Malawi Revenue Authority

PUBLIC NOTICE

USE OF CONSUMER PRICE INDICES (CPIs) FOR ADJUSTING BASIS OF A CAPITAL ASSET UNDER SECTION 2 OF THE TAXATION ACT

Effective 1st July 2007, Section 2 of the Taxation Act was amended to provide for use of Consumer Price Indices (CPIs) to adjust basis of a capital asset for the purpose of determining capital gain or capital loss upon disposal of the capital asset.

Consumer Price Indices are published by the National Statistical Office (NSO) and are currently available for the years beginning 1970 up to 2022. CPIs for the period of 1970 to 1990 are provided on an annual basis, whereas CPIs for the period of 1991 to date are provided on an annual as well as monthly basis. Annual figures are calculated by averaging the monthly indices.

The updated CPIs have 1970, 1980, 1990, 2000, 2012, 2017 and 2021 as base years. For convenience, MRA provides a continuous CPI series using 1970 as a base year. This facilitates easy calculation of the *Indexation Factor* or multiplier to be used for adjusting the basis of the capital asset.

An Indexation Factor is worked out using Consumer Price Indices as follows:

$$\textit{Indexation Factor} = \frac{\textit{CPI for Disposal Period}}{\textit{CPI for Acquisition Period}}$$

In order to determine the adjusted basis of an asset at the time of disposal, multiply the basis of the asset by the indexation factor. In order to calculate the capital gain or capital loss thereof, simply subtract the adjusted basis from the selling price of the asset as illustrated in the example below the table of CPIs.

<u>Calculating Capital Gain/Capital Loss Using Indexation Factors</u>

1. Determine the indexation factor using the formula:

$$\textit{Indexation Factor} = \frac{\textit{CPI for Disposal Period}}{\textit{CPI for Acquisition Period}}$$

2. Multiply the cost price of the asset by the Indexation Factor to obtain the adjusted basis of the asset.

3. Subtract the adjusted basis from the selling price to get either the capital gain or the capital loss.

4. In the case of a capital gain, the total amount (100%) of the Capital Gain is taxable, provided that where the taxpayer has also incurred a capital loss, the capital gain may be offset by the capital loss and any excess that is not offset by the capital loss is taxable.

