



MITC



JANUARY, 2024

BUSINESS OPERATING COSTS IN MALAWI

Private Bag 302, First Floor Aquarius House, Lilongwe, Malawi

Tel: +265 1 771 315, F: +265 1 771 781, Web: www.mitc.mw

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BUSINESS INFORMATION UNIT

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BUSINESS INFORMATION UNIT

January, 2024

BUSINESS OPERATING COSTS IN MALAWI

The Malawi Investment and Trade Centre (MITC) is a government agency mandated to promote and facilitate Investment and Trade in the country. MITC here in provides a compilation of estimated business operating costs in Malawi. The costs summaries were gathered from key institutions, relevant to investment and business establishment in Malawi. All the charges made are convertible to the Dollar Exchange Rate prevailing at the day of transaction unless advised by the concerned institution. Where prior conversion has been provided the rate used herein is **US\$ 1 to MK1,700**, it must however be noted that this was just done for purposes of clarity; prevailing Exchange rate always apply.

MALAWI LABOUR CHARGES

- Wages Information

- Malawi's gazette minimum daily wage is:
K1346.00 (Approximately USD \$1.26) per day

Note: US\$ 1 = K1,700.00 (SELLING RATE)

US\$ 1 = K1,666.73 (BUYING RATE)

Source: Reserve Bank of Malawi

- All wages above the minimum daily wage are negotiated between an employer and employee.
- For more information that is necessary for the formation of Conditions of Services, Terms of References and Employment Contracts, the MITC has the following documents available from the Ministry of Labour:
 - Constitution of the Republic of Malawi
 - Employment Act
 - Labour Relations Act
 - Occupational Safety, Health and Welfare Act
 - Workers Compensation Act
 - Pensions Act

Source: Ministry of Labour & Manpower Development

UTILITIES (WATER COSTS)

1. CENTRAL REGION WATER BOARD

TARIFF AND SERVICE CHARGE ADJUSTMENT SCHEDULE

WATER WORKS ACT (NO.17 OF 1995)

IN EXERCISE, of the power conferred by section 36 of the waterworks ACT (NO.17 of 1995 of Laws of Malawi) that Central Region Water Board has made the following increase in Water Tariffs and service charges commencing in June 2023.

A. TARIFF ADJUSTMENT

1.0 INDIVIDUAL CATEGORY

VOLUMES IN 200 LITRE DRUMS	TARIFF MK	PRICE PER LITRE
First 20 Drums	Mk2,447.85	Mk0.61
Next 130 Drums	Mk581.29 for 5 drums	Mk0.58
Over 130 Drums	Mk630.30 for 5 Drums	Mk0.63

2.0 INSTITUTIONAL CUSTOMERS

VOLUME IN 200 LITRE DRUMS	TARIFF MK	PRICE PER LITRE
First 20 drums	Mk23,171.63 /1,000 litres	Mk5.79
Next 130 Drums	Mk2,734.40 /1,000 litres	Mk2.73
Over 130 Drums	Mk3,243.51 /1,000 litres	Mk3.24

3.0 COMMERCIAL AND INDUSTRIAL CATEGORIES

VOLUME IN 200 LITRE DRUMS	TARIFF MK	PRICE PER LITRE
First 20 drums	Mk25,278.28	Mk6.32
Next 130 Drums	Mk2,983.08 /1,000 litres	Mk2.98
Over 130 Drums	Mk3,538.43 /1,000 litres	Mk3.53

4.0 COMMUNAL WATER POINTS

VOLUME IN 200 LITRE DRUMS	TARIFF MK	PRICE PER LITRE
5 Drums	Mk320.96	Mk0.32

Typical Individual Customer Bill Illustration

Description	Input details	Amount
Tier 1:		
Tier 2:	(8m3 x387.52)	
Tier 3	(0m3 x420.20)	
Total Water Bill		4,732.06
Service Charges		1,812.14
Total Bill		6,544.20

Source: Central Region Water Board

1. LILONGWE WATER BOARD

WATERWORKS ACT

WATER WORKS (LILONGWE WATER BOARD) (WATER SUPPLY CHARGES) BY LAWS ,2018-

IN EXERCISE, of the power conferred by section 56 of the waterworks ACT, Lilongwe Water Board, with the approval of the Minister of Forestry and Natural Resources, make the following By laws-

- **Citation**
 - These By-laws may be cited as the waterworks (Lilongwe Water Board) (Water Supply Charges) (Amendment) By-laws,2023 and shall be deemed to have come into operation on 26th November, 2023.

