



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 K100, 000 per month or K1,200, 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.

New PAYE bracket

The Malawi Government introduced additional brackets of 35 and 40 percent on any employee whose salary is above K3 million and K6 million, respectively. If one were earning K7, 000, 000 per month, tax would be deducted as follows:

Taxable Income	Rate	Total
K3, 000, 000.00		
First K100, 000.00	0% = K0.00	
Balance K6, 900, 000.00		
Tax on next K230, 000.00	25% = K57, 500.00	
Next K2, 670,000.00	30% = K801, 000.00	

Since the salary is more than K6, 000,000, it would be liable to 35 and 40 percent PAYE brackets. This means that the balance would be taxed as follows:

Taxable Income	Rate	Tax
The next K3,000,000	35%	K1,050,000
Excess of K1,000,000	40%	K400,000

Summary

Gross salary	Tax payable	Net salary
K7, 000, 000.00	K2, 308, 500.00	K4, 691 500.00



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Understanding...

PAY AS YOU EARN PAYE



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Any employer who pays an employee in excess of K100,000 per month or K1,200,000 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. The employer deducts PAYE 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 K100,000 per month or K1,200,000 per year is liable to deduct PAYE and remit to MRA.

PAYE rates

With effect from 1st April 2022, the monthly rates used to charge PAYE are as follows:

- The first K100,000 is taxed at 0%
- The next K230,000 is taxed at 25%
- The next K2,670,000 is taxed at 30%
- The next K3,000,000 is taxed at 35%
- The excess of K6,000,000 is taxed at 40%

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

Any employer who employs people whose earnings are in excess of K100,000 per month or K1,200,000 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 K100,000 per month or K1,200,000 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
K300,000.00		
First K100,000.00	0% = 0.00	
Balance K200,000.00		
Tax on next K230,000.00	25% = K57,500.00	
Total tax payable is		
		K0.00 + K57,500.00 = K57,500.00

Summary

Gross salary	Tax payable	Net salary
K300,000.00	K57,500.00	K242,500.00

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.