5. Calculate 30% provisional tax on the Capital Gain and pay to MRA.

CONSUMER PRICE INDICES FROM 1970 TO JUN 2025 - WITH 1970 AS BASE YEAR

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2025	839,235.16	871,495.84	878,340.91	852,839.06	857,577.54	874,294.58							
2024	652,898.18	667,014.09	673,128.70	659,949.82	671,559.59	687,878.43	702,093.94	715,954.66	729,293.78	742,834.95	766,735.00	801,546.18	**705,907.28**
2023	483,631.79	499,737.31	510,663.80	498,713.43	506,046.75	516,091.24	525,293.46	534,843.63	542,976.52	561,127.31	603,711.98	625,647.53	**534,040.39**
2022	384,168.96	394,466.17	402,167.91	387,216.52	391,551.27	405,452.65	409,218.21	416,017.89	424,975.37	442,090.70	453,472.94	465,234.76	**414,669.45**
2021	342,812.51	349,209.22	352,502.90	334,648.98	328,830.58	328,230.29	328,405.09	331,520.24	337,666.47	348,867.84	360,382.99	370,912.17	**342,832.44**
2020	318,357.56	322,354.22	319,958.68	306,473.52	301,913.35	300,986.95	302,189.25	305,855.53	309,954.93	317,785.50	324,298.25	332,569.91	**313,558.14**
2019	286,616.43	290,432.92	291,530.84	280,110.03	277,789.30	277,369.56	279,890.21	284,343.76	289,287.50	295,655.43	302,359.96	308,951.11	**288,694.75**
2018	263,494.72	269,142.49	266,648.80	256,668.58	255,135.39	254,536.56	256,182.02	259,760.23	264,876.29	269,865.87	273,957.00	277,018.88	**263,940.57**
2017	243,824.58	249,607.83	248,499.30	225,763.10	228,715.44	223,457.87	219,389.99	220,454.61	228,917.29	232,381.11	242,270.49	252,081.77	**234,613.61**
2016	206,343.66	214,900.03	209,405.94	204,091.98	203,551.58	200,759.50	199,138.29	201,660.17	211,117.21	214,629.83	224,897.47	235,435.32	**210,494.25**
2015	167,164.48	174,279.78	171,577.77	168,785.69	167,614.82	163,561.80	161,310.12	164,192.27	174,279.78	178,783.13	187,519.64	196,256.15	**172,943.79**
2014	137,892.68	145,548.39	145,188.12	142,035.77	140,234.43	135,010.54	132,038.32	133,569.46	140,414.56	143,386.78	150,502.07	157,167.04	**141,915.68**
2013	109,521.56	116,816.99	116,997.12	114,565.31	114,385.18	110,152.03	107,900.35	107,269.88	113,484.51	116,276.59	121,680.61	126,634.30	**114,640.37**
2012	83,377.59	86,883.28	87,128.91	85,565.86	86,414.37	85,320.23	85,632.84	86,369.71	92,912.19	95,212.11	100,481.83	105,505.92	**90,067.07**
2011	75,562.33	78,375.82	78,219.52	76,075.91	73,664.34	71,051.81	70,359.61	68,818.89	72,391.57	72,905.15	75,383.70	78,398.15	**74,267.23**
2010	70,917.84	73,240.09	72,994.46	71,051.81	68,841.21	66,384.99	65,491.82	63,951.10	67,188.85	67,412.14	69,220.81	71,409.08	**69,008.68**
2009	65,759.77	67,680.09	67,367.48	65,737.44	63,839.45	61,718.17	61,025.96	59,641.55	62,789.98	63,169.57	65,045.23	67,188.85	**64,246.96**
2008	59,753.19	61,718.17	61,517.21	60,177.45	58,726.04	56,917.37	56,493.11	55,331.99	58,413.43	58,882.35	60,691.02	62,455.04	**59,256.37**
2007	55,460.11	57,170.73	56,858.78	55,656.63	54,406.44	52,459.53	51,945.52	50,708.09	53,432.79	53,803.44	55,376.71	56,810.74	**54,507.46**
2006	50,607.39	52,370.52	52,334.19	51,343.65	50,409.84	48,725.50	48,362.06	47,293.71	49,895.80	50,175.08	51,569.07	52,827.34	**50,492.85**
2005	43,350.64	44,738.86	44,886.38	44,217.91	43,548.66	42,268.81	42,072.68	42,212.39	44,691.78	45,219.75	46,685.98	47,968.15	**44,321.83**
2004	38,023.19	39,160.38	39,074.52	38,342.29	37,712.14	36,484.76	36,396.35	36,595.05	38,601.75	39,021.11	40,184.33	41,158.25	**38,396.18**
2003	34,542.41	35,522.11	35,283.50	34,499.01	33,870.39	32,690.06	32,669.80	32,892.31	34,792.78	34,791.72	35,610.47	36,188.95	**34,446.13**
2002	31,215.57	32,136.43	32,008.29	31,428.31	31,073.19	30,123.08	30,064.68	30,176.49	31,854.72	31,772.63	32,476.50	32,959.58	**31,440.79**
2001	27,025.48	27,650.37	27,307.29	27,067.69	26,932.97	26,048.57	26,253.60	26,213.45	27,596.56	28,138.41	28,989.11	29,564.96	**27,399.04**
2000	21,437.32	22,140.68	22,393.50	21,843.06	21,556.52	20,849.76	20,890.28	20,273.19	22,206.90	23,316.65	25,167.35	25,876.31	**22,329.29**
1999	16,472.36	16,963.03	17,380.67	17,240.65	17,474.00	17,061.91	16,674.36	15,643.06	17,080.66	17,281.18	18,650.51	19,104.26	**17,252.22**
1998	10,585.99	10,861.27	11,095.49	11,240.59	11,310.41	11,192.45	11,092.32	10,959.01	12,521.99	13,057.91	14,071.28	14,894.59	**11,906.94**
1997	8,958.45	9,159.98	9,242.13	9,355.56	9,403.61	9,334.57	9,278.04	8,716.08	8,752.50	8,804.78	9,239.28	9,728.72	**9,164.47**
1996	8,378.59	8,552.39	8,605.29	8,729.21	8,797.22	8,776.06	8,721.66	7,953.92	7,867.78	7,866.27	8,174.57	8,448.11	**8,405.92**
1995	4,887.51	5,144.43	5,339.39	5,510.16	5,673.38	5,809.40	6,002.84	6,093.52	6,474.37	6,962.51	7,485.42	7,916.14	**6,108.26**
1994	2,835.18	2,957.59	3,055.83	3,083.03	3,087.57	3,033.16	3,030.14	3,129.88	3,376.22	3,748.00	4,127.33	4,524.80	**3,332.39**
1993	2,356.10	2,404.46	2,424.11	2,413.53	2,398.42	2,372.73	2,353.08	2,427.13	2,531.41	2,602.44	2,687.07	2,726.37	**2,474.74**
1992	1,757.63	1,819.59	1,825.64	1,866.44	1,929.92	1,905.74	2,026.64	2,093.14	2,165.68	2,215.55	2,280.54	2,303.21	**2,015.81**
1991	1,576.28	1,588.37	1,594.41	1,614.06	1,615.57	1,627.66	1,651.84	1,647.31	1,653.35	1,682.07	1,685.09	1,692.65	**1,635.72**
1990	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	1,511.29	**1,511.29**
1989	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	1,353.86	**1,353.86**
1988	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	1,170.01	**1,170.01**
1987	890.71	890.71	890.71	890.71	890.71	890.71	890.71	890.71	890.71	890.71	890.71	890.71	**890.71**
1986	702.64	702.64	702.64	702.64	702.64	702.64	702.64	702.64	702.64	702.64	702.64	702.64	**702.64**
1985	612.12	612.12	612.12	612.12	612.12	612.12	612.12	612.12	612.12	612.12	612.12	612.12	**612.12**
1984	532.53	532.53	532.53	532.53	532.53	532.53	532.53	532.53	532.53	532.53	532.53	532.53	**532.53**
1983	479.70	479.70	479.70	479.70	479.70	479.70	479.70	479.70	479.70	479.70	479.70	479.70	**479.70**
1982	422.99	422.99	422.99	422.99	422.99	422.99	422.99	422.99	422.99	422.99	422.99	422.99	**422.99**
1981	388.83	388.83	388.83	388.83	388.83	388.83	388.83	388.83	388.83	388.83	388.83	388.83	**388.83**
1980	352.20	352.20	352.20	352.20	352.20	352.20	352.20	352.20	352.20	352.20	352.20	352.20	**352.20**
1979	278.30	278.30	278.30	278.30	278.30	278.30	278.30	278.30	278.30	278.30	278.30	278.30	**278.30**
1978	240.80	240.80	240.80	240.80	240.80	240.80	240.80	240.80	240.80	240.80	240.80	240.80	**240.80**
1977	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	**212.00**
1976	187.70	187.70	187.70	187.70	187.70	187.70	187.70	187.70	187.70	187.70	187.70	187.70	**187.70**
1975	167.50	167.50	167.50	167.50	167.50	167.50	167.50	167.50	167.50	167.50	167.50	167.50	**167.50**
1974	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	**140.00**
1973	118.90	118.90	118.90	118.90	118.90	118.90	118.90	118.90	118.90	118.90	118.90	118.90	**118.90**
1972	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	**112.50**
1971	108.30	108.30	108.30	108.30	108.30	108.30	108.30	108.30	108.30	108.30	108.30	108.30	**108.30**
1970	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	**100.00**

