



Malawi

Fiscal Guide 2015/2016

Tax





INTRODUCTION

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Income tax

Business income

The basis of taxation is that only income from a source within or deemed to be within Malawi is subject to tax in Malawi. Non-residents are only taxed on the portion of their income that arises or is deemed to arise in Malawi. Non-residents are subject to certain Non-Resident Tax (NRT)/withholding taxes on income arising in Malawi.

Rates

Resident companies	
Corporation tax	30%
Fringe benefits tax	30%
Export processing zone enterprises	30%
Priority industries in agro-processing and electricity generation, distribution and transmission	0%
Life assurance companies	21%
Capital gains	Taxed as ordinary income: - 30% for companies incorporated in Malawi; - 35% for external companies. -
Dividends	10%*
Interest	30% of which 20% withheld gross at source in many cases.
Royalties	30% of which 20% withheld gross at source in many cases.
Fees	30% of which 10% withheld gross at source in many cases.
Branches in Malawi	35% (or a rate 5% higher than normal)
In the case of ecclesiastical, charitable or educational institutions or trusts	30% of the taxable income.

Resident individuals

Income tax	0% - 30%***
Capital gains	Taxed as ordinary income at 30%
Dividends	10%*
Interest	Taxed as ordinary income, with 20% withheld gross at source
Royalties	Taxed as ordinary income, with 20% withheld gross at source

* Tax is withheld at source and is final

** Tax is withheld at source

*** Individual's Income Tax Table



Resident individuals (continued)

Fees	Taxed as ordinary income, with 10% withheld gross at source
Rents	Taxed as ordinary income, with 15% withheld gross at source

Individuals - Taxable income per annum (MKW)

Zero up to 240,000	0%
Next 60, 000	15%
Excess of 300,000	30%

Non-residents (companies and individuals)

Non-resident tax (Border tax)	15% ** on gross income
Dividends	10% *
Interest	15% *
Royalties	15% *
Fees	15% *
Rent	15% *

* Tax is withheld at source and is final

Capital gains tax

Capital gains are treated as ordinary income and subject to income tax at the applicable rate. There are a number of exemptions relating mainly to group restructures, principal residence, transfers between spouses, and personal and domestic assets. In addition, non-residents pay Non-Resident Tax ('NRT') at the rate of 15%, if not engaged in trade or business in Malawi through a permanent establishment situated in Malawi.

Transfer pricing rules

The proviso in the Taxation Act empowers the Commissioner General to apply the transfer pricing rules if certain arrangements, concerning profit or loss distribution between related parties, do not conform to regular business practices (i.e. arm's length transactions), which in effect results in tax evasion.

The Commissioner General of the Malawi Revenue Authority ("MRA") will re-examine and make adjustments to transactions involving related parties involved in both cross-border businesses or locally which produce no profit or no loss due to transfer pricing. The Commissioner General will also determine the profits derived from such businesses as if the prices of the two related parties were at arm's length.

Section 127(A) of the Taxation Act regarding Transfer Pricing has been reviewed in 2015/2016 to incorporate transactions where there is an arrangement directly or indirectly and the arrangement may be contractual or not. Further the section mandates the Commissioner General to request for information from a party connected to the arrangement as to whether the transactions have been conducted had it been than the parties involved are not connected.

Inheritances and donations

Estate duty is levied on the value of a deceased estate at progressive rates of duty of 4% - 10%. Estates of MK30 000 or less are not subject to duty. No donations tax is chargeable although donations may be subject to income tax in the hands of the recipient.

Stamp and transfer duty

Stamp duty is levied on a number of instruments under the Stamp Duty Act (Cap. 43:01), as amended. No stamp duty is payable on instruments executed by the government, on wills and on instruments for the sale of a ship. To improve on the ease of doing business ranking with a view to create a pro-business environment, Government has reduced stamp duty under the Registrar General from 3 percent to 1.5 percent.

