



# GUIDE FOR NEW BUSINESSES

- **The first K1, 200, 000 is taxed @ 0%**
- **Balance is K800, 000**
- **Tax on K800, 000 @ 30% = K240, 000**
- Total tax to pay = K240, 000**

The amount of tax payable depending on net profit of K2, 000, 000 will be K240, 000. Please, note that when compiling accounts, expenditures included are those that are wholly, exclusively and necessarily incurred for the purposes of the business. The accounting period or business year is decided by the taxpayer. For example, the accounting period/ year can be from 1st January to 31st December or 1st April to 31st March the following year or 1st July to 30th June.



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*Develop Malawi, Pay Taxes*

## HOW TO REGISTER A BUSINESS FOR TAX

July 2020 - June 2021

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When a business is registered for taxes, MRA requires you to compile business accounts that should be submitted to the Authority at the end of the accounting period



**The tax law requires owners of businesses in the case of individuals and companies to register for tax purposes regardless of the size of the business or location.**

Registration for taxes is free and can be done at any nearest Malawi Revenue Authority (MRA) office. MRA issues a Taxpayer Identification Number (TPIN) on registration that should be used on any correspondence with the Authority.

## Advantages for registering for tax with MRA

There are several advantages for registering for tax with MRA.

For example

1. MRA provides advice on the importance of keeping records in order to determine the profit on your business.
2. Enables transacting business with other entities as registration for taxes proves one to be patriotic.
3. Business is operated freely without fear of being caught by MRA or any authority



4. MRA issues tax clearance certificate that enables the business compete for any public/open tender.

## Compilation of simple business accounts

When a business is registered for taxes, MRA requires compilation of business accounts that are submitted to the Authority at the end of the accounting period. The date of submission is 180 days or six months from the end of the accounting period.

All incomes are recorded in one column while all expenditures are recorded in another column. At the end of the accounting period, all incomes and expenses are added up. Profit or loss is determined by subtracting expenses from incomes.

Tax is levied on the net profit using prevailing rates.

For instance, if total income is K5, 000, 000 and total expenditure is K3, 000, 000; then net profit is K2, 000, 000.

Tax will; therefore, apply on K2, 000, 000 as follows: