



What is the advice to all Withholding VAT Agents and suppliers?

- Withholding VAT is NOT a tax but a method of advance collection of VAT.
- Agents are obliged to remit the withheld VAT on time.
- Agents are obliged to deal ONLY with VAT registered suppliers if the suppliers deal only in taxable supplies.
- Agents should NOT deduct VAT on exempt and zero-rated supplies.
- Suppliers should always issue a TAX invoice

Key features of the system include;

- Online registration as Withholding VAT agent
- Automatic issuance of Withholding VAT Registration Certificate
- Email notifications for registration
- Summary of withheld VAT by agent at any given period
- Generation of electronic Withholding VAT Certificate
- Summary of Withholding VAT remittance by agent
- Summary of the Withholding Certificates issued by agent
- Reminder of outstanding Withholding VAT payment
- Agent's remittance compliance report
- Automatic calculation of penalty for non-remittance by the agent



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Understanding...

WITHHOLDING VAT SYSTEM





What is Withholding VAT?

This is a method of collecting Value Added Tax (VAT) where VAT levied on supply of goods and services by individuals and business entities is withheld and remitted to the Malawi Revenue Authority (MRA) by appointed VAT agents.

MRA implemented the Withholding VAT following the gazetting of the regime in December, 2018.

Why was Withholding VAT introduced?

Withholding VAT was introduced to;

- Increase VAT revenue collections
- Increase filing rates – the regime transforms non-filers and nil filers into active VAT operators
- Broaden the tax net by registering eligible individuals and businesses for various taxes

- Increase tax fairness issues – every taxable supplier pays their fair share of tax
- Create a steady flow of revenues for the Government

Who is mandated to Withhold VAT?

The Authority to identify and appoint Withholding VAT agents rests with MRA. The Authority has appointed Government Ministries, Departments and Agencies (MDAs) as agents to withhold and remit VAT. Only appointed agents are mandated to withhold VAT.

How Withholding VAT operates

The VAT is withheld at the point of payment by buyer (agent) and NOT at the point of raising a tax invoice by the supplier. The withheld VAT is at standard rate of 16.5%.

A supplier who makes taxable supplies in respect of which VAT is withheld by the withholding agent for VAT shall issue a tax invoice showing separately the amount of VAT chargeable.

Upon making payment to a supplier and deducting tax therefrom, a withholding agent for VAT shall furnish the supplier with a Withholding VAT Certificate in such form as the Commissioner General may direct.

The agent who has deducted from a payment to a supplier, an amount representing VAT withheld shall remit such amount to MRA, within 25 days from the end of the month in which such deduction was made.

The withholding of VAT by a withholding agent for VAT shall not relieve a supplier of any obligation to file returns in accordance with the VAT Act.

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All withholding VAT certificates for the month to which the deduction relates, shall be filed together with the corresponding VAT return for the tax period.

To ensure efficiency and effectiveness of the Withholding VAT regime, the Authority has developed a Withholding VAT operating system that will interface MRA with appointed agents and suppliers.

The interface will allow the agents and suppliers to log into the system using a portal on our website: www.mra.mw.

Among other features, the system will enable the suppliers to view summaries of their VAT withheld and e-payments of the tax withheld.

The system is aimed at promoting accountability and validation of the Withholding VAT transactions among the appointed agents and the suppliers.