilitation. Table 12 below shows the number of AEOs over the past 5 years, highlighting the recent growth.

Table 12: AEOs over the past 5 years

Year	Number of AEOs
2020/21	9
2021/22	8
2022/23	7
2023/24	9
2024/25	15

5.10 Debt Management

Effective debt management has been a critical focus area for MRA in the 2024/25 financial year. This was aimed at improving revenue recovery and reducing outstanding tax liabilities. The Authority implemented targeted follow-ups, negotiated payment plans, and leveraged digital tools to enhance debt tracking and resolution. These efforts contributed to improved taxpayer engagement and a more structured approach to addressing arrears. As a result of enhanced enforcement efforts, the Authority collected MK53.86 billion out of a total MK253.21 billion in collectible debt during the 2024/25 financial year. By year-end, the remaining collectible balance stood at MK14.18 billion, representing an impressive 83 percent reduction compared to the previous year’s balance. This strong performance reflects the effectiveness of the Authority’s debt recovery strategies and the significant decline in the collectible balance and highlights the progress made in managing and resolving outstanding tax liabilities. Table 13 presents a detailed view of debt management performance for the 2024/25 financial year.

Table 13: Debt Stock for 2024/25 Fiscal Year in MK' Million

2023/24 DEBT DESCRIPTION	2022/23	2023/24	2024/25	GROWTH
Opening Debt Stock	260,093.45	204,088.39	290,363.61	42%
Debt created during the year	107,586.28	246,107.70	113,799.20	-54%
Uncollectible/disputed during the Year	127,063.03	196,791.66	122,215.33	-38%
Collectible/Recoverable during the year	224,564.55	253,404.43	253,214.12	-0.1%
Collected during the year	34,388.00	31,864.90	60,542.41	90%
Written Off/Waived during the year	6.50	48,337.14	58.43	-99.88%
Discharged during the year	115,657.30	139,265.21	185,261.88	33%
Collectible Balance	91,076.39	83,018.92	38,249.48	-54%



AEO at Mwanza Border



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06

**BUSINESS AND
TECHNOLOGY
DEVELOPMENT**

06

**BUSINESS AND
TECHNOLOGY DEVELOPMENTS****6.1 Systems Development**

In the 2024/25 financial year, MRA continued to register significant strides in its digital transformation journey by prioritizing delivery of impactful ICT systems to support efficient revenue administration and enhance taxpayer service. These advancements reaffirm MRA's commitment to leveraging technology for modernization, improved compliance, and better user experiences for both staff and taxpayers.

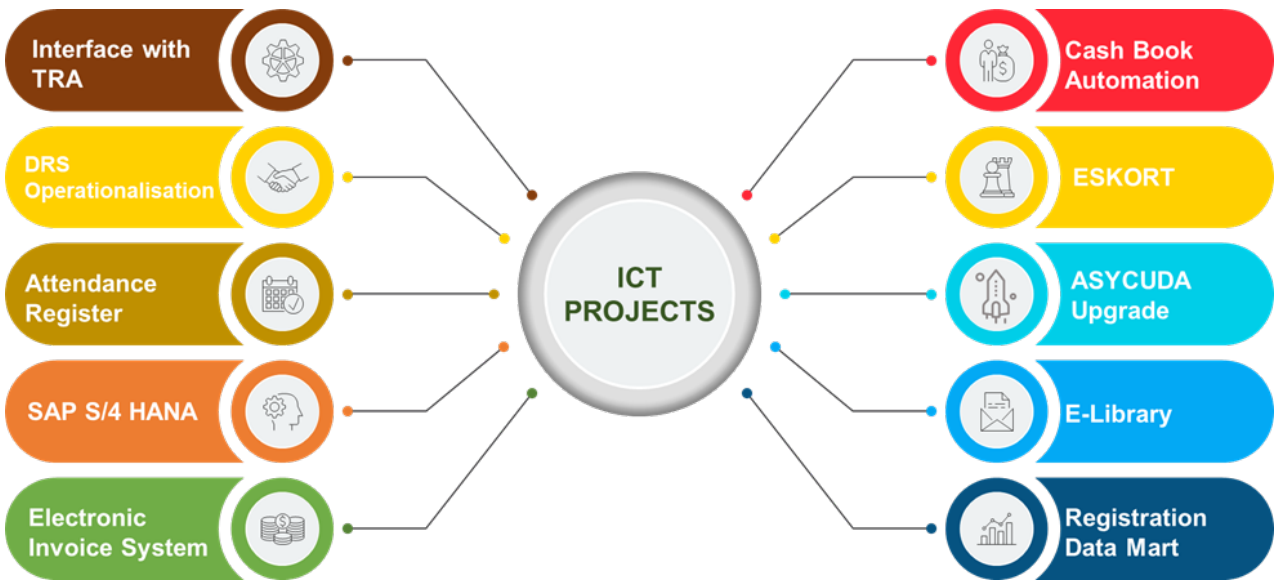
In the year, ICT development priorities centered on automating core business processes, strengthening compliance monitoring, and making service more accessible. Central to this progress was EIS, a transformative platform intended to succeed EFDMS. As at the end of the year EIS project had made a lot of progress and once completed, the system will provide real-time invoicing data transmission, enabling more accurate VAT tracking and minimizing revenue leakage, while also reducing the compliance burden for businesses.

In line with audit modernization efforts, MRA adopted ESKORT, a specialized case management system that strengthens audit planning, execution, and follow-up. This system improves oversight, supports data-driven decision-making, and increases audit accountability.

To improve access to knowledge resources, the Authority introduced a new e-Library system, developed by the Institute of Tax Administration (ITA). This system provides staff with centralized digital access to tax laws, manuals, guidelines, and operational circulars, empowering staff with the requisite knowledge.

In addition to the development of these stand-alone systems, MRA prioritized integration of internal systems to ensure seamless data exchange across departments, eliminate redundancies, and enhance operational visibility. ESKORT was integrated with Msonkho Online while Cargo Scanners were connected to ASYCUDA World. Externally, MRA initiated system linkages with tax administrations in Mozambique and Tanzania to support cross-border data validation and importer profiling.

Figure 20: ICT projects



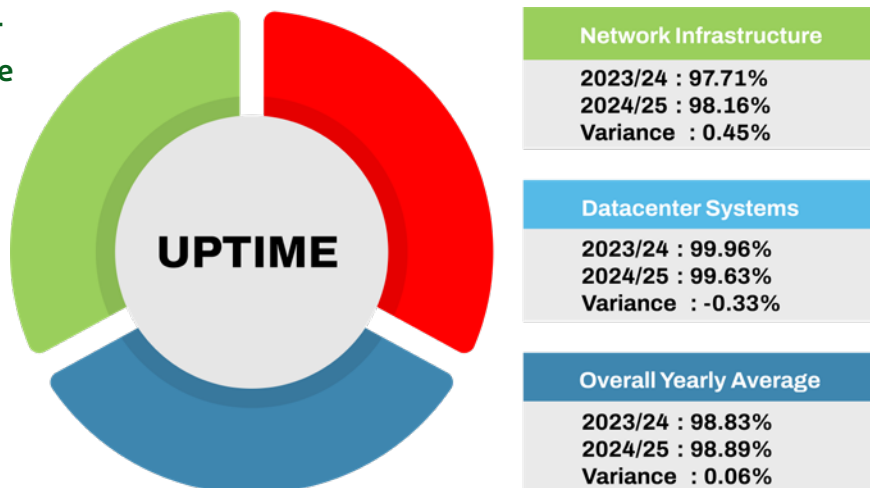
6.2 ICT Infrastructure Performance Enhancement

MRA also invested in upgrading its ICT infrastructure to ensure a secure, resilient, and efficient digital environment that supports its operations and services. Key focus areas included cybersecurity, system stability, and data protection. Major activities undertaken included;

- i. Vulnerability assessments of key platforms such as the MRA WhatsApp Bot and Employee Self-Service (ESS), followed by issue verification and resolution.
- ii. Cybersecurity awareness campaigns were rolled out to staff, complemented by the development of a tailored e-learning course on cybersecurity.
- iii. Backup and disaster recovery procedures were tested to ensure system resilience.
- iv. System maintenance through cleanup operations, configuration management for core servers and structured system restoration and certification.
- v. Access controls were strengthened through comprehensive user access reviews and adjustments.

These interventions laid a solid foundation for continued digital transformation and reinforced the Authority’s resilience in an evolving cyber landscape.

Figure 21: ICT Infrastructure Uptime



6.2.1 System Upgrade

ASYCUDA World

The ASYCUDA World system was upgraded from version 4.3.3 to 4.4.0. that enhanced new features to support efficient Customs operations and trade facilitation. Key milestones included UAT and rollout of the new version. This upgrade brought several innovations including;

- i. The launch of new modules for Duty by Instalment, Temporary Importation Permit (TIP), Toll Fee and Detailed Exit Notes
- ii. Integration with e-Payment for goods in transit
- iii. Introduction of E-Query and Automated Shift Management
- iv. Strategic integrations with the E-Tariff, Kalondola, Duty Waiver and Cargo Tracking System.
- v. Enhanced risk management through the Integrated Selectivity tool

These upgrades positioned MRA to deliver faster, more transparent, and digitally enabled customs services.

6.3 Cyber Security

6.3.1 Vulnerability Assessments

To protect its growing digital footprint, the Authority conducted comprehensive vulnerability assessments across several key systems including Msonkho Online, the MRA Mobile App and the MRA website. Table 14 summarizes the findings and resolutions.

Table 14: Vulnerability Assessments

No.	System/ Application	Number of Issues Raised	Number of Issues Resolved
1	EIS	7	0
2	MSONKHO Online	7	0
3	MRA Mobile App	5	5
4	SLA System	7	7
5	Careers	7	6
6	MRA Website	6	6
7	ESS	3	3



6.3.2 Strengthening Cybersecurity and Information Protection

In the 2024/25 financial year, the Authority implemented several key cybersecurity initiatives to safeguard its digital infrastructure, protect sensitive taxpayer data, and ensure uninterrupted service delivery. These efforts were aligned with global best practices and reflected MRA's commitment to resilience in an increasingly complex digital environment. While cybersecurity awareness training was completed the rest were carried forward to 2025/26 financial year.

Cybersecurity Awareness Training: To strengthen the human firewall, the Authority rolled out cybersecurity awareness training for staff. The sessions focused on recognizing and responding to common threats such as phishing emails, social engineering, and safe online practices, equipping employees with the knowledge to prevent breaches.

Web Application Firewall (WAF): A virtual firewall layer was introduced to supplement the existing firewall infrastructure. The WAF protects MRA's web-based platforms including ASYCUDA, from external threats by filtering and monitoring incoming traffic, thereby enhancing protection against cyberattacks targeting publicly accessible services.

Network Access Control (NAC): The NAC system was deployed to regulate device and user access to the internal network. It ensures that only compliant and authenticated devices are granted access, thereby minimizing vulnerabilities posed by unauthorized or unsecured connections.

Database Activity Monitoring: A monitoring system was implemented to track database activity in real time. Any unauthorized changes or suspicious behavior within critical systems automatically trigger alerts to the ICT team, allowing for immediate response and mitigation.

Identity and Access Management (IAM): A new automated system was introduced to manage user identities and access rights based on job roles and responsibilities. This replaced the outdated manual process, which had led to audit issues in the past. The IAM solution also improves security by ensuring timely revocation or adjustment of access privileges in line with staff movements.



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07

MODERNIZATION
PROJECTS

07

MODERNIZATION PROJECTS

In the 2024/25 financial year, the Authority continued to advance its transformation agenda through the implementation of various modernization projects aimed at enhancing efficiency, service delivery, and compliance. A total of 21 strategic projects were under implementation during the period, with 11 projects targeted for completion within the year. All targeted projects were successfully completed, reflecting strong project management and institutional commitment to reform. The remaining projects are at various stages of progress and are expected to further strengthen the Authority’s operational capacity upon completion. Table 15 provides an overview of these projects and their completion rates.

Table 15: Overview of Projects and Their Completion Rates

NAME OF PROJECT	LEVEL OF COMPLETION	TARGET COMPLETION RATE
Cargo Tracking Upgrade	100%	100%
SAP4- HANA Upgrade	84%	86%
	100%	100%
Call Centre	100%	100%
Scanner & ASYCUDA Integration	100%	100%
Interface with Mozambique System	60%	74%
Automation of AEO & Risk Management	85%	99%
ESKORT	100%	100%
EIS	97%	99%
Cash Book	100%	100%
Smart Gate	100%	100%
Convergence Infrastructure	48%	100%
Centralized UPS	40%	99%
Establishment of OSBPs	48%	92%
Drones Implementation	82%	100%
Scanner Implementation	100%	100%
Construction of LLIEC & Refurbishment of BIEC	67%	78%
Culture Transformation	100%	100%
Disaster Recovery Site	100%	100%



Electronic Invoicing System (EIS) Training in progress



SAP Success Factors Training



Drone handling training in Kasungu



Malawi
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Authority



08

**CORPORATE
SERVICES**

08

CORPORATE
SERVICES

In the 2024/25 fiscal year, the Authority undertook strategic initiatives aimed at strengthening its corporate presence and improving stakeholder engagement. These efforts focused on Corporate Social Responsibility (CSR), enhanced taxpayer education, and targeted media engagement. Collectively, they contributed to a more visible, trusted, and responsive organization while reinforcing MRA's brand and commitment to service excellence.

8.1 CSR Initiatives

MRA continued to fulfil CSR through strategic initiatives aligned with its core pillars. These initiatives reflect MRA's enduring commitment to creating lasting value in the communities it serves while undertaking its operations with broader national development goals.

- i. **Health and Sanitation:** To support health services and promote sanitation, the Authority funded the construction of toilets and bathrooms at Mzimba Health Centre, improving hygiene standards and access to basic facilities for the local community.
- ii. **Education and Professional Development:** MRA extended support to various professional bodies by sponsoring their annual meetings with a sum of MK18.5 million, thereby contributing to capacity building and professional excellence within the country's tax and finance ecosystem.
- iii. **Community Empowerment and Humanitarian Support:** MRA contributed to national humanitarian efforts through support of MK60 million to the Department of Disaster Management Affairs (DoDMA) and participated in the Malawi Red Cross Flag Week, underlining its role in promoting social welfare and disaster preparedness.
- iv. **Environmental Sustainability:** Continuing its environmental stewardship, the Authority conducted its annual tree planting exercise as part of its reforestation initiatives and climate action agenda.
- v. **Sports Development:** MRA supported the Netball Association of Malawi, reinforcing its dedication to promoting youth development and wellness through sports.

