



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

The Malawi Revenue Authority (MRA) is informing the public to use Consumer Price Indices (CPIs) when adjusting the basis of a capital asset as provided under Section 2 of the Taxation Act. Use of CPIs for the said purpose became effective from 1st July 2007.

Consumer Price Indices are published by the National Statistical Office (NSO). MRA has sourced CPIs from the NSO for the years beginning 1970 up to 2021. 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 CPIs had the 1970, 1980, 1990, 2000 and 2012 as base years. For tax purposes, MRA has rebased these CPIs to 1970 to facilitate easy calculation of Indexation Factors to be used for adjusting the bases of the applicable assets. An Indexation Factor is worked out using Consumer Price Indices as follows:

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

Please note that the term Indexation Factor has been adopted to replace the term Conversion Factor, to conform to standard international terminology and to distinguish it from previously used conversion factors which were not derived from CPIs.

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.

### How to calculate Capital Gain/Capital Loss Using Indexation Factors

- Determine the indexation factor using the formula:
 
$$\text{Indexation Factor} = \frac{\text{CPI for Disposal Period}}{\text{CPI for Acquisition Period}}$$
- Multiply the cost price of the asset by the Indexation Factor to obtain the adjusted basis of the asset.
- Subtract the adjusted basis from the selling price to get either the capital gain or the capital loss.
- 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.
- Calculate 30% provisional tax on the Capital Gain and pay to MRA.

### Examples

- 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, hence:
  - Multiplying K40,000.00 by 1225.71, 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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual (Avg)
2021	319,074.51	324,939.86	327,989.83	311,566.88	-	-	-	-	-	-	-	-	-
2020	296,296.78	300,016.49	297,786.95	285,236.25	280,992.08	280,129.88	281,248.87	284,661.09	288,476.42	295,764.37	301,825.80	309,524.28	291,829.94
2019	266,755.17	270,307.19	271,329.03	260,699.63	258,539.72	258,149.07	260,495.05	264,639.99	269,241.14	275,167.81	281,407.74	287,542.16	268,689.48
2018	245,235.69	250,492.10	248,171.21	238,882.57	237,455.63	236,898.29	238,429.74	241,759.89	246,521.53	251,165.35	254,972.99	257,822.89	245,650.65
2017	243,824.58	249,607.83	248,499.30	225,763.10	228,715.44	223,457.67	219,389.99	220,454.61	228,917.29	232,381.11	242,270.49	235,061.77	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	212,494.25
2015	167,164.48	174,279.78	171,577.77	168,785.69	167,814.82	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	83,320.23	83,632.84	86,369.71	92,912.19	95,212.11	100,481.83	105,505.92	90,667.07
2011	75,562.33	78,378.82	78,219.52	76,075.91	73,664.34	71,051.81	70,359.81	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	65,377.44	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	44,886.39	44,217.91	43,548.66	42,268.81	42,072.88	42,212.59	44,691.78	45,219.75	46,685.96	47,968.16	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	16,874.38	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	9,752.50	9,804.78	9,238.28	9,728.72	9,164.47
1996	8,378.59	8,552.39	8,605.29	8,729.21	8,797.22	8,776.05	8,721.66	7,953.92	8,867.78	8,786.27	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	3,055.63	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	3,332.99
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
1989													1,353.86
1988													1,170.01
1987													890.71
1986													702.64
1985													612.12
1984													532.53
1983													479.70
1982													422.99
1981													388.83
1980													352.20
1979													278.30
1978													240.80
1977													212.00
1976													187.70
1975													167.50
1974													140.00
1973													118.90
1972													112.50
1971													108.30
1970													100.00

- 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
- 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

Use of Consumer Price Indices for adjusting basis of assets became effective on **1st July 2007**. MRA will update the CPI table every month upon release of the latest CPI data by the National Statistical Office. Members of the general public may access the most recent version of the notice from [www.mra.mw](http://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.

John S. Biziwick  
COMMISSIONER GENERAL