FIRST SCHEDULE..... (bylaw 2)

WATER CHARGES

1. For water supplied in bulk to kiosks, a flat rate shall be levied per m³ as follows:

ITEM NO.	CUSTOM CATEGORY	BAND	TARIFFS BEFORE VAT	
			K	T
a)	Community Kiosks	Flat Rate (Mk/m ³)	2	69
b)	The Boards Kiosks	Flat Rate (Mk/m ³)	2	69

2. For water supplied for domestic purpose:

ITEM NO	BAND	TARIFFS BEFORE VAT	
		K	T
a)	Up to 5m ³ (Flat Rate in MK- Minimum charge)	3,255	20
b)	5-10m ³ (MK/m ³)	934	70
c)	>10m ³ (MK/m ³)	1,301	30
	Prepaid maters all bands (Flat Rate)	1,301	30

3. For water measured by common meter and supplied to school, colleges, hospitals sports and cultural stadiums or grounds/places of worship, cemeteries and crematoria social and recreational clubs not operated for gain, and places of public resort:

ITEMS NO.	BAND	TARIFFS BEFORE VAT

a)	Up to 10m ³ (Flat Rate in MK/ Minimum charge)	30,605 85
b)	10-40(MK/M ³)	3,422 25
c)	>40m ³ (MK/M ³)	3,665 25
d)	Prepaid Meter all bands (Flat Rate)	3,665 25

4.For water supplied to government buildings where the government is the registered meter holder

ITEM NO.	BAND	TARRIFF BEFORE VAT
a)	Up to 10m ³ (Flat Rate in MK- Minimum charge)	30,605 85
b)	11-40m ³ (MK/M)	3,422 25
c)	>40(MK/m ³)	3,665 25
d)	Prepaid meters all bands (Flat Rate)	3,665 25

5.For water supplied for commercial or industrial purpose

ITEM NO.	BAND	TARRIFF BEFORE VAT
a)	Up to 10m ³ (Flat Rate in MK- Minimum charge)	17,041 05
b)	10-40m ³ (MK/M)	3,744 90
c)	>40(MK/m ³)	4,072 95
d)	Prepaid meters all bands (Flat Rate)	4,072 95

6.For bulk water sales per cubic meter to Bunda (central Region Water Board)

ITEM NO.	CUSTOMER CATEGORY	BAND	TARRIFF BEFORE VAT
	Bunda (Central Region Water Board)	Flat rate K/m ³	824 85

SECOND SCHEDULE.....(by-law 3)
FEES, DEPOSITS AND PENALTIES

NO	ITEM DESCRIPTION	CUSTOMER CATEGORY/SIZE OF METER	TARIFFS BEFORE VAT
1	Meter Deposit on Post Paid meters	Residential / Kiosks	15,000
		Commercial / Institution	15,000
		Contractors	50,000
2	Meter Deposit on prepaid meter	Residential/Kiosks	30,000
		Commercial/Institution	50,000
3	Sewer Connection fees	Commercial -CBD& Industrial	300,000.00
		Commercial Normal and Institutional	200,000.00
		Domestic	50,000.00
4	Penalty on returned cheques	All customer categories	30,000
5	Change of customer details	All customer categories	Free
6	Post Paid meter damage	15 mm	45,000.00
		20 mm	47,000.00