8.2 Communication and Stakeholder Engagement

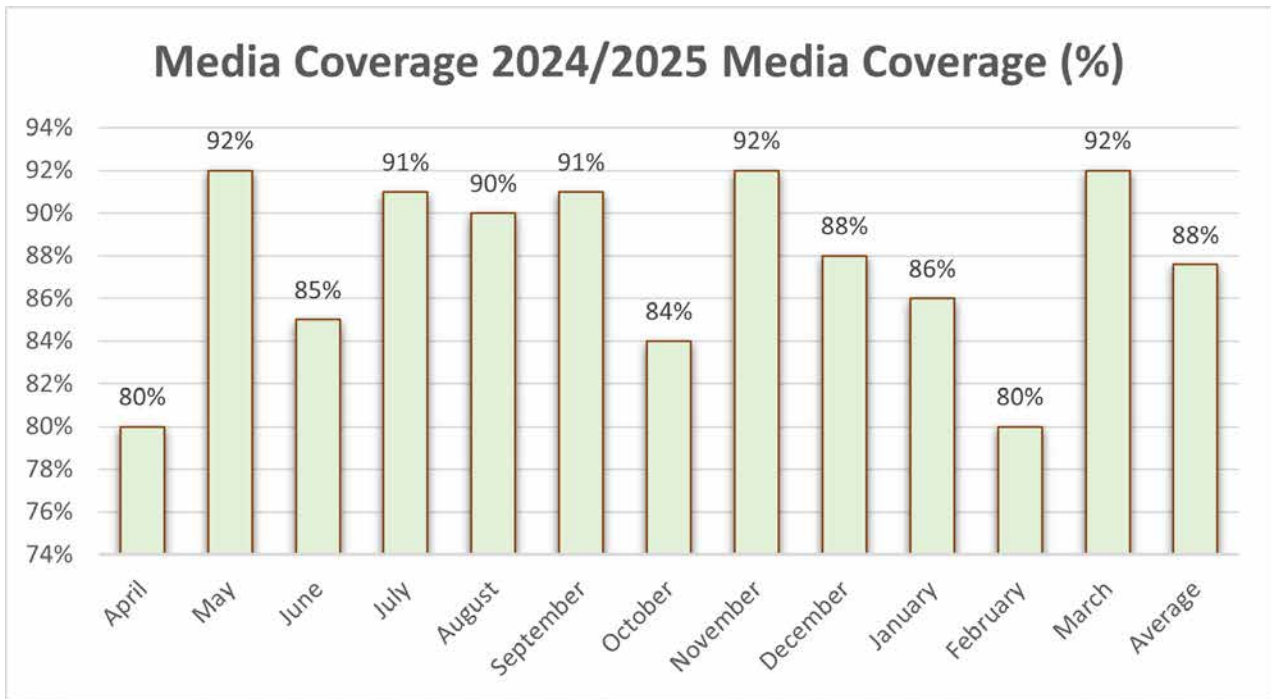
8.2.1 Media Coverage

MRA maintained its robust engagement with the media, utilizing all available platforms to disseminate key tax information. Monthly media coverage averaged an impressive 88%, with notable peaks in May and November 2024 and March 2025, each registering 92% engagement rate. The proactive media strategy included press releases, media briefings, media tours, interviews, and participation in radio and TV programmes. These efforts were instrumental in informing the public about tax reforms, compliance requirements, and service improvements.

MRA monitored public sentiments also through social media platforms. The introduction of Kalondola in

April 2024, for instance, generated discussions online. While some stakeholders expressed concerns about potential price increases, MRA clarified that the stamps were a compliance tool aimed at protecting legitimate businesses from counterfeit products and would not significantly affect pricing

figure 22: Media Coverage



8.2.2 Brand Management

The institutional identity was strengthened through a comprehensive brand management strategy. This included the production of over 1,000 branded corporate items such as; banners, award trophies, highlights videos, brochures, screensaver wallpapers, newsletters, calendars, diaries, business cards, logos, digital content for social media, website design, and updated public notices. These materials helped to reinforce consistent messaging and enhance MRA’s visibility across both digital and physical platforms.

To support its public image, MRA replaced outdated signage in various stations and campaign materials. These improvements ensured that all touchpoints reflected a modern and professional image in line with the Authority’s transformation agenda.

MRA also increased its presence on social and traditional media platforms, sharing updates and participating in national discussions. In line with these efforts, the Authority actively participated in several high-profile events that offered valuable platforms to engage with key stakeholders and the general public. These included:

- I. The launch of the Malawi Government Incentives Booklet for Agricultural Diversification and Commercialization;
- II. The National Youth Council Forum, where MRA engaged the youth on tax education;
- III. The ICT Association of Malawi (ICTAM) Conference, disseminating information on digital tax solutions;

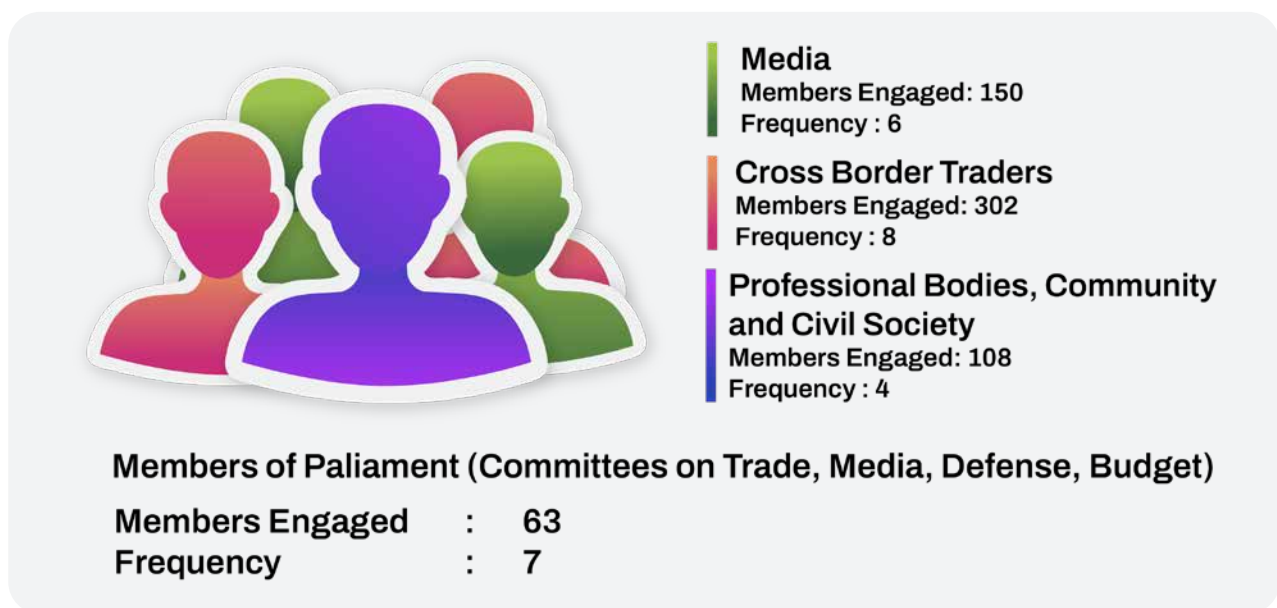
- IV. **The Malawi–EU Investment Forum** under the theme “Creating Sustainable Investment Opportunities: Strengthening EU-Malawi Economic Ties”;
- V. **The ICT Expo 2024**, themed “Digital Transformation: Gateway to Economic Empowerment”, where MRA showcased its digital initiatives like the EIS and Msonkho Online;
- VI. **The 34th Malawi International Trade Fair**, themed “Boosting Malawi’s Export Capacity through Enhanced Production”, offering a platform to educate businesses on Customs and tax compliance;
- VII. **The Malawi Investment and Trade Forum**, under the theme “Enhancing Regional Integration for Malawi’s Investment Potential and Future Prosperity”;
- VIII. **International Customs Day 2025**, celebrated under the global theme “Customs Delivering on its Commitment to Efficiency, Security, and Prosperity”.

These strategic participations not only elevated MRA’s public image but also served as critical avenues to raise awareness of tax obligations, build partnerships, and promote the Authority’s digital transformation initiatives.

8.2.3 Stakeholder Engagement

To foster transparency and strengthen collaborative relationships, MRA engaged a diverse range of stakeholders during the financial year. These included media houses, Members of Parliament (specifically from the Committees on Trade, Media, Defense, and Budget), cross-border traders, professional bodies, community representatives, and civil society organizations. In total, 623 stakeholders were engaged across 25 sessions. These engagements were instrumental in enhancing tax compliance awareness, clarifying policy issues and promoting dialogue around MRA’s strategic initiatives.

Figure 23: Stakeholder engagement



8.3 Taxpayer Education

8.3.1 Taxpayer Education Materials

MRA produced and disseminated a total of 793 Information, Education, and Communication (IEC) materials to enhance taxpayer awareness and promote compliance. These covered topics such as tax return submission and payment, presumptive tax, excise stamps, COMESA Simplified Trade Regime, Customs procedures, license renewals, and key system upgrades including the migration from ASYCUDA World 4.3.3 to 4.4.4.

Updated brochures on PAYE, Withholding Tax, VAT, Return Filing, Tip-offs Anonymous Service and Customs Process and Procedures were translated into local languages including Chichewa, Tumbuka and Yao. Additionally, posters and guides targeting SMEs, cross-border traders, and the general public addressed areas like vehicle clearance, industrial rebates, and the dangers of smuggling. The materials were made available through physical outreach and digital platforms, helping to promote voluntary compliance and informed taxpayer engagement.

Figure 24: IEC materials produced



8.3.2 Taxpayer Education Outreach (More info to be added)

The Authority strengthened public engagement through strategic taxpayer education outreach sessions. These forums served as vital platforms for clarifying tax rights and obligations as well as addressing taxpayer concerns in real-time. With an impressive attendance rate of 106.92% and a 90% satisfaction rate regarding how questions and issues were handled, the outreach efforts enabled MRA in building voluntary compliance and fostering a well-informed taxpayer base.



MRA Officer during one of the outreach activities

8.4 Taxpayer Service

8.4.1 Call Centre Performance

The Call Centre continued to serve as a vital link between the Authority and taxpayers, ensuring timely resolution of queries and enhancing taxpayer experience. It maintained high service standards in 2024/25, handling a total of 25,290 calls, all of which were answered within four rings, reflecting 100% adherence to response time targets. Additionally, 2,355 emails were attended to, and 1,016 calls were escalated to technical officers for further assistance, ensuring effective issue resolution.



MRA Call center agent on duty



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09

**HUMAN RESOURCE
AND ORGANIZATIONAL
CAPACITY**

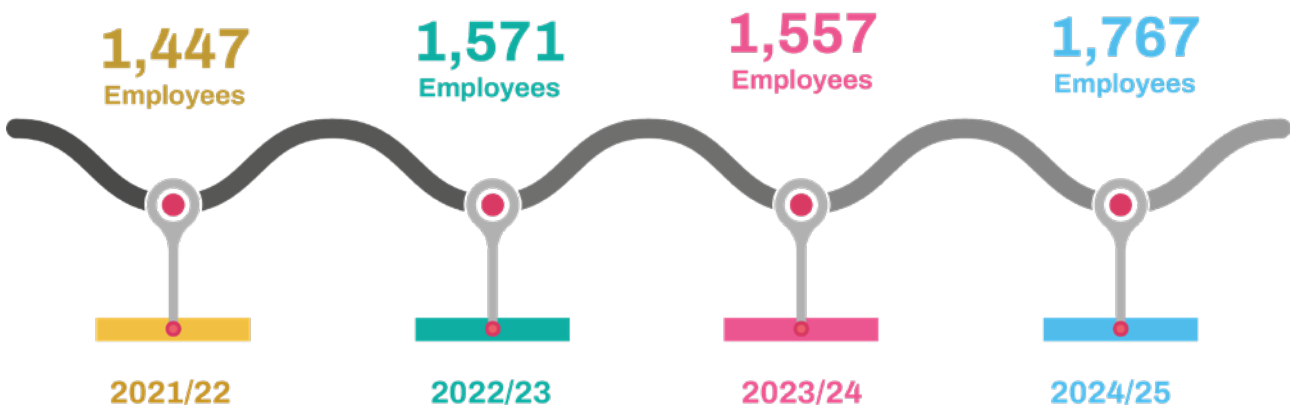
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HUMAN RESOURCE AND ORGANIZATIONAL CAPACITY

9.1 Workforce Overview

MRA is dedicated to cultivating a robust and growing workforce with a view to achieve operational efficiency and the corporate goals of the Authority. By the end of the 2024/25 financial year, MRA had a total of 1,767 employees, representing an increase of 13% from 1,557 employees in the previous financial year. This growth reflects the Authority’s unwavering commitment to strengthening organizational capacity and improving service delivery. Figure 25 illustrates staff movement trends over recent years.

Figure 25: Staff Movement Trends over Recent Years



9.1.1 Staff movement

9.1.1.1 Talent Acquisition and Integration

During the 2024/25 financial year, MRA significantly strengthened its workforce by recruiting and onboarding 275 new employees across various departments. This is a substantial increase compared to the 58 new hires recorded in the previous financial year. The expansion demonstrates the Authority’s deliberate efforts to address critical staffing needs and build capacity in support of its strategic objectives

9.1.1.2 Employee Separation and Transitions

A total of 65 employees separated from the Authority during the year. Of these, 18 were resignations, representing an increase from 14 in the previous period, while 47 separations were due to retirement, end-of-contract, dismissal and deaths. All separations were managed in accordance with the Authority’s HR policies to ensure smooth transitions and preserve institutional continuity.

Table 16 provides a comparative summary of staff movement over the last two financial years:

Table 16: Staff Movement

	2022/23	2023/24	2024/25	Growth %
Total number of Staff (end Year)	1571	1557	1767	13.49%
Recruitment	195	58	275	374.14%
Deaths	4	3	7	133%
Resignation	35	14	18	29%
Dismissals	4	8	7	-0.125%
Retirement	23	23	23	0%
Expiry of Contract	1	23	10	-57%

9.2 Training and Development

In pursuit of a skilled and future-ready workforce, the Authority continued to invest in staff development. A total of 875 staff members participated in various training programmes designed to enhance technical competence, leadership and operational efficiency. Of the total, 670 employees were trained through in-house courses at the Institute of Tax Administration (ITA), while 145 staff members benefitted from external training programmes that provided broader perspectives and specialized knowledge. These efforts were aligned with the evolving needs of the Authority and were aimed at empowering staff to deliver effectively in a dynamic operational environment.

