



NOTE: "Remuneration" means any amount of taxable income which is paid or payable to an employee as salary, leave pay, an allowance, wages, overtime pay, a bonus, a gratuity, a commission, a fee, an emolument, pension, superannuation, a retiring allowance or a stipend, whether in cash or otherwise.

New PAYE bracket

The Malawi Government introduced an additional bracket of 35 percent on any employee whose salary is above K3 million. If one were earning K3, 500, 000 per month, tax would be deducted as follows:

Taxable Income	Rate	
Total K3, 000, 000.00 - First K45, 000.00	0%	= K0.00
Balance K2, 955, 000.00		
Next K5, 000.00	15%	= K750.00
Balance K2, 950, 000.00		
Tax on K2, 950, 000.00	30%	= K885, 000.00

Since the salary is more than K3, 000,000, it would be liable to a 35 percent PAYE bracket. This means that the next K500, 000 would be taxed as follows:

Excess	Rate	Tax
K500, 000.00	35%	K175, 000.00

Total tax payable is K0.00 + K750.00 + K885, 000.00 + K175, 000.00 = K1, 060, 750. 00

Summary

Gross salary	Tax payable	Net salary
K3, 500, 000.00	K1, 060, 750.00	K2, 439,250.00

Advantages of PAYE to taxpayers

- It is convenient to pay while the money is available.
- It is easy and cost effective to pay.
- Affords the taxpayer to pay by installments other than having the burden to pay a lump sum.

What would happen to an employer who fails to remit or register their employees who earn more than K45, 000 per month or K540, 000 in a year?

Any employer who fails to remit or register their employees who are eligible for PAYE would be asked to: Pay all taxes due from the time he/she would have registered their employees plus 20% penalty of the taxes defaulted for the first month and a further sum of 5% per month or part thereof for the period during which the amount of the tax remains unpaid.



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Develop Malawi, Pay Taxes

Understanding

PAY AS YOU EARN

PAYE



JULY 2019- JUNE 2020



Any employer who pays an employee in excess of K45, 000 per month or K540, 000 per year is liable to deduct PAYE and remit to MRA.



What is Pay As You Earn (PAYE)

Pay As You Earn (PAYE) is the method of collecting Income Tax from employees on their earnings. Deduction is done by the employer when the payments are made. It could be weekly, fortnightly or monthly hence the name Pay As You Earn.

Who is eligible to PAYE?

Any employer who pays an employee in excess of K45, 000 per month or K540, 000 per year is liable to deduct PAYE and remit to MRA.

PAYE rates

With effect from **22nd November, 2019**, the rates used to charge income tax are as follows:

1. Rates of income tax other than remuneration (Business)

- The first K45, 000 per month is taxed at 0%
- The next K5, 000 per month is taxed at 15%
- The excess of K50 000 is taxed at 30%.

2. Rates of income tax on remuneration (Employment)

- The first K45, 000 per month is taxed at 0%
- The next K5, 000 per month is taxed at 15%
- The next K2, 950,000 is taxed at 30%
- Excess of K3, 000,000 per month is taxed at 35%

When should an employer register their employees who are eligible for PAYE?

Any employer who employs people whose earnings are in excess of K45, 000 per month or K540, 000 in a year, is required to register.

Upon registration, MRA will supply the employer with registration forms (Form P1) where all the details concerning the employer are filled. You will also be supplied with Form P4 where all details for the employee are filled.

The employer is also required to indicate the number of employees who are eligible for PAYE within a period of 21 days after becoming an employer.

In case of changes, for example, an employee has resigned, the employer is required to communicate to MRA within 14 days upon making those changes.

MRA will also give the employer Form P12. This is a monthly payment form that should always accompany any PAYE payments to MRA every month. Usually, a booklet of 12 copies of Form P12 is supplied to the employer to cover a period of one fiscal year.

What other details does Form P1 contain?

The name of the organisation

- The name of the officer (employer's representative) or public officer who will be handling taxation issues on behalf of the organisation or company.
- Name of other places where the employer has offices or branches.

- Number of employees who earn more than K45, 000 per month or K540, 000 per annum.
- A declaration by the employers' representative that the information given is correct.
- Physical and postal addresses and contact numbers of the taxpayer.

When and where should PAYE be paid?

The deduction of PAYE from an employee's earnings becomes due at the time when earnings are given to employee.

The amount of tax deductible should be remitted to MRA not later than the 14th day from the end of the month during which the tax was deducted. Payment can be made through cash, bank certified cheque, or direct electronic transfers

How to calculate PAYE:

If an employee receives a gross salary of K200, 000.00 per month his/her tax will be calculated as follows:

Taxable Income	Rate
Total K200, 000.00	
First K45, 000.00 =0.00	0%
Balance K155, 000.00	
Next K5, 000.00 = K750.00	15%
Balance K150, 000.00	
Tax on K150, 000.00 =K45, 000.00	30%

Total tax payable is K0.00 + K750.00 + K45, 000.00 = K45, 750.00

Summary

Gross salary	Tax payable	Net salary
K200, 000.00	K45, 750.00	K154, 250.00