Double tax treaties and reduced rates

Country	Dividends (%)	Interest (%)	Royalties (%)	Rent	Management
France	Exempt	Exempt	Exempt	15% Non-Resident Tax	Exempt
Norway	Exempt	Exempt	Exempt	15% Non-Resident Tax	Exempt
South Africa	10% Dividend Withholding Tax	15% Non-Resident Tax	Exempt	Exempt	15% Non-Resident Tax
Sweden	Exempt	Exempt	Exempt	15% Non-Resident Tax	Exempt
Switzerland	Exempt	Exempt	Exempt	15% Non-Resident Tax	Exempt
United Kingdom	Exempt if dividend is taxable in the United Kingdom	Exempt	Exempt	15% Non-Resident Tax	15% Non-Resident Tax

Investment information

Investment rules

Malawi has a longstanding, stable and positive attitude towards foreign private investment. All incentives available to local investors are equally available to foreign investors. Certain economic activities, such as broadcasting and telecommunications, utilities, air, rail and inland water transport are dominated by the public sector. Other statutory bodies, as well as a national trust, participate directly in several industrial and commercial companies.

Private local participation is strongly favoured but not compulsory. Foreign private investment is not restricted and licenses are likely to be granted for retail trading and other small economic activities. There are no restrictions on the size of either domestic or foreign investment, the source of funds or whether products are destined for export or domestic markets.

Registration of foreign direct investments with the Reserve Bank of Malawi (RBM) is necessary to ensure smooth repatriation of dividends or interest. Similarly, management and technical services agreements need to be registered with the RBM in order to ensure timely externalisation of fees payable under such agreements. The RBM does not approve such agreements retrospectively.

Investment incentives

In addition to capital allowances on fixed asset expenditure, other incentives include:

- Export tax allowance of 25% of taxable export revenues for non-traditional exports (other than tobacco, tea, sugar and coffee)
- Transport allowance of 25% of the international transport costs incurred by the taxpayer is allowable for non-traditional exports

Several financial institutions participate in the financing of new economic activities through equity or loans.

Exchange controls

The RBM administers exchange controls in terms of the regulations. Prior authorisation is required for all remittances of profits, dividends, interest, royalties and fees. Export proceeds must be transferred to an authorised dealer or foreign currency account within 3 days. The mandatory conversion requirement for proceeds of exports is 60% – though a lower ratio may be permitted on legitimate grounds. Most goods can be freely imported under the Open General License (OGL) system.

Residence and work permits

Foreign citizens are required to obtain temporary employment permits (TEP) which are normally granted on a specific basis for two years, but should not extend beyond six years for the same post.

Business residence permits (BRP) are issued to individuals investing in Malawi. These permits are issued initially for a period of five years, renewable for further periods of five years at a time.

Annual budget announcement

The Minister of Finance generally announces the annual budget and taxation proposals in June each year – for the tax year commencing on 1 July thereafter.

Trade and bilateral agreements

Membership includes: ACP-EU Partnership Agreement, Multilateral Guarantee Agency, COMESA and SADC. Bilateral Investment agreements have been concluded with USA, 1965 World Bank International Convention on the Settlement of Investment Disputes between States and nationals of other States (ICSID).

Economic statistics

Prime Interest Rate (2015 4Qtr)	23.75%
US\$ Exchange Rate (February 2016)	MKW 729.0784
Annual Inflation 2015	21.9%
GDP at market prices (current US\$)	US\$3.705 billion

Travel information

Visa requirements	Not generally required from residents of Commonwealth member states.
Flights	There are direct international flights to Blantyre and Lilongwe from other regional or international destinations, such as Johannesburg, Addis Ababa Ethiopia and Nairobi.
Inoculations	Yellow fever vaccination certificate required

Currency

The Kwacha (MKW) is the official currency of Malawi, which is equal to 100 tambala.

Languages

The official and commercial language is English. The other main language used is Chichewa.

Official holidays

- 1 January (New Year's Day)
- 15 January (Chilembwe Day)
- 3 March (Martyrs' Day)
- 25 March (Good Friday)
- 28 March (Easter Monday)
- 1 May (Labour Day)
- 14 May (Kamuzu Day)
- 6 July (Republic Day)
- (Eid ul-Fitr) Varies on the siting of the moon in July
- 15 October (Mother's Day)
- 25 December (Christmas Day)
- 26 December (Boxing Day)





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