Table 17: Staff Training

Staff Training	2022/23	2023/24	2024/25	Growth
Total number of staff that attended trainings	1,180	1,241	875	-29.5%
Training by ITA	1,098	603	670	11%
Training by other Institutions	82	578	145	-74.9%
Long term training	-	60	3	-95%



9.2.1 Integrity Programmes

To uphold ethical standards and build institutional trust, the Authority implemented robust integrity programmes throughout the 2024/25 financial year. The initiatives were aimed at strengthening accountability, transparency and professional conduct across all levels. Key interventions included awareness campaigns, staff sensitizations and collaboration with oversight Government agencies. These efforts were reinforced by measurable outcomes in integrity case management, as reflected in the year's statistics, (Table 18).

Reported corruption cases declined by 51%, from 51 in 2023/24 to 26, with reductions across Domestic Taxes, Customs, and other divisions. Similarly, completed investigations dropped by 57% from 44 to 25, reflecting a shift towards preventive measures. A total of 7 officers were dismissed, compared to 8, the previous year. Notably, dismissals increased in Domestic Taxes Division (from 2 to 4), but declined in the Customs and Support Divisions. These trends underscore the Authority's progress in promoting accountability and reducing misconduct through proactive integrity initiatives.

Table 18: Integrity Issues Outcomes

ITEMS	2023/24	2024/25	Growth
Number of corrupt cases - Domestic Taxes	24	13	-46%
Number of corrupt cases - Customs and Excise	16	7	-56%
Number of corrupt cases – Other divisions	11	6	-45%
Total Number of corrupt cases	51	26	-49%
Number of investigations completed – Domestic	22	13	-41%
Number of investigations completed – Customs	15	8	-47%
Number of investigations completed – Support and others	7	5	-29%
Total Number of Investigations Completed	44	25	-43%
Number of officers dismissed – Domestic	2	4	100%
Number of officers dismissed – Customs	5	1	-80%
Number of officers dismissed – Support and others	3	2	-33%
Total Dismissals	8	7	-13%



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10

GOVERNANCE AND RISK MANAGEMENT

10

**GOVERNANCE AND
RISK MANAGEMENT****10.1 Internal Audit**

During the year, MRA enhanced its internal oversight by implementing risk-based audits across key divisions, including Domestic Taxes, Customs and Excise, and ICT. These audits focused on high-risk areas to ensure alignment with regulatory standards and to identify opportunities for process improvement. The Internal Audit function continued to contribute to strengthened governance and internal controls and promoting accountability across the organization.

10.2 Enterprise-Wide Risk Management

During the 2024/25 financial year, the Authority continued to strengthen its Enterprise-Wide Risk Management (EWRM) framework. This strategic enhancement is pivotal to achieving our organizational objectives and ensuring resilience in an increasingly complex operating environment. The Authority recognizes that effective risk management is essential not only for fulfilling its mandate of revenue collection but also for fostering innovation and organizational growth.

Throughout the year, the Authority effectively navigated a wide range of risks, including compliance, operational, technological, legal, economic, and reputational risks. To operate within its defined risk appetite and tolerance levels, the Authority focused on proactively identifying, assessing and responding to these risks. Mitigation strategies were subject to continuous review and rigorous implementation to ensure risk exposures remained within acceptable levels, thereby safeguarding the integrity of the Authority's processes. Enhanced collaboration with risk owners, the deployment of key risk indicators, and quarterly risk reviews were instrumental in this approach. Figure below presents the status of the top 10 corporate risks at the end of the 2024/25 financial year and outlines the mitigation measure in place to address them.

Table 19: Status of the Corporate Risks as at the end of 2024/25 Financial Year

LIKELIHOOD	Very High					
	High					
	Moderate					
	Low					
	Very Low					
		Very Low	Low	Moderate	High	Very High
IMPACT						
1. Compliance Risk 2. ICT Risk 3. Economic Risk 4. Low Integrity 5. HR Risk				6. Tax Policy Risk 7. Project Management Risk 8. Business Process Risk 9. Legal Risk 10. Financial Resource Risk		

Table 20: Risks and Mitigation Measures

Corporate Risk	Impact	Risk Level	How MRA Manages the Risk
<p>Compliance risks</p> <p>The failure by taxpayers and traders to adhere to tax laws and regulations adversely affecting revenue collection and increasing the cost of collection.</p> <p>This includes risks related to registration, filing, payment, and reporting of taxes, as well as smuggling and under-declaration of goods.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> Risk score is unchanged 	<p>Non-compliance erodes the tax base, leads to revenue shortfalls, increases enforcement costs, and undermines the Authority's ability to meet its revenue targets.</p>	High	<ul style="list-style-type: none"> To enhance taxpayer compliance and ultimately improve revenue performance, MRA develops and implements a Taxpayer Compliance Improvement Plan (CIP). This plan outlines targeted strategies addressing all four key pillars of taxpayer compliance: registration, on-time filing, timely payment, and accurate reporting MRA has enhanced audit case selection through the use of the Risk Differentiation Framework (RDF), which enables a more targeted and risk-based approach. A strategy leveraging third-party data analysis was implemented to identify compliance gaps in registration, filing, reporting, and payment. This approach enabled MRA to detect inconsistencies and take corrective actions. A tax stamp initiative was implemented to enhance taxpayer compliance, particularly in the payment of excise taxes and to combat illicit trade. Enforcement operations were strengthened to effectively combat smuggling by enhancing surveillance, increasing the number of Flexible Anti-Smuggling Teams (FAST) and targeted interventions in high-risk areas.

<p>ICT Risk</p> <p>This risk pertains to threats and vulnerabilities associated with the use of technology, potentially impacting the confidentiality, integrity, and availability of data and systems.</p> <p>This risk include cyberattacks, system failures, and other technical deficiencies that could disrupt operations and compromise critical information.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> • Risk score has increased from 16 to 20 	<p>A significant ICT disruption or security breach could lead to data loss, operational downtime, reputational damage and revenue losses adversely affecting MRA’s credibility and stakeholder trust.</p>	<p>High</p>	<ul style="list-style-type: none"> • Network infrastructure capacity has been enhanced across all MRA stations to improve connectivity, boost system performance, and enhance overall operational efficiency. • All key stations are now equipped with network backup links to enhance redundancy and ensure uninterrupted connectivity. • A comprehensive cybersecurity sensitization programme is in place to enhance awareness and mitigate cyberattack risks, while regular mock drills are conducted to assess and improve employee preparedness and response to potential threats. • disaster recovery site has been established to ensure business continuity and rapid recovery in the event of major disruption. • Business continuity and disaster recovery plans are in place to ensure seamless operations and swift recovery in the event of disruptions
<p>Economic Risk</p> <p>Uncertainties arising from changes in economic conditions can affect (negatively or positively) revenue collection performance.</p> <p>Key sub risks including high inflation, fluctuations in exchange rates, increases in interest rates, and economic recessions.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> • Risk score is unchanged 	<p>Economic downturns can lead to reduced revenue generation, increased tax evasion, and budgetary constraints. They also pose administrative challenges in forecasting and planning, often requiring policy and operational adjustments to sustain revenue performance.</p>	<p>High</p>	<ul style="list-style-type: none"> • Weekly revenue collection performance review meetings are conducted to monitor trends, identify emerging challenges, and develop timely strategies to sustain and improve revenue performance in response to evolving economic conditions. • The MRA has intensified tax compliance and enforcement initiatives by leveraging data analytics, risk-based audits, and targeted interventions to detect non-compliance and enhance revenue collection. • Tax policies and operational plans are regularly reviewed and adjusted to respond to evolving macroeconomic conditions and sustain revenue performance.

<p>Integrity Risk</p> <p>Potential threat or vulnerability that may compromise the honest and ethical behaviors of officers.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> Risk score has decreased from 16 to 12 	<p>Integrity breaches can undermine MRA's credibility, reduce compliance levels among taxpayers, and expose MRA to reputational damage, legal liabilities, and financial losses.</p>	<p>High</p>	<ul style="list-style-type: none"> MRA conducts comprehensive training and awareness programmes on ethics, compliance, fraud prevention, and whistleblowing procedures. These programmes are designed to build a strong culture of integrity and accountability. MRA conducts risk-based lifestyle audits for employees whose standard of living appears inconsistent with their declared income, as part of efforts to uphold integrity, detect potential misconduct, and deter unethical behavior within the organization. The MRA conducts thorough fraud investigations, and all individuals found culpable are subjected to a formal disciplinary process in accordance with established procedures and policies. Comprehensive due diligence is conducted on all new employees.
<p>Tax Policy Risk</p> <p>Tax policy risk refers to the potential uncertainties associated with the design, adoption, and implementation of tax policies.</p> <p>This includes sub risks such as ineffective implementation of tax policy changes and inconsistent interpretation and application of tax laws.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> Risk Score has decreased from 12 to 8 	<p>Uncertainty and inconsistency in tax policies can lead to loss of revenue, compliance issues, inefficient tax collection, legal disputes, and erosion of taxpayer trust.</p>	<p>Medium</p>	<ul style="list-style-type: none"> Tax laws were streamlined through the enactment of the TAA to enhance clarity, minimize ambiguities, and promote consistent interpretation and compliance with tax policies. Quarterly monitoring and evaluation of tax measures are conducted to assess their effectiveness, ensure timely adjustments, and support evidence-based policy implementation. The Authority actively engages relevant stakeholders on changes in tax policies, incentives, and compliance procedures to ensure transparency, foster collaboration, and enhance stakeholder understanding.

<p>Project Management risk</p> <p>Project management risk refers to potential uncertainties and challenges that may affect the successful planning, execution, and completion of projects.</p> <p>The key sub risks are scope creep, cost overruns, delays, or complete project failure.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> Risk score has decreased from 16 to 12 	<p>Poor project management may lead to inefficient resource utilization, reputational damage, and failure to achieve strategic objectives.</p>	<p>High</p>	<ul style="list-style-type: none"> A robust governance framework is in place to provide clear oversight, accountability, and decision-making structures that support effective project execution and risk management. Ongoing capacity building initiatives are in place to equip project managers with essential skills in project and change management, ensuring effective planning, execution, and adaptation to evolving project needs. MRA has adopted PRINCE2 as its standard project management methodology, providing a structured and process-driven approach that ensures clear roles, defined stages, effective risk management, and alignment with organizational objectives throughout the project lifecycle.
<p>Business Process Risk</p> <p>Business process risk arises from inefficiencies, lack of automation, and poor inter-departmental coordination, which can hinder service delivery, increase operational costs, and reduce overall organizational effectiveness.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> Risk score is unchanged 	<p>Inefficient business processes can lead to reduced taxpayer satisfaction, revenue leakage, and the inefficient use of resources, ultimately impacting service delivery and organizational performance.</p>	<p>High</p>	<ul style="list-style-type: none"> The MRA has identified key business processes for automation to enhance efficiency, reduce manual errors, and improve service delivery. The MRA has an established Business Process Reengineering section and is actively enhancing its capacity through additional staffing and targeted training to drive process improvements effectively.
<p>Legal Risk</p> <p>Legal risk refers to the potential exposure or threat arising from legal challenges, or non-compliance with laws and regulations that could impact the authority's ability to collect taxes and fulfil its responsibilities</p> <p>Risk Trend</p> <ul style="list-style-type: none"> Risk score has decreased from 12 to 9 	<p>The impact of legal risk includes costly litigation, reputational damage, revenue loss, operational disruptions, increased compliance costs, and taxpayer disputes.</p>	<p>Medium</p>	<ul style="list-style-type: none"> MRA is committed to upholding tax laws and all applicable regulations by continuously reviewing compliance practices, fostering a culture of legal accountability, and implementing proactive measures to ensure full adherence across all operations.

<p>Human Resource Management Risk</p> <p>Human resource risk refers to the potential challenges related to attracting, retaining, and managing employees and ensuring compliance with employment laws.</p> <p>Risk Trend</p> <ul style="list-style-type: none"> • Risk score has decreased from 12 to 8 	<p>A failure to effectively manage talent, plan for leadership succession and adapt to an evolving workplace environment may impede the realization of the MRA’s strategic objectives.</p>	<p>Medium</p>	<ul style="list-style-type: none"> • MRA’s employment policies and procedures form the foundation of its people strategy, ensuring that talent attraction, selection, development, and progression are driven by robust, transparent, and objective processes. • MRA prioritizes the enhancement of staff skills through continuous training and professional development programmes to ensure a highly skilled and adaptable workforce. • MRA ensures compliance with employment laws and other regulatory frameworks to maintain a fair, legal, and ethical working environment.
<p>Financial resource risk</p> <p>Financial resource risk refers to the potential challenges and uncertainties associated with the unavailability, misallocation, and mismanagement of financial resources within the Authority</p> <p>Risk Trend</p> <ul style="list-style-type: none"> • Risk score has decreased from 12 to 9 	<p>The impact of financial resource risk includes reduced operational efficiency, delays in implementing strategic initiatives, compromised service delivery, and weakened ability to meet revenue targets</p>	<p>Medium</p>	<ul style="list-style-type: none"> • Budget allocations are strategically aligned with the Authority’s priorities to ensure efficient resource utilization and the achievement of organizational goals. • Cost control measures are implemented to monitor expenditures, eliminate inefficiencies, and ensure optimal utilization of financial resources across the Authority. • Robust internal controls are in place, complemented by regular audits to ensure financial integrity, prevent mismanagement, and support compliance with applicable regulations.



Malawi
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Authority



11

CONCLUSION

11

CONCLUSION



This annual report for the 2024/25 financial year reflects strong operational performance, with notable achievements across tax compliance, stakeholder engagement, digital transformation, and corporate integrity. Despite economic pressures and policy shifts, the Authority remained resilient and responsive to achieve our mandate.

Looking ahead, the Authority remains committed to building on this momentum by implementing strategic initiatives aligned with the CSP. These efforts are intended to drive sustained revenue growth, deliver world class taxpayer services and reinforcing the Authority's vital contribution to Malawi's national development agenda.

