

Presumptive Tax Reduces the cost of doing business as there will be no need to hire accountants to prepare accounts

What are the benefits of Presumptive Tax?

There are several benefits for registering for Presumptive Tax. The main ones being:

- The tax is intended to improve compliance among the informal sector by making it easy for micro, small and medium scale businesses to know how much income tax they are liable to pay in a year
- Reducing the cost of doing business as there will be no need to hire accountants to prepare accounts
- The tax is intended to level the playing field for all businesses in the country so that businesses should pay their fair share of taxes due to the Government

Conclusion

Presumptive tax is being implemented to ensure that all MSMEs are contributing to national development by paying tax that is proportional to their business income in a year. MRA is, therefore, appealing to all micro, small to mediums scale businesses in the country to register for the tax and pay taxes as required by the law.

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UNDERSTANDING



PRESUMPTIVE TAX

April 2023- March 2024

Malawi Revenue Authority

MRA 4 CHANGE
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The tax replaced the Turnover Tax which was applicable to small businesses.

What is Presumption Tax?

The Malawi Government amended the Taxation Act in 2021 in order to introduce Presumptive Tax. The tax replaced the Turnover Tax which was applicable to small businesses and is payable by Micro, Small and Medium Enterprises (MSMEs) whose annual turnover is less than K12, 500,000 during any year of assessment.

Following the gazetting of regulations of the tax, the Malawi Revenue Authority (MRA) is pleased to inform all MSMEs in the country that the Authority implemented Presumptive Tax on 1st April 2023. Presumptive Tax is due by the 14th of the following month after the end of each quarter and is based on one's annual turnover as follows:

Annual Turnover	Rate	Quarterly instalment
Less than K4, 000, 000	0	K0
Above K4, 000, 000 but not exceeding K7, 000, 000	K110, 000	K27, 500 per quarter
Above K7, 000, 000 but not exceeding K10, 000, 000	K170, 000	K42, 500 per quarter
Above K10, 000, 000 but not exceeding K12, 500, 000	K225, 000	K56, 250 per quarter

Who is eligible to pay Presumptive Tax?

All micro, small and medium-scale businesses whose turnover in a year does not exceed K12, 500, 000 annually are eligible to register and pay Presumptive Tax.

However, a taxpayer may, by notice in writing addressed to the Commissioner General, chose not to be subject to Presumptive Tax on turnover, in which case, the other provisions of this Act shall apply to such a person. Please, note that Presumptive Tax on turnover shall not apply on the following:

- Rental income
- Management or professional fees or training fees
- Income of incorporated companies
- Any income which is subject to a final Withholding Tax under this Act

How can one register for Presumptive Tax?

Registration for Presumptive Tax is free of charge. Taxpayers can register for the tax by visiting any MRA office nearer to the taxpayer. MRA issues a Taxpayer Identification Number (TPIN) on registration that should be used in any correspondence with the Authority. Registration for Presumptive tax or any tax does not take more than 2 working days.

What documents are required when registering for Presumptive Tax?

- **National ID**
- **Business Registration Certificate**

Where can one submit their tax returns for Presumptive Tax?

Taxpayers can submit their tax returns to their nearest Domestic Taxes offices such as Blantyre, Lilongwe, Mzuzu, Limbe BMS, Lilongwe BMS, Mzuzu BMS Zomba, Karonga, Mangochi, Dedza, Mzimba, Mulanje, Salima, Balaka, Kasungu and Dwangwa.

Taxpayers can also submit their tax returns at Customs & Excise stations at Chitipa, Nsanje, Mwanza, Liwonde, Chiponde and Muloza.

Please, note that payment of Presumptive Tax can be made on all our online platforms including FMB, FDH, NBM, Mpamba or Airtel Money.

