



PUBLIC NOTICE

NEW MEASURES FOR DOMESTIC TAXES FOR THE FISCAL YEAR 2022/23

The Minister of Finance and Economic Affairs in his budget statement to Parliament in February 2022, announced new measures for Domestic Taxes and Customs & Excise. The Customs & Excise measures became effective on the mid night of 22nd February 2021 while the Domestic Taxes became effective on the 1st April 2022, following the gazetting of the relevant bills. These include:

1. THE TAXATION ACT

a) INCOME TAX

I. Rates of Income Tax on employment income

Monthly taxable income	Rate
First K100,000	0%
Next K230,000	25%
Next K2, 670,000	30%
Next K3,000,000	35%
Excess of K6,000,000	40%

II. Rates of Income Tax on business income

Monthly taxable income	Rate
First K100,000	0%
Excess of K100,000	30%

III. Applicable Interest rates

The following rates shall apply on foreign and domestic loans where there is no interest or interest is charged at 0%;

- Application of the prevailing bank rate plus 5% per annum on a domestic loan
- Application of an additional 5% per annum on the United States Dollar (USD) equivalent of the loan interest for a foreign loan

The Commissioner General shall determine the amount of interest forgone in subsection (9) of the Taxation Act by using a prevailing bank lending rate plus 5% per annum.

b) Applicable Withholding Tax Rates

- Reduction of Withholding tax on tobacco sales by tobacco clubs from 3 percent to 1 percent final tax
- Reduction of Withholding Tax on commission by insurance and banking agents from 20 percent to 1 percent final tax
- Alignment of rates for payment of fees and services at 20 percent
- Withholding Tax on winnings;

WINNINGS	INCOME	RATE
Betting	First K100,000	0%
	Excess of K100,000	5%
Lottery	First K500,000	0%
	Excess of K500,000	5%

- The tax withheld from winnings shall be a final tax

c) Presumptive Tax

Presumptive Tax for commercial passenger carrying vehicles:

Type of vehicle	Annual rate
Motor vehicles of up to sixteen seats, including a driver	K15,000
Motor vehicles of above sixteen seats and less than thirty-three seats, including the driver	K20,000

d) LIST OF TRANSACTIONS IN RESPECT OF WHICH A TAX CLEARANCE CERTIFICATE (TCC) IS REQUIRED

The list of transactions in respect of which tax clearance certificate is required has been amended in the fifteenth schedule and is as follows:

- Transfer of land and building.
- Application or renewal of Certificate of Fitness for commercial vehicles.
- Renewal of Business Residence Permit.
- Application or renewal of professional business licences and permits of medical practitioners or dentists, legal practitioners, engineers, architects and accountants who are engaged in private practice on his or her own behalf as a private practice or in partnership with another private practitioner.
- Application or renewal of a customs agent licence.
- Application or renewal of a certificate of registration under the National Construction Industry Act.
- Transfer of a company as a going concern.
- Externalization of funds to non-resident service providers whose source is deemed to be Malawi.
- Renewal of Temporary Employment Permits.
- Renewal of business licences by the Ministry responsible for industry and trade and Councils under local government areas.
- Application and renewal of export and import licenses.
- Renewal of tourism licences by the Ministry responsible for tourism.
- Renewal, extension or transfer of mining licences, or transfer of mineral rights by the Ministry responsible for energy and natural resources.
- Renewal of telecommunications licences by the Malawi Communications Regulatory Authority.
- Renewal of energy licences by the Malawi Energy Regulatory Authority.
- Application or renewal of a licence for gaming premises.
- Application or use of a Customs Procedure Code by a privileged organisation.
- Change of ownership of a company.
- Renewal of registration of public transport conveyances by the Road Traffic Directorate.
- Supply of goods or services to Malawi Government and its agencies.

e) Other amendments

- Exemption from income tax the receipt and accruals of:
 - any payments of pensions or annuity, whether paid as a lump sum or periodically
 - a payment on account of ill-health or disability
- "Commercial building" means a shopping centre with a collection of independent retail stores, services, and a parking area conceived, constructed and maintained by a management firm as a unit

2. VALUE ADDED TAX (VAT) ACT

- Exemption of the following items from Value Added Tax (VAT)
 - Crude and cooking oil
 - tap and well water
 - sanitary towels (pads)
- Abolition of the Withholding VAT agent scheme
- Introduction of Value Added Tax on moulds for plastics or rubber

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