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FINANCIAL STATEMENTS



2024/25 MRA ANNUAL REPORT

MALAWI REVENUE AUTHORITY
FINANCIAL STATEMENTS
For the year ended 31 March 2025

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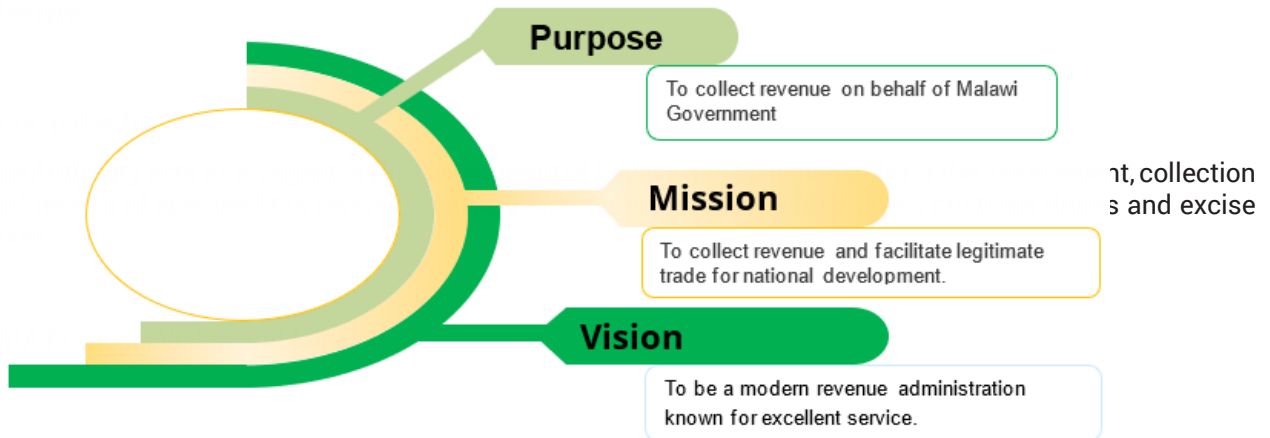
CORPORATE PROFILE

Background

The Malawi Revenue Authority (MRA) is a semi-autonomous agency of the Government created under the Malawi Revenue Authority Act (1998) (Amendment Act 2007). In February 2000, MRA began its operations, with a mandate to assess, collect, and receive designated revenues, and it is accountable to the Minister of Finance.

Incorporation and registered office

The Authority is incorporated under the Malawi Revenue Authority Act, 1998 (Amendment Act 2007). Its registered office and principal place of business is Msonkho House situated along Independence Drive in

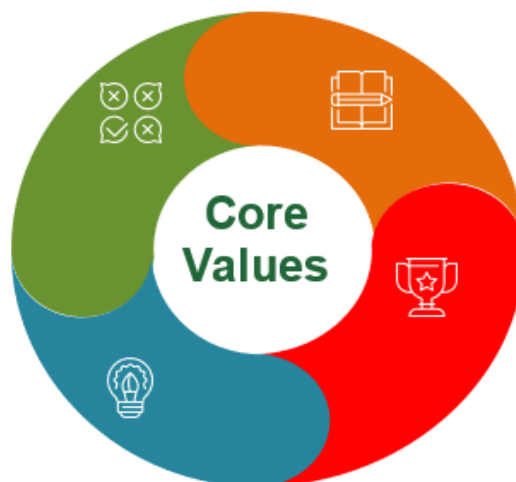


FAIRNESS

We endeavor to employ high ethical standards, and demonstrate honesty, equity gender balance and impartiality in service delivery.

TRANSPARENCY

We operate in an open manner and ensure that information is available that can be used to measure the Authority's performance and guard against any misuse of power.



INTEGRITY

We uphold the highest standards of trust, respect, confidentiality, truthfulness, reliability and honor.

SERVICE EXCELLENCE

We deliver what we promise in an efficient, effective and timely manner.

DIRECTORS' REPORT

For the year ended 31 March 2025

The directors have the pleasure in presenting their report together with the annual financial statements for the year ended 31 March 2025. Similar to previous years, the year in review encountered various obstacles that impacted both the supply and demand sides of the economy. The year was characterized by subdued economic growth, persistent inflation, foreign exchange shortages and exchange rate volatility. These conditions, compounded by structural shifts in trade and production, tested the resilience of our economy and institutions. Yet, the Authority responded with agility, adopting innovative collection strategies, strengthening enforcement and enhancing digital platforms.

Although the actual revenue outturn of MK3.059 trillion fell slightly short of the revenue target of MK3.255 trillion by 6% (i.e. MK196.060 billion), the performance was commendable, reflecting the dedication and professionalism of the Authority's staff amid critical challenges such as tax evasion, illicit trade, continued instances of non-compliance, inefficiencies in the tax system and the emergence of sophisticated tax avoidance schemes. To confront these issues, MRA is intensifying enforcement, widening the tax net, and investing in advanced digital and risk management systems to improve efficiency, transparency, and voluntary compliance.

According to the Public Finance Management Act, 2022, section 100(4), the Authority is required to furnish the Minister of Finance and the Secretary to Treasury with the performance management report, financial statements and the report of the Auditor General by 31st July of each year. The Authority has complied with this provision for the year under review.

Financial Performance

The financial performance results of the Authority are set out in the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in reserves, statement of cash flows and the notes to the financial statements.

	<u>2025</u>
<u>2024</u>	
	K'000
K'000	
Revenue 76,221,789	117,094,594
Surplus for the year 3,008,684	9,290,426

Corporate Governance

The Authority has an overarching governance structure incorporating principles of good governance to facilitate effective and dynamic management and oversight of the Authority as advocated in the code of best practice and conduct contained in Malawi Code II, Code of Best Practice to Corporate Governance in Malawi.

The Board is satisfied that the Authority has made every practical effort to adopt all relevant principles of good corporate governance during the year under review in so far as is applicable to the Authority.

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Authority's financial risk management framework. The Board established the Finance, Audit and Risk Committee, which is responsible for developing and monitoring the Authority's risk management policies as set out in Note 25 to the financial statements. This Committee reports regularly to the Board of Directors on its activities.

Directors and Secretary

The following directors and secretary served in the office during the year ended 31 March 2025:

Name	Designation	Duration
Mr. Vizenge Kumwenda	Chairperson	Full year
Mr. John Robson Kamanga	Member	Full year
Ms. Martha Kaukonde	Member	Full year
Mr. Arnold Kweyani Mbwana	Member	From 22 May 2024
Dr. Wilson T. Banda	Ex-Officio Member	Up to 5 January 2025
Dr. MacDonald Mafuta Mwale	Ex-Officio Member	From 6 January 2025
Mr. Henry Mphasa	Ex-Officio Member	Full year
Prof Betchani Tchereni	Ex-Officio Member	Full year
Ms. Christina Zakeyo	Ex-Officio Member	Full year
Mrs. Beatrice Mwangwela	Board Secretary	Full year

All the directors are resident in Malawi. All the directors are subject to election by the appointing authority (Minister of Finance) for a three-year term and the current directors' tenure will expire in July 2026.

All directors have access to management including the Board Secretary and to such information as is needed to carry out their duties and responsibility fully and effectively. The Board Secretary provides support to the Board to ensure effective functioning and proper administration of Board proceedings.

Board and Committees Attendance Record

The Board of Directors meets at least four times a year including sessions devoted to strategy and business planning. It also meets as and when required to deal with specific matters that may arise between scheduled meetings. Below is the attendance record:

(i)

Board

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MEMBER	7 May 24	6 Jun 24	24 Jul 24	15 Aug 24	20 Aug 24	28 Aug 24	23 Dec 24
Mr. Vizenge Kumwenda	Y	Y	Y	Y	Y	Y	Y
Mr. John Kamanga	Y	Y	Y	Y	Y	Y	Y
Ms, Martha Kaukonde	Y	Y	Y	Y	Y	Y	Y
Mr. Arnold Kweyani Mb-wana	N	A	Y	Y	Y	Y	Y
Dr. MacDonald Mafuta Mwale	N	N	N	N	N	N	N
Dr. Wilson T. Banda	Y	Y	Y	Y	Y	Y	Y
Mr. Henry Mphasa	Y	A	Y	Y	Y	Y	Y
Ms. Christina Zakeyo	Y	Y	Y	Y	Y	Y	Y
Dr. Betchani Tchereni	A	A	Y	Y	Y	Y	Y

(i) Finance, Audit and Risk Committee

MEMBER	4 June 24	15 Aug 24	28 Nov 24	27 Mar 25
Mr. John Kamanga (Chairperson)	Y	Y	N	N
Mr. Arnold Kweyani Mbwana (Chairperson)	N	Y	Y	Y
Dr. MacDonald Mafuta Mwale	N	N	N	Y
Dr. Wilson T. Banda	Y	Y	Y	N
Mr. Henry Mphasa	A	Y	Y	Y
Dr. Betchani Tchereni	A	Y	Y	Y

(ii) Operations Committee

(iii)

MEMBER	3 June 24	9 Dec 24	27 Mar 24
Mr. John Kamanga (Chairperson)	Y	Y	Y
Dr. Betchani Tchereni	A	Y	A
Dr. MacDonald Mafuta Mwale	N	N	Y
Dr. Wilson T. Banda	Y	Y	N
Ms. Christina Zakeyu	A	Y	A

(iv) Corporate Services Committee

MEMBER	24 May 24	21Jun 24	20 Sep 24	21 Jan 25	31 Jan 25	28 March 25
Ms. Martha Kaukonde (Chairperson)	Y	Y	Y	Y	Y	Y
Ms. Christina Zakeyu	A	Y	A	Y	Y	Y
Mr. Henry Mphasa	Y	Y	Y	Y	Y	A

Key: Y = Attendance

A = Apology

N= Not a member

Going Concern

The Board of Directors has satisfied itself that the Authority has adequate resources to continue in operation for the foreseeable future. The financial statements have accordingly been prepared on a going concern basis. This is on the strength that the Authority is an agency of the Government and funds of the Authority are guaranteed as prescribed in the Malawi Revenue Authority Act, 1998 section 20 (Amendment Act 2007). Thus, the Authority will continue to exist as far as the Government exists.

Independent Auditors

Grant Thornton, Chartered Accountants and Business Advisors, were the auditors for the year ended 31 March 2025 and have expressed willingness to continue as auditors in respect of the Authority's 31 March 2026 financial statements.

For and on behalf of the board

.....

Chairman

Vizenge Kumwenda

.....

Director

Arnold Kweyani Mbwana

Date: 2025

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 March 2025

The directors are responsible for the preparation and fair presentation of the financial statements of the Malawi Revenue Authority, comprising the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in reserves and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of material accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Revenue Authority Act, 1998 (Amendment Act 2007), and Public Finance Management Act, 2022. The Directors are responsible for the preparation of the Directors report.

The Malawi Revenue Authority Act, 1998 (Amendment Act 2007), requires the directors to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. The directors also ensure that the financial statements comply with the Malawi Revenue Authority Act, 1998 (Amendment Act 2007), and the Public Finance Management Act, 2022.

In preparing the financial statements, the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume the Authority will continue in business.

The directors are also responsible for internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors have assessed the Authority's ability to continue as a going concern and have a reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards and Malawi Revenue Authority Act, 1998 (Amendment Act 2007), and the Public Finance Management Act, 2022.

Approval of the financial statements

The financial statements of the Authority, as indicated above, were approved by the Board of Directors on 2025 and are signed on its behalf by:

.....
Chairman
Vizenge Kumwenda

.....
Director
Arnold Kweyani Mbwana

COMMISSIONER GENERAL'S STATEMENT

For the year ended 31 March 2025

It is my honor and pleasure to present Malawi Revenue Authority's (MRA) financial performance for the 2024/25 fiscal year. MRA collected MWK3.06 trillion against a target of MWK3.26 trillion, representing 94% performance and a remarkable 40% growth from the previous financial year. The past year demonstrated our resilience as these results were achieved despite a tough economic environment marked by elevated inflation, exchange rate instability and fuel supply disruptions. This performance underscores the resilience and dedication of our staff in fulfilling our mission. I extend my sincere appreciation to our staff, compliant taxpayers and stakeholders whose contributions were instrumental to this year's results.

I would also like to express my sincere appreciation to the MRA Board of Directors for their trust and support as well as strategic direction and advice. Your continued faith in MRA's capabilities will act as an inspiration to us to reach new heights and exceed not only the expectations of the whole nation but also our own. The story would be incomplete without extending my gratitude to the Ministry of Finance and Economic Affairs, Ministry of Trade and Industry and the Accountant General's Department for their continued support in the operations of the Authority in fulfilling its mandate.

During the year under review, the Malawi's economy faced significant headwinds, largely shaped by global challenges such as persistent inflation, geopolitical instability and climate-related disruptions. A severe El Niño-induced drought dealt a major blow to the agricultural sector, prompting a downward revision of GDP growth to 1.8%. At the same time inflation averaged 33.8%, driven primarily by food price hikes and continued foreign exchange shortages. These inflationary pressures severely strained household incomes and overall economic stability.

As highlighted above, the Authority achieved a 94% performance rate to close at K3.059 trillion against a target of K3.255 trillion thereby not meeting the target by K196.060 billion. This remarkable performance was supported by several key management interventions. These included intensified enforcement efforts such as audits, debt collection, customs patrols, the use of inland examination centers and increased tax investigations. The introduction of tax policy measures including the changes to the PAYE structure, the introduction of a 40% rate for commercial banks on profits in excess of MK10 billion, and the increase in advance income tax on imports from 3% to 10%, also contributed to this success. Exceptional performance of the finance and insurance sector contributed to the most revenue among the large taxpayers in the country. The sector declared and paid dividends and there was an increase in their PAYE remittance due to gratuities, bonuses and an overall increase in employees' salaries.

Performance on the major tax categories was as follows:

- Domestic tax collections totalled K2.209 trillion against a target of K2.294 trillion, representing a negative variance of 4% on account of rising inflation which eroded consumers' buying power resulting in consumer spending decreased, causing VAT and income tax collections to fall short of their projections and an increase of the PAYE zero bracket from MK100,000 to MK150,000 resulted in significant revenue loss from the tax.

- Trade tax collections totalled K850.450 billion against a target of K960.860 billion, representing a negative variance of 11% mainly on account of shortage of foreign currencies and fuel in the country severely hampering importation activities and the manufacturing industries.

Below is a summary of tax collections for the past three years:

- 2022/2023 K1.540 trillion
- 2023/2024 K2.187 trillion
- 2024/2025 K3.059 trillion

In the 2025/26 financial year, we will focus on consolidating gains through the rollout of the Electronic Invoicing System, full implementation of the Tax Administration Act (TAA) and the expansion of tax stamps on more domestically produced and imported goods. Further digitalization of our processes will enable more efficient and transparent service delivery.

We remain resolute to discharge our duties diligently to ensure that we keep building on our past success. As such, we continued implementing the 2020-2026 Corporate Strategic Plan (CSP). The CSP provides the road map to guide operations. Specifically, the Authority is concentrating on enhancing the uptake of modern technology in order to increase voluntary compliance. Furthermore, the Authority is geared towards maximizing revenue collection while upholding taxpayer rights in order to assist the Government in achieving the three pillars of Malawi's vision 2063: Agricultural Productivity and Commercialization; Industrialization; and Urbanization.