		25 mm	94,000.00
		40 mm	169,950.00
		50 mm	220,935.00
		80 mm	790,000.00
		100 mm	1,050,000.00
7	Pre - Paid Meter damage/loss	15 mm	109,500.00
		20 mm	120,000.00
		25 mm	126,750.00
		40 mm	550,500.00
		50 mm	761,500.00
		80 mm	1,467,750.00
		100 mm	1,992,000.00
8	Prepaid meter CIU damage /Loss		45,000.00
9	Statement Printing	All customer categories	500.00
10	Bowser hiring	All customer categories	5,000
		(a) Cost of water per m ³ - Domestic	1,001.00
		b) Cost of water per m ³ - Commercial	2,916.00
		C) Cost of water per m ³ - Institutional	2,625.00
		c) Administrative fee	5,000.00
		d) Bowser rental per day	7,875.00

		e) Mileage per km	250.00
		f) Fuel per km	350.00

11	Commercial plumbing		200,000.00
12	Sewerage disposal	Less than 3,000 m ³	5,000.00
		Between 3,000 m ³ – 9,000 m ³	10,000.00
		Above 9,000 m ³	20,000.00
13	Penalty for meter tempering, by passes and self- reconnection	a) Infringement charge-Domestic	500,000.00
		b) Infringement charge-Kiosks	500,000
		c) Infringement charge - Industrial/ Commercial/ Institutional	3,000,000
		d) Cost of stolen water per m ³ - Domestic	2,500.00
		e) Cost of stolen water per m ³ - Kiosks	2,500.00

		f) Cost of stolen water per m ³ - Industrial / Commercial/ Institutional	5,000.00
		g) Administrative charge	37,500.00

For more information visit www.lwb.mw

Source: Lilongwe Water Board

2 . BLANTYRE WATER BOARD

WATERWORKS ACT

(Cap 72:01)

WATERWORKS (BLANTYRE WATER BOARD) (WATER SUPPLY CHARGES) BY-LAWS 2021

In EXERCISE of the powers conferred by Section 56 of the Waterworks Act, the Blantyre Water Board with the approval of the Minister of Forestry and Natural Resources has made the following By-laws-

These By-Laws may be cited as the Waterworks Citation and Blantyre Water Board) (Water Supply Charges) commencement By-laws, 2021 and shall come into operation on **1st July, 2021**

For the supply of water to a consumer, there shall be Water rates payable by the consumer the rates specified in the First Schedule

2. For the supply of water to a consumer, there shall be payable by the consumer the rates specified in the First Schedule
- Water rates

**FIRST SCHEDULE
WATER RATES**

	K	t	K	t
	<u>Present Price</u>		<u>Proposed Price</u>	
1. For water supplied from communal water points or kiosks, per litres	0.40		0.56	
2. For water supplied for domestic purposes				
(a) for the first 5,000 litres or part thereof, per litre	0.76		1.06	
(b) Exceeding 5,000 liters up to 10,000 litres per litre (rate applicable from 0 up to 10,000 litres)	0.81		1.13	
(c) Exceeding 10,000 litres up to 40,000 litres per litre (rate applicable from 0 up to 40,000 litres)	0.96		1.34	
(d) Exceeding 40,000 litres per litre, (rate applicable from 0 and above 40,000 litres)	1.06		1.48 1.06	
3. For water supplied to institutions				
(a) For the first 10,000 litres or part thereof, per litre	1.72		2.41	
(b) Exceeding 10,000 litres up to 40,000 litres per litre, (rate applicable from 0 up to 40,000 litres)	1.95		2.73	
(c) Exceeding 40,000 litres per litre, (rate applicable from 0 and above 40,000 litres)	2.05		2.87	
4. For water supplied for commercial purposes				
(a) For the first 10,000 liters or part thereof, per litre 2.25				
(b) Exceeding 10,000 litres up to 40,000 litres per litre, (rate applicable from 0 up to 40,000 litres)	2.48			

	(c) Exceeding 40,000 litres per litre, (rate applicable from 0 and above 40,000 litres)	2.72	3.81
5	For water supplied for industrial purposes		
	(a) For the first 10,000 litres or part thereof per litre,	3.15	4.41
	(b) Exceeding 10,000 litres up to 40,000 litres per litre, (rate applicable from 0 up to 40,000 litres)	3.58	5.01
	(c) Exceeding 40,000 litres per litre, (rate applicable from 0 and above 40,000 litres)	3.94	5.52

3. NORTHERN REGION WATER BOARD

Connection/Application charges

Process of connection is as follows:

- Complete application forms and return them to the office.
- The returned forms are processed and a plumber sent to the customer's premise to determine the material requirements.
- Pay new connection fees (the amount depends on the size of the service e.g. ½, ¾, 1-inch connection, customer category).
- Customer is then connected with a meter. Depending on availability of meters, the connection period is within 28 days.