Examples

1. A house was bought in 1972 at K40,000.00 and is being sold in January 2014 at K55 million. The indexation factor for an asset acquired in 1972 and disposed between January and June 2014 is calculated by dividing the CPI for January 2014 by the CPI for 1972. Using the figures in the table above (CPI for January 2014 = 137,892.68) and CPI for 1972 = 112.50) we obtain 1225.71 as the indexation factor, hence:

   - Multiplying K40,000.00 by 1,225.71, we get **K49,028,400.00**
   - Capital Gain/Loss = K55, 000,000.00 – K49,028,400.00 **= K5,971,600.00 [Capital Gain]**
   - **Provisional Tax Payable = K5,971,600.00 x 30% = K1,791,480.00**

2. A house which cost MK10,000.00 to construct in 1980 is being disposed in July 2014 for MK3.5 million. The indexation factor for an asset acquired in 1980 and disposed in July 2014 is calculated by dividing the CPI for July 2014 by the CPI for 1980. Using the figures in the table above (CPI for July 2014 = 132,038.32 and CPI for 1980 = 352.20) we obtain 374.90, hence:

   - Multiplying K10,000.00 by 374.90 we get **K3,749,000.00**
   - Capital Gain/Loss = K3,500,000.00 – K3,749,000.00 **= (K249,000.00) [Capital Loss]**
   - **No Provisional Tax Payable**

3. A house which cost MK1,000, 000.00 to construct in March 1992 is being disposed in June 2014 for MK85 million. The indexation factor for an asset acquired in March 1992 and disposed in July 2014 is calculated by dividing the CPI for June 2014 by the CPI for March 1992. Using the figures in the table above (CPI for June 2014 = 135,010.54 and CPI for March 1992 = 1,825.64) we obtain 73.95, hence:

   - Multiplying K1,000,000.00 by 73.95 we get **K73,950,000.00**
   - Capital Gain/Loss = K85,000,000.00 – K73,950,000.00 **= K11,050,000.00 [Capital Gain]**
   - **Provisional Tax Payable = K11,050,000.00 x 30% = K3,315,000.00**

The most recent version of the notice may be accessed from **www.mra.mw**.

For any inquiries, contact Mr Gray Balawe on 0888 896 420 or the Taxpayer Service Office of your nearest Domestic Tax Office.

DANIEL D. DAKA
COMMISSIONER GENERAL