Daniel Dominic Daka
Commissioner General

INDEPENDENT AUDITOR’S REPORT TO THE BOARD OF DIRECTORS OF MALAWI REVENUE AUTHORITY

Opinion

We have audited the financial statements of Malawi Revenue Authority (the Authority) set out on pages 10 to 49, which comprise the statement of financial position as at 31 March 2025, statement of profit or loss and other comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2025, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Malawi Revenue Authority Act, 1998 (Amendment Act 2007) and Public Finance Management Act, 2022.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements, section of our report. We are independent of the Authority in accordance with the International Ethics Standard Board for Accountants’ Code of Ethics for Professional Accountants (IESBA code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation, existence and accuracy of properties</p> <p>See Notes 3(a) and 5 to the financial statements</p> <p>Property, plant and equipment, disclosed in note 5 to the financial statements, comprise 63% of total assets.</p> <p>The valuation, existence and accuracy of the Authority’s properties was a key audit matter due to:</p> <ul style="list-style-type: none"> the significance of the account balance in the financial statements of the Authority. estimating of the fair value which is a complex process involving a number of judgements and assumptions regarding various inputs. Due to the nature of the assets, the valuation technique includes a number of inputs and assumptions due to a lack of an active market. the location of properties – as the properties are located countrywide. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> We evaluated the inputs used in calculating the estimated fair values of the properties at year end by comparing it with historical valuations and assumptions used. We compared it against our understanding and knowledge of the industry and the economic environment within which the Authority operates. We tested the fair value calculations of the properties at year end by considering whether the assumptions and calculation methods used are appropriate and consistent with market conditions and the economic environment prevailing during the year. For selected properties we assessed the physical condition of the properties relative to the valuations to assess for any indicators of impairment. We assessed compliance with applicable financial reporting framework to ensure that the entire class revalued. We assessed the professional qualifications, competence, independence and experience of the professional valuer used for the valuation of the properties.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Profile, Directors' Report, Directors' Responsibility Statement and the Commissioner General's Statement. The other information does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Malawi Revenue Authority Act, 1998 (Amendment Act 2007) and Public Finance Management Act, 2022, and for such internal controls as the directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

GRANT THORNTON

Chartered Accountants

Hastings Bofomo Nyirenda

Chartered Accountant (Malawi)

Partner

Blantyre, Malawi

Date2025

MALAWI REVENUE AUTHORITY STATEMENT OF FINANCIAL POSITION

At 31 March 2025

In thousands of Malawi Kwacha

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	47,960,673	41,889,377
Intangible assets	6	11,745,548	10,056,737
Right of use assets	7	<u>1,820,732</u>	<u>721,027</u>
Total non-current assets		<u>61,526,953</u>	<u>52,667,141</u>
CURRENT ASSETS			
Inventories	8	732,049	985,647
Amounts due from Malawi Government (RBM)	9	7,203,702	5,490,470
Amounts due from Malawi Government (Treasury)	19	-	-
Other receivables and prepayments	10	2,275,369	2,082,694
Assets held for sale	12	100	100
Cash and short-term deposits	11	<u>15,547,061</u>	<u>5,489,854</u>
Total current assets		<u>25,758,281</u>	<u>14,048,765</u>
TOTAL ASSETS		<u>87,285,234</u>	<u>66,715,906</u>

RESERVES AND LIABILITIES

RESERVES

Government contribution	13	363,216	363,216
Revaluation reserve		24,025,197	24,033,837
General reserve		<u>25,856,294</u>	<u>16,557,228</u>
Total reserves		<u>50,244,707</u>	<u>40,954,281</u>

LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	14	1,386,959	759,974
Deferred income - Malawi Government	15	9,623,575	6,705,968
Lease liabilities	16	<u>1,210,521</u>	<u>435,691</u>
Total non-current liabilities		<u>12,221,055</u>	<u>7,901,633</u>
CURRENT LIABILITIES			

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Borrowings	14	1,513,047	1,574,004
Trade and other payables	17	18,966,675	15,201,646
Provisions	18	3,207,545	367,409
Lease liabilities	16	1,085,166	716,933
Amounts due to Malawi Government	19	<u>47,039</u>	<u>-</u>
Total current liabilities		<u>24,819,472</u>	<u>17,859,992</u>
Total liabilities		<u>37,040,527</u>	<u>25,761,625</u>
TOTAL RESERVES AND LIABILITIES		<u>87,285,234</u>	<u>66,715,906</u>

The financial statements were approved and authorised for issue by the Board of Directors on
2025 and were signed on its behalf by:

..... (Chairman)

Vizenge Kumwenda

..... (Director)

Arnold Kweyani Mbwana

MALAWI REVENUE AUTHORITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2025

In thousands of Malawi Kwacha

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Revenue			
Agency fees	20	91,475,512	65,450,443
Other revenue	21	<u>25,619,082</u>	<u>10,771,346</u>
Total revenue		<u>117,094,594</u>	<u>76,221,789</u>
Staff costs			
Salaries		(29,525,638)	(23,986,173)
Other staff costs	22	(13,901,413)	(10,913,827)
Pension contribution		<u>(4,485,901)</u>	<u>(3,319,563)</u>
Total staff costs		<u>(47,912,952)</u>	<u>(38,219,563)</u>
Administrative and operating expenses	23	(55,795,145)	(30,647,980)
Depreciation and amortization	5, 6 & 7	(4,558,265)	(3,704,904)
Office rental		<u>(95,100)</u>	<u>(81,281)</u>
Total administrative and operating expenses		<u>(60,448,510)</u>	<u>(34,434,165)</u>
Total expenditure		<u>(108,361,462)</u>	<u>(72,653,728)</u>
Surplus before finance income and expenses		<u>8,733,132</u>	<u>3,568,061</u>
Finance income	24	2,043,710	559,485
Finance expenses	24	<u>(1,486,416)</u>	<u>(1,118,862)</u>
Net finance expenses		<u>557,294</u>	<u>(559,377)</u>
Surplus for the year		9,290,426	3,008,684
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation surplus		-	5,510,422
Total comprehensive income for the year		<u>9,290,426</u>	<u>8,519,106</u>

*Refer to note 31 for more details of the restatement

MALAWI REVENUE AUTHORITY STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2025

In thousands of Malawi Kwacha

	<u>Government contribution</u>	<u>Revaluation Reserve</u>	<u>General reserve</u> Restated *	<u>Total</u>
<u>2025</u>				
At the beginning of the year	363,216	24,033,837	16,557,228	40,954,281
Surplus for the year			9,290,426	9,290,426
Other comprehensive income				
Revaluation surplus				
Excess depreciation transfer	-	(8,640)	8,640	-
Total comprehensive income for the year	-	(8,640)	9,299,066	9,290,426
At the end of the year	<u>363,216</u>	<u>24,025,197</u>	<u>25,856,294</u>	<u>50,244,707</u>
<u>2024</u>				
At the beginning of the year	363,216	18,526,929	13,545,030	32,435,175
Surplus for the year	-	-	3,008,684	3,008,684
Other comprehensive income				
Revaluation surplus	-	5,510,422	-	5,510,422
Excess depreciation transfer	-	(3,514)	3,514	-
Total comprehensive income for the year	-	5,506,908	3,012,198	8,519,106
At the end of the year	<u>363,216</u>	<u>24,033,837</u>	<u>16,557,228</u>	<u>40,954,281</u>

Revaluation reserves

The revaluation reserve represents the excess of carrying value of land and buildings over cost and is an unrealised reserve until or unless the related land and buildings are realised.

General reserve

The general reserve represents surplus of income over expenditure other than capital expenditure that has accumulated since inception of the Authority.

MALAWI REVENUE AUTHORITY
STATEMENT OF CASH FLOWS

For the year ended 31 March 2025

In thousands of Malawi Kwacha

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cash flows from operating activities			
Surplus for the year		9,290,426	3,008,684
Adjustments for:			
Depreciation charge for the year	5	3,554,753	3,045,083
Amortization charge for the year	6 & 7	1,003,512	659,821
Reclassification of WIP to Intangible assets	5	-	-
Profit /(loss) on disposal of property, plant and equipment		(55,185)	136,866
Write-offs of WIP on revaluation	5,6	1,251,105	105,667
Gain on derecognition of lease	7 & 16	(3,001)	(10,391)
Release of deferred income-grants to income	15	(791,446)	(331,237)
Interest received	24	(2,043,710)	(559,485)
Interest paid	24	<u>1,486,416</u>	<u>1,118,862</u>
Cash generated from operations before working capital changes		13,692,870	7,173,870
Changes in working capital:			
Increase in inventories	8	253,598	(557,051)
Changes in amounts due from Malawi Government (RBM)	9	(1,713,232)	(1,348,986)
Changes in amounts due from Malawi Government (Treasury)	19	47,039	330,596
Changes in other receivables and prepayments	10	(192,675)	(463,508)
Changes in assets held for sale	12	-	-
Changes in trade and other payables	17	3,765,029	6,829,342
Changes in provisions	18	<u>2,840,136</u>	<u>(143,915)</u>
Net cash generated from operating activities		<u>18,692,765</u>	<u>11,820,348</u>
Cash flows from investing activities			
Acquisition of non-current assets	5,6,7	(14,844,892)	(9,013,255)
Proceeds from disposal of property, plant and equipment		133,845	360,002
Interest received	24	<u>2,043,710</u>	<u>559,485</u>
Net cash used in investing activities		<u>(12,667,337)</u>	<u>(8,093,768)</u>
Cash flows from financing activities			

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Additional borrowings received	14	2,647,954	837,490
Additional grants received	15	3,709,053	1,206,532
Additional leases obtained	16	1,880,342	202,888
Capital repayment of borrowings	14	(2,081,926)	(1,197,469)
Reclassification of borrowings to grant related to income	14		-
Capital repayment of lease liabilities	16	(637,228)	(538,609)
Interest paid	24	<u>(1,486,416)</u>	<u>(1,118,862)</u>
Net cash used in financing activities		<u>4,031,779</u>	<u>(608,030)</u>
Net changes in cash and cash equivalents		10,057,207	3,118,550
Cash and cash equivalents at beginning of year		<u>5,489,854</u>	<u>2,371,304</u>
Cash and cash equivalents at end of year	11	<u>15,547,061</u>	<u>5,489,854</u>

MALAWI REVENUE AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2025

1.0 Nature of Operations**a) Reporting entity**

The Malawi Revenue Authority (MRA) was established under the Malawi Revenue Authority Act, 1998, (Amendment Act 2007). MRA operates as an agent of the Government of Malawi and is responsible for the assessment, collection and receipt of specified tax revenue namely income taxes, value added taxes, customs duties and excise taxes. The financial statements include only those transactions of the Authority that enable it to perform its statutory responsibility as an agent of the Government of Malawi.

The MRA is governed by a Board of Directors which appoints a Commissioner General who is responsible for the day to day running of the MRA. Its principal place of business and registered office is Msonkho House, Independence Drive, Private Bag 247, Blantyre.

b) Financial reporting year

The Authority's accounting year begins on 1 April and ends on 31 March in line with the Public Finance Management Act 2022 and the information that these financial statements present are comparable.

2.0 Basis of Preparation**a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in line with the provisions of both the Malawi Revenue Authority Act, 1998 (Amendment Act 2007), and the Public Finance Management Act, 2022. Details of the Authority's accounting policies, including changes during the year and critical accounting judgements are included in notes 3 and 4 below.

b) Basis of measurement

The financial statements are prepared on the historical cost basis except for land and buildings which are measured at fair value. No other procedures have been adopted to reflect the impact on the financial statements of specific price changes or changes in the general level of prices.

c) Functional and presentation currency

The financial statements are presented in Malawi Kwacha, which is the Authority's functional currency. Unless specifically expressed, all financial information is presented in Malawi Kwacha and has been rounded to the nearest thousand.

d) Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Authority will be able to meet the repayment of its liabilities as they fall due. This is on the strength that the Authority is an agency of the Government and funds of the Authority are guaranteed as prescribed in the Malawi Revenue Authority Act, 1998 section 20 (Amendment

Act 2007). Thus, the Authority will continue to exist as far as the Government exists.

e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the application of policies and reported amounts in assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical costs, experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future periods.

f) Changes in accounting estimates

Unless otherwise stated, the Authority has consistently applied the principal accounting policies as set out in note 3 to all years presented in these financial statements.

g) New accounting standards and interpretations adopted as at 1 April 2024

In the current year, the Authority has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 April 2024.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendment aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on

compliance with future covenants within twelve months.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendment is for IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendment clarifies the characteristics of supplier finance arrangements and requires additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Lack of Exchangeability (Amendments to IAS 21)

The amendment is for IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendment contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

- h) Standards, amendments and Interpretations to existing Standards that are in issue but not yet effective and have not been adopted early by the Authority.

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after 1 April 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Authority are set out below. The Authority does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Standard, Amendment or Interpretation

9)

Classification and measurement of financial instruments (Amendments to IFRS 7 and IFRS

The amendment addresses matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments.

2. Basis of Preparation (continued)

- h) Standards, amendments and Interpretations to existing Standards that are in issue but not yet effective and have not been adopted early by the Authority (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively

Annual Improvements to IFRS Accounting Standards — Volume 11

The pronouncement comprises the following amendments:

- IFRS 1: Hedge accounting by a first-time adopter
- IFRS 7: Gain or loss on derecognition
- IFRS 7: Disclosure of deferred difference between fair value and transaction price
- IFRS 7: Introduction and credit risk disclosures
- IFRS 9: Lessee derecognition of lease liabilities
- IFRS 9: Transaction price
- IFRS 10: Determination of a 'de facto agent'
- IAS 7: Cost method

The directors anticipate that other than IFRS 18 Presentation and Disclosures in Financial Statements and amendments to IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Authority. IFRS 18 will impact the presentation and disclosure of information in financial statements and IFRS 7 and IFRS 9 will impact the classification and measurement of financial instruments. Management is in the process of assessing the impact of these new standards and interpretations on the financial statements.

3.0 Material accounting policies

- (a) Property, plant and equipment

Recognition and measurement

Land and buildings held for use in production, or supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. The Authority generally revalues property, plant and equipment within five years. Any revaluation increase arising on the revaluation of such land and buildings is recognised as other comprehensive income (OCI) and in the revaluation reserve. However, the increase is recognised to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount arising from revaluation of such land and buildings is recognised in profit or loss. The decrease is recognised in OCI to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Depreciation on revalued buildings that were inherited from Government (Granted assets) is charged to profit or loss. An amount equivalent to the additional depreciation, arising from the revaluation of these assets is transferred annually from the revaluation reserve to general reserve.

The Authority reassesses both useful lives and the residual values of the assets annually. Any changes in either estimated useful lives or residual values are accounted for prospectively as a change in accounting estimate.