Note: Northern Region Water Board has categorized customers differently ranging from Commercial (Business or Companies), Institutions (Schools and Hospitals) and Individuals who have further been categorized into High Density (Traditional Housing Area), Medium and Low-Density customers. This depends on level of income and thus, their charges are so different. The table below indicates the disparity in charges.

For water supplied through individual household meters:

- Class A (households with water facilities in homes): K1,826.06 per cubic metre (1000 litres) (Excluding VAT)
- Class B (households with water stand pipe only): K1,338.21 per cubic metre (1000 litres) (Excluding VAT)
- Class C (communal water points): K627.90 per cubic metre (1000 litres) (Excluding VAT)

For water supplied to institutional customers: K2,932.31 per cubic metre (1000 litres) (Excluding VAT)

For water supplied to commercial customers: K4,155.71 per cubic metre (1000 litres) (Excluding VAT)

Source: Northern Region Water Board

ELECTRICITY SUPPLY CORPORATION OF MALAWI TARIFF

STRUCTURE EFFECTIV SEPTEMBER 2023

Source: ESCOM Head Office

Tariff Code	Description	Type of Charge per month	Old Rate (Mk)	New Rate (Mk)
ET1	Domestic, Prepaid, Single-Phase Supply	First 50 kWh Unit Charge	56.00	61.50
		Above 50 kWh Unit Charge	79.30	94.00
		Fixed Charge	Nil	Nil
ET2	Domestic, Post-paid, Single-Phase supply	First 50 kWh Unit Charge	49.30	54.40
		Above 50 kWh Unit Charge	75.30	89.00
		Fixed Charge	5,900.00	6,900.00
ET3	Domestic, Prepaid, Three Phase Supply	Unit charge per kWh	113.20	133.50
		Fixed Charge	Nil	Nil
ET4	Domestic, Post-paid, Three-Phase Supply	Fixed Charge	14,100.00	16,600.00
		Unit Charge per kWh	109.65	129.40
ET5	General, Prepaid, Single-Phase Supply	Unit charge per kWh	117.30	138.40
		Fixed Charge	Nil	Nil
ET6	General, Post-paid, Single-Phase Supply	Fixed Charge	9,400.00	11,092.00
		Unit charge per kWh	112.00	132.15
ET7	General, Prepaid, Three-Phase Supply	Unit charge per kWh	129.70	155.20
		Fixed Charge	Nil	Nil
ET8	General, Post-paid, Three-Phase Supply	Fixed Charge	14,100.00	16,600.00
		Unit charge per kWh	119.10	143.50
ET9	Maximum Demand - Low Voltage Supply (Large power for industrial users, supplied at three phase supply and metered at 400 Volts)	Fixed Charge per Month	Nil	Nil
		On peak Unit charge per kWh	146.20	172.20
		Off peak Unit Charge per kWh	49.50	52.50
		Standard Unit Charge per kWh	49.50	72.00