Property, plant and equipment are depreciated on the straight-line basis at rates that will reduce book

amounts to estimated residual values over the anticipated useful lives of the assets. The depreciation rates are as follows:

Buildings	-	40 years
Motor vehicles	-	4 years
Machinery	-	5 years
Computer and office equipment	-	3 years
Furniture and fittings	-	4 years

Land is not depreciated as it is deemed to have an indefinite life.

(b) Inventories

Inventories, which comprise mainly of stationery, are valued at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first

in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any directly attributable selling expenses

(c) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories or, financial assets, which continue to be measured in accordance with the Authority's other accounting policies.

Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer depreciated.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. Computer software is amortized over a period of four years.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(e) Leases

The Authority assesses whether a contract is or contains a lease at inception of the contract. It recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and lease of low value assets. For these leases, the Authority recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. In the event that this rate cannot be readily determined, the Authority uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable and variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made

The Authority re-measures the lease liability (and makes corresponding adjustments to the related right-of-use asset) whenever:

- (a) The lease term has changed or there is significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- (b) The lease payments change due to changes in an index or rate or a change is expected under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- (c) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Authority did not make any such adjustments during the year under review.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Authority incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Authority expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position. The Authority applies IAS 36 Impairment to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Fixed Asset policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 Leases permits a lessee not to separate non-lease components, and instead account for any lease associated non lease components as a single arrangement. The Authority has used this practical expedient.

(f) Impairment of non-financial assets

At each reporting date, the Authority reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(g) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss

(FVTPL).

All of the Authority's financial assets at the end of the year have been measured at amortised cost.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) excluding expected credit losses, through the expected life of the debt instruments, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Authority recognises a loss allowance for expected credit losses on receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Authority always recognises lifetime expected credit loss for receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Authority's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Authority recognises lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Authority measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Lifetime expected credit losses represent the expected credit losses that will result from

all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Authority compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Authority considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information includes the future prospects of the industries in which the Authority's debtors operate, obtained from economic expert reports, financial analysts, Governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Authority's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Authority presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Authority has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Authority assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default;
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Authority considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Authority regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Authority considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Authority, in full (without considering any collateral held by the Authority).

Irrespective of the above analysis, the Authority considers that default has occurred when a financial asset is more than 120 days past due unless the Authority has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off of receivables

The Authority writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Authority's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

(g) Financial assets (Continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Authority in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at the original effective interest rate.

If the Authority has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions for lifetime expected credit losses are no longer met, the Authority measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date, except for assets for which simplified approach was used.

Derecognition of financial assets

The Authority derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Authority has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(h) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or

FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Authority, are measured in accordance with the specific

accounting policies set out below.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Authority manages together and has a recent:
 - (i) Actual pattern of short-term profit-taking; or
 - (ii) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instruments forms part of the Authority's financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Authority 's documented risk management or investment strategy, and information about the Authority is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments permits the entire combined contract (asset or liability) to be designated as at

FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not either held for trading or it is designated as at FVTPL are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected

life of the financial liability, or, where appropriate, a shorter period to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(i) Fair value measurement

The Authority measures its land and buildings at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Authority.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the

fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Authority determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Authority has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(j) Deferred income - Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the authority receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

(k) Revenue

The Authority collects tax revenue on behalf of the Government. Tax revenue is deposited into Government bank accounts held and various commercial banks and subsequently transferred to the Reserve Bank of Malawi bank account within 72 hours. Revenue of the Authority (called agency fees) consists of 3% of Government estimated tax revenue included in the financial estimates for each financial year to be collected by the Authority under the MRA Act, 1998 (Amendment Act 2007) and 5% of the revenue actually collected in each successive three month period in the financial year in excess of the amount estimated to be collected during that period provided that the amount payable shall not exceed 3.5% of the actual amount collected in respect of any three month.

Agency fees are recognised when it is probable that the economic benefit will flow to the Authority and the amount of income can be measured reliably.

(l) Other income

Other income for the authority includes fees as prescribed in the Malawi Revenue Authority Act 1998, (Amendment Act 2007). Such fees include destination inspection fees, processing fees, commission on TEVET levy collections, commissions on toll fees collected and commission on COSOMA blank media levy collections.

Other income is recognized at the end of each month when earned. That is when cash collections have been agreed with the principal.

(m) Retirement benefits

The MRA contributes to a defined contribution pension scheme for employees. Contributions are charged to the statement of profit or loss as incurred.

(n) Finance cost/income

Finance cost comprise interest expense on borrowings and impairment losses recognized on financial assets that are recognized in statement of profit or loss and other comprehensive income. Finance income is recognized in the profit and loss when it is earned.

(o) Operating results

Operating results is the result generated from continuing principal revenue collecting activities of the Authority as well as other income and expenses related to operating activities. Operating surplus excludes net finance costs. The operating expenses relating to the results are recognized when incurred.

(p) Foreign currency translations

(i) Functional and presentation currency

Items included in the financial statements of the Authority are measured using Malawi Kwacha, the functional currency of the primary economic environment in which the Authority operates. The financial statements are presented in Malawi Kwacha, which is the Authority's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into Malawi Kwacha using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies

are recognised in statement of profit or loss and other comprehensive income.

(q) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(r) Taxation

The Authority is not subject to income tax.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Authority incurs in connection with the borrowing of funds.

4.0 Critical accounting judgements and key sources of estimation uncertainty

(a) Critical judgements in applying the Authority's accounting policies

No critical judgements were made by management during the current year, which would have a material impact on the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Provisions

The legal claims provision is based on estimates done by Anchor Mooring, Nyirenda & Msisha and Destone, Law & Company relating to litigations against the Authority as per accounting policy q.

(ii) Revaluation of properties

The Authority carries its properties at revalued amounts, with changes in fair value being recognised in other comprehensive income (OCI). Valuations of the land and buildings are based on a combination of an open market value and depreciated replacement cost (DRC) approach. Open market value is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business while DRC involves comparing the asset being valued with another. However, DRC is normally used in situations where there is no directly comparable alternative. The comparison therefore has to be made with a hypothetical substitute, also described as the modern equivalent asset. The underlying theory is that the potential buyer in the exchange would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.

Refer to note 5 and accounting policy (a) for detailed analysis of revaluation of the Authority's properties.

(iii) Going concern

The Authority's operating results indicate that it is in a net current asset position of

K0.938 billion (2024: K3.811 billion net current liability position) and has registered a surplus of K9.290 billion (2024: K3.009 billion surplus) in the year under review. As such, it is a going concern. This is also on the strength that the Authority is an agency of the Government and funds of the Authority are guaranteed as prescribed in the Malawi Revenue Authority Act, 1998 (Amendment Act 2007), section 20.

Included in current liabilities, are amounts relating to capital expenditures totaling K1.757 billion (2024: K2.261 billion) that will be financed by an existing term loan from National Bank of Malawi plc of K4.500 billion which has been drawn down to date by K3.996 billion (2024: K1.348 billion) but could not be paid due to foreign exchange shortages. Further, the current liabilities include accrued expenses (employee related expenses) totaling K3.120 billion (2024: K5.157 billion) that are not paid on a monthly basis but when payment conditions crystallise as provided for in employment contracts or relevant policies and conditions of service. If these elements are removed, the current assets therefore fully cover the current liabilities.

The going concern of the Authority is therefore not compromised.

Property, plant and equipment see accounting policy 3 (a)	Land and Buildings	Motor vehi- cles	Computer and office equipment	Furniture and fittings	Capital work in progress	Total
2025 Cost or valuation						
At the beginning of the year	31,656,228	8,645,078	13,422,959	1,426,651	2,773,813	57,924,729
Additions during the year	1,737,135	725,385	2,870,054	683,345	4,927,594	10,943,513
Disposals during the year		(512,854)	(25,119)			(537,973)
Write-offs/Impairment			(561,051)		(677,753)	(1,238,804)
Transfer from WIP	686,193		894,362		(1,580,555)	
At the end of the year	34,079,556	8,857,609	16,601,205	2,109,996	5,443,099	67,091,465
Accumulated depreciation						
At the beginning of the year		6,307,054	8,936,012	792,286		16,035,352
Charge for the year	64,474	617,445	2,628,715	244,119		3,554,753
Eliminated on disposals		(442,125)	(17,188)			(459,313)
At the end of the year	64,474	6,482,374	11,547,539	1,036,405		(19,130,792)
Carrying amount At the end of the year	34,015,082	2,375,253	5,614,717	1,073,591	5,997,010	49,075,635
2024						
At the beginning of the year	25,390,952	8,619,012	11,212,781	917,379	2,869,859	49,009,983

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Additions during the year	809,550	1,198,456	2,981,606	586,602	9,621	5,585,835
Disposals during the year		(1,172,390)	(771,428)	(77,330)		(2,021,148)
Write-offs/Impairment					(105,667)	(105,667)
Revaluation surplus	5,455,726					5,455,726
At the end of the year	31,656,228	8,645,078	13,422,959	1,426,651	2,773,813	57,924,729
Accumulated depreciation						
At the beginning of the year		6,032,133	7,764,620	772,492		14,569,245
Charge for the year	54,696	994,109	1,902,931	93,347		3,045,083
Depreciation write-back on revaluation	(54,696)					(54,696)
Eliminated on disposals		(719,188)	(731,539)	(73,553)		(1,524,280)
At the end of the year		6,307,054	8,936,012	792,286		16,035,352
Carrying amount At the end of the year	31,656,228	2,338,024	4,486,947	634,365	2,773,813	41,889,377

The register of land and buildings is available for inspection at the office of the Authority.

The Authority's land and buildings were revalued on 31 March 2023. The valuations were carried out by Nickson Mwanyali BSc (Est Man) Adv. Dip (Bus.Mngt), MSIM, Chartered Valuation Surveyor on behalf of Graden City Properties in accordance with the RICS Valuation – Professional Standards (2017) and the International Valuation Standards (ISV). As at 31 March 2025, a desktop review was carried out by the same valuer due to some significant economic changes.

Fair value disclosures for the revalued land and buildings

Valuation process

The Authority's properties (land and buildings) are valued by independent external valuers in order to determine their fair values.

Valuations of the land and buildings were based on the following valuation methods:

(a) Investment valuation method

Valuation of properties in urban areas with readily available markets, was carried out using the comparative and investment methods. In undertaking the valuation of such properties, the assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions were made, together with evidence of demand within the vicinities of the subject properties. Further, the size, location, terms, covenant and other material factors were also considered.

(b) Depreciated replacement cost

In undertaking valuation of properties located in rural areas and special properties, Depreciated Replacement Cost method (DRC) is used. The DRC method is a cost-based approach to estimate the Market Value for the existing use of the land and buildings. The method uses the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The DRC method is used for certain types of properties which are rarely, if ever, sold on the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from the specialized nature and design of the buildings, their configuration, size, location and any other factors which may be deemed to be relevant.

(c) Comparison method

In undertaking valuation of vacant plots, comparison valuation method was used. The assessment was made on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions, these were then applied to the subject property, considering size, location, aspect, accessibility, services on the plot and other material factors.

In arriving at the valuation figures, necessary adjustments were made in order to reflect perceived market conditions. Necessary considerations were made to reflect such important factors such as type of construction and condition of buildings.

Sensitivity

Valuation techniques

Significant observable inputs adopted include monthly market rent, considering the differences in location, and individual factors, such as frontage and size, between the comparable. Significant increase in the market rent used would result in significant increase in fair value, and vice versa.

Depreciation Replacement Cost (DRC)

The method uses the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. Significant increase in the replacement cost would result in significant increase in fair value, and vice versa.

Comparison method

The assessment was made on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. Significant increase in the comparable transactions would result in significant increase in fair value, and vice versa.

	<u>2025</u>	<u>2024</u>
Reconciliation of cumulative carrying amount from revaluations		
At the beginning of the year	15,683,832	15,683,832
Additions during the year	4,574,944	2,837,809

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Depreciation for the year	(284,074)	(219,600)
Level 3 gain on revaluation	13,212,187	13,212,187
Transfers from WIP	<u>828,193</u>	<u>142,000</u>
Carrying amount at fair value	<u>34,015,082</u>	<u>31,656,228</u>

There were no transfers from level 3 nor into level 3 of the fair value hierarchy. The level of the fair value hierarchy within which the fair value measurements are categorised are as below:

Total gain in the
year in the
statement of other
comprehensive

	<u>Level 3</u>	<u>Total</u>	<u>income</u>
2025			
At fair value through other comprehensive income			
Buildings	18,799,712	18,799,712	-
Land	<u>15,215,370</u>	<u>15,215,370</u>	<u>-</u>
Total	<u>34,015,082</u>	<u>34,015,082</u>	<u>-</u>
2024			
At fair value through other comprehensive income			
Buildings	18,040,858	18,040,858	2,470,792
Land	<u>13,615,370</u>	<u>13,615,370</u>	<u>3,039,630</u>
Total	<u>31,656,228</u>	<u>31,656,228</u>	<u>5,510,422</u>

The bases of valuation used were investment valuation, comparison method and the depreciated replacement cost. Depreciated replacement cost has been used in cases where the valuer believed there was no ready market for property in the area. The directors consider the carrying value to approximate fair value.

If land and buildings were stated on the historical cost basis, the carrying amounts would have been as follows:

	<u>2025</u>	<u>2024</u>
Cost	12,789,496	11,052,361
Accumulated depreciation	<u>(491,905)</u>	<u>(427,431)</u>
Carrying amount	<u>12,297,591</u>	<u>10,624,930</u>

Included in property, plant and equipment are the following assets:

Land and buildings inherited from Government of Malawi

Buildings at valuation	2,524,900	2,524,900
Land at valuation	<u>1,026,670</u>	<u>1,026,670</u>
Total	<u>3,551,570</u>	<u>3,551,570</u>

Section 27(1) of the Malawi Revenue Authority Act, 1998, (Amendment 2007), states that all property which prior to the commencement of the Act was vested in the Government for use by the Departments of Customs & Excise and Income Taxes shall upon commencement of the Act vest in the MRA. The directors acknowledge the need to have such property formally transferred to the MRA by means of changing title deeds and other ownership documentation. The process of transferring title deeds is still on going and is at various stages for each item of property. During year under review, the Authority is remaining to transfer title deeds of 65 properties (2024: 65 properties).

6. Intangible assets

see accounting policy 3 (d)

Software

Cost

At the beginning of the year	11,407,871	8,183,339
Transfers from property plant and equipment		-
Additions during the year	<u>2,021,037</u>	<u>3,224,532</u>
At the end of the year	<u>13,416,607</u>	<u>11,407,871</u>

Accumulated amortization

At the beginning of the year	1,351,134	1,187,263
Amortisation for the year	<u>319,925</u>	<u>163,871</u>
At the end of the year	<u>1,671,059</u>	<u>1,351,134</u>

Carrying amount

At the end of the year	<u>11,745,548</u>	<u>10,056,737</u>
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7.	Right of use assets	<u>2025</u>	<u>2024</u>
	<i>see accounting policy 3 (e)</i>		
	Buildings		
	Cost		
	At the beginning of the year	2,455,168	2,340,005
	Disposal during the year	(97,050)	(87,725)
	Additions during the year	<u>1,880,342</u>	<u>202,888</u>
	At the end of the year	<u>4,238,460</u>	<u>2,455,168</u>
	Accumulated amortization		
	At the beginning of the year	1,734,141	1,273,204
	Disposal for the year	-	(35,013)
	Amortisation for the year	<u>683,587</u>	<u>495,950</u>
	At the end of the year	<u>2,417,728</u>	<u>1,734,141</u>
	Carrying amount		
	At the end of the year	<u>1,820,732</u>	<u>721,027</u>
	The Authority leases various buildings across the country. The average lease term is 3 to 5 years.		
8.	Inventories		
	<i>see accounting policy 3 (b)</i>		
	Inventory	<u>732,049</u>	<u>985,647</u>
9.	Amounts due from Malawi Government (RBM)		
	<i>see accounting policy 3 (k)</i>		
	Agency fees receivable as at year end	<u>7,203,702</u>	<u>5,490,470</u>

Agency fees are receivable from Malawi Government (through Reserve Bank of Malawi) monthly in arrears. The amounts represent fees for the months of March 2024 and March 2023, on collected taxes and were received within early April 2024 and April 2023, respectively.

10. Other receivables and prepayments

see accounting policy 3 (g)

Staff loans and advances	381,210	386,167
Other receivables	886,086	1,071,549
Prepayments*	1,569,892	1,186,907
Expected credit losses	<u>(561,819)</u>	<u>(561,929)</u>
Total	<u>2,275,369</u>	<u>2,082,694</u>

*Not a financial asset

Staff loans and advances relate to amounts lent to the Authority's members of staff and recovered in a period not exceeding 12 months through monthly deductions from salaries. Staff loans and advances are interest free except for emergency loans which are charged at an interest rate of 15%. All staff loans are unsecured. Other receivables represent amounts receivable from institutions, being commissions on TEVET Levy and Toll fees collections. Prepayments are payments made in advance for service delivery by suppliers as at the reporting date.

The Authority measures expected credit losses for financial assets as a function of the probability of default, and loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, this is represented by the assets' gross carrying amount at the reporting date. Effectively, the expected credit loss is therefore estimated as the difference between all contractual cash flows that are due to the Authority in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at the original effective interest rate.

11. Cash and cash equivalents

see accounting policy 3 (g)

	<u>2024</u>
<u>2024</u>	
Cash balances	46,913
5,998	

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Bank balances	4,705,493
3,103,058	
Term deposits	<u>10,794,655</u>
<u>2,380,798</u>	
Total cash and cash equivalents	<u>15,547,061</u>
<u>5,489,854</u>	

The bank balances are held at Standard Bank plc, National Bank of Malawi plc, First Capital Bank plc, NBS Bank plc, FDH Bank plc, Centenary Bank Malawi and Ecobank Malawi Limited. The bank balances earn interest on minimum monthly balances. All the account balances are denominated in Malawi Kwacha except one account held with Standard Bank plc which is denominated in United States Dollar. As at 31 March 2025, the foreign currency denominated account held with Standard Bank plc had an equivalent of K2.809 million (2024: K96.606 million).

The bank overdraft facility was unsecured and was obtained from National Bank of Malawi plc with a limit of K2.0 billion (2024: K2.0 billion) to meet working capital requirements by financing the funding gap in 2024-2025 budget. The rate of interest was 27.5% per annum (2024: 27.5%) and expired in March 2025. As at year end, the balance overdrawn was nil (2024: nil).

The Authority had K10.795 billion (2024: K2.381 billion) in term deposits as at 31 March 2025 and participated in money market investments during the financial year and earned interest in the range of 18 % to 26% (2024: 13% to 23%) per annum. These investments mature within three months.

12. Assets held for sale

see accounting policy 3 (c)

Carrying value	<u>100</u>
<u>100</u>	

This motor vehicle has remained unsold as at the reporting date. This asset was not in use and was approved for sale by the Authority. The asset is measured at lower of carrying amount and fair value less cost to sell.

MALAWI REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

In thousands of Malawi Kwacha

13. Government contribution
see accounting policy 3 (j)

The Government contribution represents the value of property, plant and equipment which were inherited from Government and from the secretariat that was formed specifically to establish the Authority.

	2025
2024	
Government contribution <u>363,216</u>	<u>363,216</u>

14. Borrowings
see accounting policy 3 (h)

	CDH Investment Bank	NBS Bank plc	National Bank of Malawi plc	Ministry of Finance (Treasury)	Total
2025					
At the beginning of the year	952,220	255,141	1,126,617	-	2,333,978
Additions			2,647,954		2,647,954
Interest charged	93,179	43,403	806,665		943,247
Capital repayments	(952,220)	(255,141)	(874,565)		(2,081,926)
Interest paid	<u>(93,179)</u>	<u>(43,403)</u>	<u>(806,665)</u>	<u>-</u>	<u>(943,247)</u>
At the end of the year	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Amount payable within one year			(1,513,047)		(1,513,047)
Amount payable after one year	<u>-----</u>	<u>-----</u>	<u>(1,386,959)</u>	<u>-----</u>	<u>(1,386,959)</u>
Total	<u>=====</u>	<u>=====</u>	<u>(2,900,006)</u>	<u>=====</u>	<u>(2,900,006)</u>
2024					
At the beginning of the year	1,768,737	422,755	502,465	-	2,693,957
Additions	-	-	837,490	-	837,490
Interest charged	358,559	85,680	282,357	-	726,596
Capital repayments	(816,517)	(167,614)	(213,338)	-	(1,197,469)

Interest paid	<u>(358,559)</u>	<u>(85,680)</u>	<u>(282,357)</u>	<u>-</u>	<u>(726,596)</u>
At the end of the year	<u>952,220</u>	<u>255,141</u>	<u>1,126,617</u>	<u>-</u>	<u>2,333,978</u>
Amount payable within one year	952,220	235,515	386,269	-	1,574,004
Amount payable after one year	-	<u>19,626</u>	<u>740,348</u>	-	<u>759,974</u>
Total	<u>952,220</u>	<u>255,141</u>	<u>1,126,617</u>	<u>-</u>	<u>2,333,978</u>
At the beginning of the year	1,768,737	422,755	502,465	-	2,693,957

In 2021, the Authority obtained two loan facilities on a draw down basis from CDH Investment Bank and NBS Bank plc amounting to K2.500 billion and K1.800 billion, respectively. The facilities attracted interests at 28.65 % (2024: 28.15%) and 27.5 % (2024: 27.3%), respectively, per annum repaid over a period of 4 years. In 2023, The Authority obtained a loan facility of K4.500 billion with National Bank of Malawi plc on a draw down basis which attracted interest rate of 27.7% (2024: 27.5%). These loan facilities were obtained to finance modernization and infrastructure projects and are not secured. During the year under review, loan facilities from CDH Investment Bank and NBS Bank plc were fully repaid.

15. Deferred income – Malawi Government

see accounting policy 3 (j)

Deferred income relates to grants and donations mostly in form of property, plant and equipment. An amount equivalent to the depreciation charged on these assets is transferred annually to profit or loss.

	<u>2025</u>	<u>2024</u>
At the beginning of the year	6,705,968	5,830,673
Additions	3,709,053	1,206,532
Release to income during the year	<u>(791,446)</u>	<u>(331,237)</u>
At the end of the year	<u>9,623,575</u>	<u>6,705,968</u>

Government grants have been received for the purchase of certain items of property, plant and equipment. The grants are amortised depending on the useful life of the item of property, plant and equipment to which they relate in accordance with the fixed asset policy as disclosed under accounting policy note 3(a). The grants received during the year relates to items of office equipment at a cost of K3.709 billion (2024: K1.207 billion) and are amortised over 4 years. These were received in relation to the upgrade of the Asycuda system, enhancing non-intrusive cargo scanning technology and facilitating trade under the Southern Africa Trade and Connectivity project. There are no unfulfilled conditions or contingencies attached to these grants.

16. Lease liabilities

see accounting policy 3 (e)

Lease liabilities	<u>2,295,687</u>	<u>1,152,624</u>
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Long term portion of lease liability		435,691
Short term portion of lease liability	<u>1,210,521</u>	<u>716,933</u>
Total	<u>1,085,166</u>	<u>1,152,624</u>
 <u>Reconciliation of carrying amount</u>		
At the beginning of the year	1,152,624	1,551,448
Additions	1,880,342	202,888
Capital repayments	(637,228)	(538,609)
Lease termination/modification	(100,051)	(63,103)
Interest charged	543,169	392,266
Interest paid	(543,169)	<u>(392,266)</u>
At the end of the year	<u>2,295,687</u>	<u>1,152,624</u>

The Authority does not face significant liquidity risk about its lease liabilities. Lease liabilities are monitored by the Authority's finance function. All lease obligations are denominated in Malawi Kwacha.

17. Trade and other payables

see accounting policy 3 (h)

Trade payables**		3,769,116
3,728,998		
Employee related liabilities*		3,119,901
5,156,821		
Other payables and accruals**		<u>12,077,658</u>
<u>6,315,827</u>		
 Total		 <u>18,966,675</u>
<u>15,201,646</u>		
 Financial liabilities**		 <u>15,846,774</u>
<u>10,044,825</u>		

* Not a financial liability

Trade payables principally comprise amounts outstanding for trade purchases and on-going expenditure. The average credit period on purchases is 30 days. No interest is charged on the trade payables.

Employee related liabilities include gratuity, accrued leave pay, accrued staff bonus and leave grant.

Other payables and accruals mainly comprise of payables relating to blank media levy collected on behalf of COSOMA and COMESA Virtual Trade Facilitation System (CVTFS) fees collected

on behalf of COMESA which are remitted to the entities monthly and quarterly respectively. Outstanding amounts relating to foreign suppliers and accruals for utilities are also included under other payables and accruals.

The directors consider that the carrying value of these balances approximates its fair value.

18. Provisions

see accounting policy 3 (q)

The Authority faces legal claims mostly from ex-employees whose contracts were terminated. The provisions below relate to amounts claimed by the ex-employees where the probability of loss appears likely as determined by the Authority's legal counsel. The timing of payment is uncertain.

	<u>2025</u>	<u>2024</u>
At the beginning of the year	367,409	511,324
Additional provision	3,047,604	207,500
Provision write-back	-	(112,000)
Payments	<u>(207,468)</u>	<u>(239,415)</u>
At the end of the year	<u>3,207,545</u>	<u>367,409</u>

19. Amounts due from Government (Treasury)

see accounting policy 3 (k)

At the beginning of the year	-	330,596
Fees banked in Transit Revenue Accounts	-	-
Transit Revenue banked in Fees Accounts	47,039	-
Transfers from Fees Accounts to Transit Revenue	<u>-</u>	<u>(330,596)</u>
At the end of the year	<u>47,039</u>	<u>-</u>

This account relates to processing fees or destination inspection fees which are wrongly banked in transit bank accounts by taxpayers or Government revenues which are wrongly banked in processing fees or destination inspection fees bank accounts by taxpayers. The former result in a receivable from the Government of Malawi while the latter results in a payable to the Government of Malawi. These amounts are cleared regularly after reconciliations by initiating necessary bank transfers to the respective bank accounts.

20. Agency fees

see accounting policy 3 (k)

Based on revenue collected 91,475,512

65,450,443

Agency fees are paid at the rate of 3% of the cleared tax collections. Where collections have surpassed targets for consecutive three months, 5% commission is paid on the excess as long as the total commission does not exceed 3.5% of total collections for the three consecutive months. The Authority did not surpass the target in 2025 financial year (2024: target surpassed) and therefore was not entitled to fees at 5% of the excess collection.

21. Other revenue

<u>2025</u>	<u>2024</u>
see accounting policy 3 (l)	
Processing fees	9,398,696
6,050,416	
Destination inspection fees	3,123,835
2,329,816	
Release of deferred income	791,446
331,237	
Grants (conversion of borrowing, note 14)	6,080,000
-	
Tevet Levy income	704,231
543,697	
Media Blank levy	236,730
187,353	
Tax stamp royalties	934,379
-	
Tax stamp hedging proceeds	1,800,409
-	
Transit fees income	622,612
418,864	
Malawi Bureau of Standards fees income	1,046,253
419,936	
Other income	<u>880,491</u>
<u>490,027</u>	
Total other revenue	<u>25,619,082</u>
<u>10,771,346</u>	

Processing fees are fees that are charged and collected by the Authority on all customs declarations entering or exiting at the country's borders. Currently, the Authority charges K30,000 per entry (2024: K20,000).

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Destination Inspection fees (DIF) are fees that are charged and collected by the Authority on all customs declarations entering country's borders and are exceeding certain amount (currently above K500,000). Currently, the Authority charges K45,000 per entry (2024: K35,000)

Effective 1st April 2022, MRA and the Ministry of Finance entered into an agreement where the former would support domestic revenue mobilization activities undertaken by the latter using these fees upon submission of budget which shall be approved at the beginning of the financial year by the Board. This agreement superseded the previous agreed sharing arrangement which fixed the sharing ratio among the Authority, the Treasury Department under the Ministry of Finance and Malawi Government at 50%, 35% and 15% respectively.

Other income is made up of escort fees, toll fees, COMESA Virtual Trade Facilitation System (CVTFS), sundry income and gains on exchange differences.

22. Other staff costs

see accounting policy 3 (o)

Accrued gratuity	1,306,929	1,146,454
Bonus	81,947	2,576,060
Border allowance	713,975	550,161
Car benefit allowance	3,603,756	1,352,985
Cashable benefit	-	241,927
Fringe benefits	761,960	397,632
Fuel allowances	939,307	763,373
Insurance expenses	137,655	28,967
Leave grant and leave days	889,284	255,719
Life insurance cover	425,400	515,667
Medical expenses	2,467,278	1,807,113
Notice pay	13,482	15,020
Overtime expenses	1,671	9,096
Pension administration charges	133,039	121,087
Responsibility allowance	28,114	37,390
Social club membership expenses	83,204	63,662
Staff loans interest subsidy	904,039	639,794
Subscription to professional organization	428,064	391,720
Total	13,901,413	10,913,827

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23. Administrative and operating expenses

<u>2025</u>	<u>2024</u>
see accounting policy 3 (o)	
Advertising expenses 40,883	50,047
Auditors' remuneration 61,803	115,186
Audit expenses – Auditor General 38,931	
Bad debts 171,970	-
Bank charges 49,322	128,309
Corporate subscription 121,646	44,121
Directors' fees and expenses 46,285	145,484
Donations 85,558	168,761
Electricity charges 746,410	1,018,297
Enforcement expenses 1,664,542	3,250,509
Exchange differences 559,530	42,322
Hire of motor vehicles 1,270	5,721
Hiring of office security 729,993	1,284,374
Hotel accommodation 185,252	471,690
Informant rewards 52,096	52,811
Insurance costs 5,270	49,458
Insurance general 206,122	152,879
Internet and email 1,526,815	1,929,691
Legal charges and claims	2,638,228

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407,501	
Loss - inventory differences 25,701	55,690
Loss on disposal/Impairment of property, plant and equipment 345,223	1,224,590
Motor vehicle fuel and lubricants 1,240,511	1,478,261
Motor vehicle insurance 331,204	835,057
Motor vehicle repairs and maintenance 1,215,079	1,794,797
Office cleaning expenses 277,607	441,432
Office supplies and expenses 71,623	209,901
Office teas and refreshments 560,782	902,227
Other expenses 164,133	450,960
Police security services 285,760	523,320
Postage and postal charges 41,108	52,112
Public Procurement and Disposal of Assets levy 207,730	130,497
Professional fees 1,849,414	3,592,719
Printing and stationary expenses 1,222,440	1,169,151
Publication expenses 913,714	987,435
Rates and taxes 36,069	70,676
Repairs and maintenance 914,824	1,414,729
Seminars 2,276,874	1,683,261
Staff repatriation costs 295,134	395,983
Staff training local and external 2,244,623	5,073,349

Staff travelling subsistence (local) 2,758,492	3,648,051
Staff travelling subsistence (foreign) 854,742	2,042,027
Staff welfare expenses 373,791	74,642
Sundry purchases 294,129	986,747
Tax policy support 4,080,161	12,101,732
Telephone charges 481,626	509,871
Transport claim (use of personal car) 19,270	42,539
Uniform and protective clothing 197,353	1,863,949
Upkeep of ground 60,133	133,241
Water charges <u>307,531</u>	<u>358,311</u>
Total	<u>55,795,145</u>
<u>30,647,980</u>	

2025

2024

24 Finance Income (Expense)

(see accounting policy 3 (n & p))

Finance income

Interest income	<u>2,043,710</u>	<u>559,485</u>
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Finance expense

Interest expense - borrowings	(943,247)	(726,596)
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Interest expense - bank overdraft	-	-
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Interest expense – leases	<u>(543,169)</u>	<u>(392,266)</u>
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Sub total	<u>(1,486,416)</u>	<u>(1,118,862)</u>
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25. Financial risk management

i) Introduction and overview

The Authority's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, price risk, and interest rate risk). The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance.

Risk management is carried out by management under policies approved by the Board. The board provides written principles for overall risk management.

ii) Risk management framework

The Board has overall responsibility for the establishment and oversight of the Authority's risk management framework. The Board is responsible for developing and monitoring the Authority's risk management policies in their specified areas.

The Authority's risk management policies are established to identify and analyse the risk faced by the Authority, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board is responsible for monitoring compliance with the Authority's management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Authority.

iii) financial risk factors

a) Credit risk

Credit risk to the Authority is the risk that counterparties will not be able to, or willing to, fulfil contractual obligations on a financial instrument that it is a party to.

Credit risk arises from, amounts due from related parties and other receivables.

Exposure to credit risk

The carrying amount of financial assets that represents the maximum credit exposure.

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Financial assets			
Amounts due from Malawi Government (RBM)	9	7,203,702	5,490,470
Other receivables	10	1,267,296	1,457,716

Cash and term deposits	11	<u>15,547,061</u>	5,489,854
Total		<u>24,018,059</u>	<u>12,438,040</u>

Impairment losses

The ageing of receivables as at 31 March 2025 was as follows:

	2025		2024	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Past due 0 – 30 days	7,203,702		5,490,470	-
Past due 30 – 60 days	<u>1,267,296</u>	<u>(561,819)</u>	<u>1,457,716</u>	<u>(561,929)</u>
Total	<u>8,470,998</u>	<u>(561,819)</u>	<u>6,948,186</u>	<u>(561,929)</u>

At 31 March 2025, the Authority had K561.819 million collective impairment on its receivables (2024: K561.929 million).

Credit quality of financial assets

The Authority does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks and other financial institutions which are considered to have sound integrity and robust financial positions and all licensed and supervised by the Reserve Bank of Malawi.

The Malawi Government is not considered when assessing credit risk exposure because the Government has always settled what is due to MRA 10 days after each month.

b) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation. This has been strengthened by the Letter of the Secretary to the Treasury which states that the Government will not recall amounts owed from MRA in the short term to ensure that the Authority is able to meet its short-term obligations.

Management monitors rolling forecasts of the Authority's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom

on its undrawn committed borrowing facilities at all times so that the Authority does not breach borrowing limits or covenants, where applicable, on any of its borrowing facilities. Such forecasting takes into consideration the Authority's debt financing plans, covenant compliance, and, if applicable, external regulatory or legal requirements.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The responsibility for the management of these risks lies with the Finance and Audit Committee of the board.

The Authority's chief source of income is retention on collected revenues based on targets allocated in accordance with the provisions governing the Malawi Government's Medium-Term Expenditure Framework (MTEF). The Authority follows an extensive planning and governance process to determine its operational and capital requirements.

The table below analyses the Authority's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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In thousands of Malawi Kwacha

25. Financial risk management (Continue)

	Note	Less than 1 month	3 months	12 months	Over 1 year	Total
2025 Non-derivative financial liabilities						
Borrowings	14			1,513,047	1,386,959	2,900,006
Payables	17		15,846,774			15,846,774
Total			15,846,774	1,513,047	1,386,959	18,746,780
2024 Non-derivative financial liabilities						
Borrowings	14			1,574,004	759,974	2,333,978
Payables	17		10,044,825			10,044,825
Total			10,044,825	1,574,004	759,974	12,378,803

As at 31 March 2025, the Authority's current liabilities were fully covered by current assets by K0.939 billion (2024: K3.811 billion net current liability). This indicates that the Authority is able to meet its obligations on short-term liabilities. The Board acknowledges this position and have put in place appropriate processes and procedures which will ensure that the Authority remains a going concern.

c) Liquidity risk (continued)

The amounts included in the table are the contractual undiscounted cash flows. As a result, these amounts will not reconcile to the amounts disclosed on the statement of financial position except for short-term payables where discounting is not significant.

d) Market risk

Market risk is the risk that the Authority's income or the value of its holding financial instruments would be affected by changes in the market fundamentals such as foreign exchange rates, interest rates and equity prices.

There has been no significant change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk

The Authority is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Authority's functional currency.

As the Authority had no significant financial instruments denominated in a foreign currency, the Authority's income and operating cash flows are substantially independent of changes in foreign exchange rates.

(ii) Interest rate risk

The Authority is exposed to interest rate risk due to its holding of interest-bearing and interest-earning financial instruments.

The Authority adopts a policy of ensuring that its exposure to changes in interest rates on significant borrowings is on a fixed rate basis except for loans which are based on rates announced by the Reserve Bank of Malawi on a period basis which reflects the average cost of term deposits in the financial system.

Currently, the Authority's borrowings are on variable interest rate and the Authority is exposed to interest rate risk.

Profile

As at 31 March 2025, the interest rate profile of the Authority's interest-bearing financial instruments was as follows:

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<u>2024</u>	<u>Notes</u>	<u>2025</u>
Fixed rate instruments		
Financial assets		
- Term deposits 2,380,798	11	10,794,655
Variable rate instruments		
Financial assets		
- Cash and bank balances 3,109,056	11	4,752,406
Financial liabilities		
- Borrowings (2,333,978)	14	<u>(2,900,006)</u>
Net exposure to variable interest rate risk <u>3,155,876</u>		<u>12,647,055</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below:

		100 bp
Increase	Decrease	
Variable rate instruments		
2025		
Cash flow sensitivity (net) <u>(1,018)</u>		<u>1,018</u>
2024		
Cash flow sensitivity (net) <u>(4,133)</u>		<u>4,133</u>

e) Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern in order to provide returns for the benefits of stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board, through its Finance and Audit Committee, monitors its funding structure as provided in the Malawi Revenue Authority Act, 1998, (Amendment 2007) to ensure that it remains a going concern.

The capital structure of the Authority consists of capital reserves and accumulated surpluses as disclosed in the statement of changes in reserves.

The Finance and Audit Committee of the Board reviews the capital structure on a regular basis. As a part of this review, the committee considers the cost of capital and its associated risks including the cost of collection compared to the rate of retention fees.

The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of financial position.

The gearing ratios at 31 March 2025 and 31 March 2024 were as follows:

<u>2024</u>	<u>N o t e s</u>	<u>2025</u>
Total borrowings (i) 19,055,657		27,416,952
Less: cash and cash equivalents <u>(5,489,854)</u>	11	<u>(15,547,061)</u>
Net debt 13,565,803		11,869,891
Reserves (ii) <u>40,954,281</u>		<u>50,351,210</u>
Gearing ratio <u>33%</u>		<u>24%</u>

- (i) Debt includes long and short-term borrowings, lease liabilities, trade and other payables and provisions

(ii) Reserves includes Government contribution, revaluation reserve and general reserve.

The Authority aims not to exceed a gearing ratio of 30%, however, for the past years the Authority has not exceeded the 30% threshold.

f. accounting classifications and fair values

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

<u>2024</u>	<u>Notes</u>	<u>2025</u>
Financial assets at amortised cost		
Amount due from Government (RBM) 5,490,470	9	7,203,702
Other receivables 895,787	10	705,477
Cash and cash equivalents <u>5,489,854</u>	11	<u>4,752,406</u>
Total financial assets <u>11,876,111</u>		<u>23,456,240</u>
Financial liabilities at amortised cost		
Borrowings 2,333,978	14	2,900,006
Trade and other payables <u>10,044,825</u>	17	<u>15,846,774</u>
Total financial liabilities <u>12,378,803</u>		<u>18,746,780</u>

26. Related parties

The Authority has related party relationships with the Government, fellow Government agencies, directors and its key management personnel. During the year, the following transactions were made with related parties:

<u>Related party</u> <u>2024</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>2025</u>
Government of Malawi 2,186,750,256	Principal	Collection of tax revenue	3,059,053,502
Technical Entrepreneurial and Vocational Education and Training Authority (TEVETA) 10,873,943	Fellow Government agency	Collection of Tevet levy	14,084,620
Copyright Society of Malawi (COSOMA) 3,747,070	Fellow Government levy agency	Collection of Blank media	4,734,600
Road Fund Administration 8,377,276	Fellow Government agency	Collection of Toll fees	12,452,240
Malawi Bureau of Standards (MBS) 8,398,722	Fellow Government Agency	Collection of MBS fees	20,925,060
Malawi Pension Fund -	Pension Administration of MRA staff Administrator pension		-
Malawi SACCO -	Savings and Credit Management of MRA staff Manager	savings and credit products	-

Further to the transactions above, the Authority purchases motor vehicles on behalf of the Government using the Government portion of the destination inspection fees and processing fees as governed by the sharing arrangement for the fees. In the current year, vehicles worth K2.142 billion were purchased (2024: K762.470 million) under this arrangement. The total value of total vehicles cumulatively purchased was

K10.204 billion as at 31 March 2025 (2024: K8.062 billion). These vehicles are owned, controlled and used by Government but are registered in the name of the Authority. Accordingly, the vehicles are not included in the financial statements of the Authority.

Compensation of key management personnel

The key management personnel comprise the executive officers of the Authority.

In addition to salaries, the Authority also provides non-cash benefits by way of contribution to a defined contribution pension plan on their behalf. In accordance with the plan, executive officers contribute 5% (2024: 5%) of their basic pay while the Authority contributes 15% (2024: 15%) of the basic pay.

<u>2024</u>	<u>2025</u>
Salary and cash benefits for the year were as follows:	
Short-term employee benefits 692,979	911,657
Post-employment benefits (Employer pension contribution) <u>77,693</u>	<u>86,656</u>
Total salary and cash benefits <u>770,672</u>	<u>998,313</u>
Directors remuneration and other expenses <u>195,231</u>	<u>316,708</u>

27. Fair value

27.1 Classes and fair value of financial instruments

The table below analyses assets and liabilities carried at fair value, by using the valuation method. The different levels have been defined as follows:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs that are quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices.) This category includes instruments valued using: quoted market prices in active markets that considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the

valuation technique includes inputs not based on observable data and the unobservable inputs that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

27.2 Fair value measurement of long-term borrowings according to IFRS 13

	<u>Notes</u>	<u>Valuation Method</u>	<u>2025</u>	<u>2024</u>	<u>Fair value hierarchy</u>	<u>Techniques and key inputs</u>
Financial liabilities						
Long-term borrowings	14	DCF	2,900,006	2,333,978	Level 2	Bank lending rate

There are no unrecognized fair value gains or losses with respect to financial instruments.

28. Capital expenditure commitments

As at 31 March 2025, the Authority made commitments to upgrade its Enterprise Resource Planning (ERP) and improve its infrastructure. The cumulative commitments totaled K3.737 billion (2024: K3.496 billion).

29. Contingent liabilities

Litigation

The Authority's ex-employees and some taxpayers commenced various legal actions against the Authority. The estimated total payout is K 8.668 billion (2024: K8.109 billion) should the actions be successful. Trial dates have not yet been set and there has not been any movement since prior year. Therefore, it is not practicable to state the timing of the payment, if any.

The Authority has been advised by its legal counsel that the lawsuit liability is possible but not probable. Accordingly, no provision for any liability on these cases has been made in these financial statements.

2024

2025

Contingent liabilities	<u>8,667,980</u>
<u>8,108,735</u>	

30. Exchange rates and inflation

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the Authority are stated below, together with the increase in the National Consumer Price Index, which represents an official measure of inflation:

<u>2024</u>	<u>2025</u>
Kwacha to USD 1,733.87	1,733.87
Kwacha to GBP 2,255.03	2,311.78
Kwacha to Rand 94.30	97.89
Inflation rate % <u>31.80</u>	<u>30.50</u>

As at the date of approval of the financial statements, the above noted rates had moved as follows:

Kwacha to USD	1,733.87
Kwacha to GBP	2,426.97
Kwacha to Rand 100.46	
Average inflation (%) 27.7	

31. Subsequent events

Subsequent to year end, there were no events requiring adjustment or disclosure in the financial statements.



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