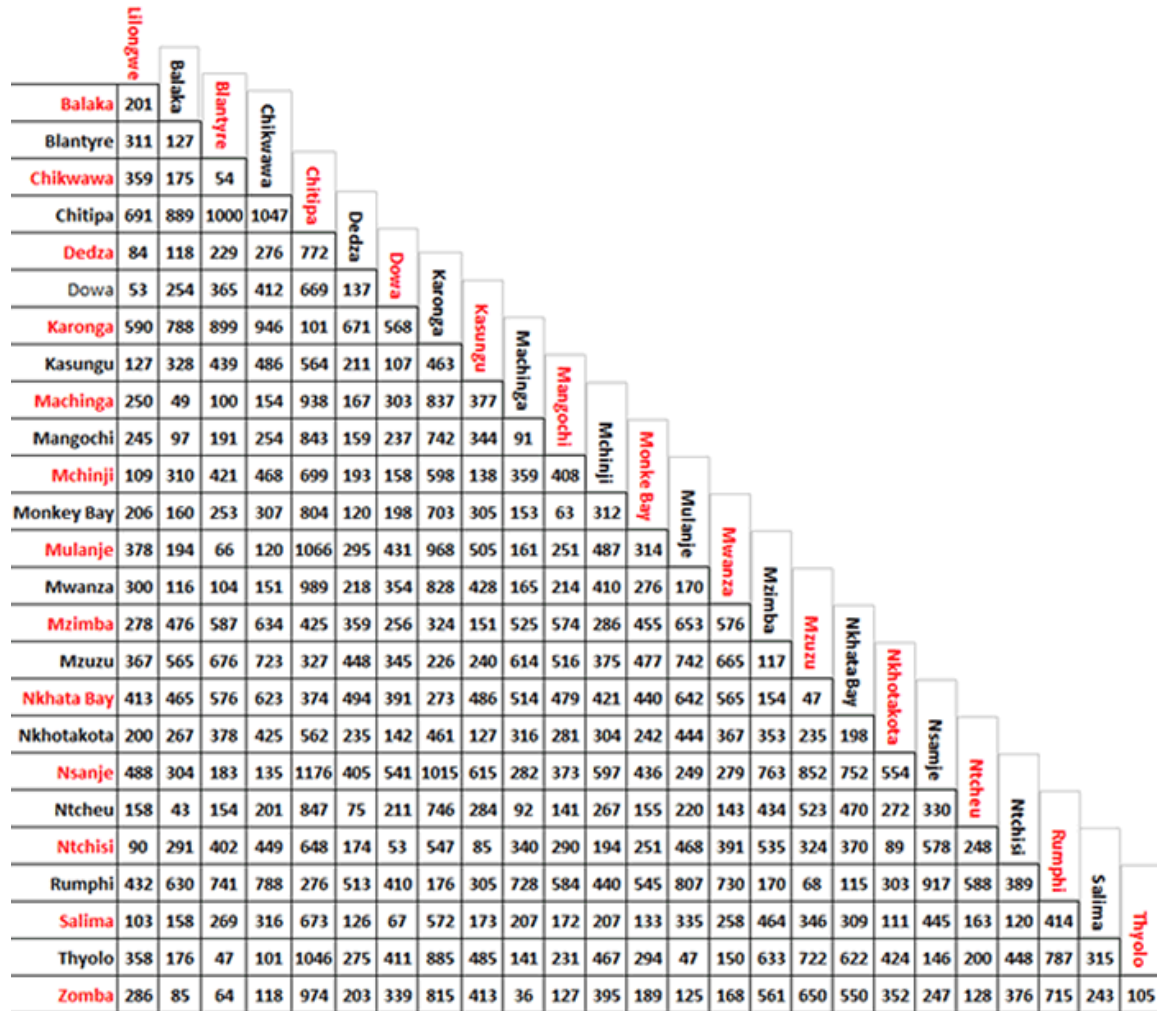
		Capacity Charge per kVA based on the customer's annual declared demand	6,100.00	5,000.00
		Demand Charge per kVA based on actual monthly demand reading	10,600.00	12,500.00
ET10	Maximum Demand - Medium Voltage Supply (Large power for industrial users, supplied at three phase supply and metered at 11 kV or 33 kV)	Fixed Charge per Month	Nil	Nil
		On peak Unit charge per kWh	142.65	168.50
		Off peak Unit Charge per kWh	47.15	49.80
		Standard Unit Charge per kWh	47.15	68.50
		Capacity Charge per kVA based on the customer's annual declared demand	5,500.00	4,500.00
		Demand Charge per kVA based on actual monthly demand reading	10,300.00	12,200.00
ET11	Essential Service, Prepaid, Three Phase Supply, High Current Metering	Fixed Charge	Nil	Nil
		Unit charge per kWh	135.60	160.00
ET12	Special Agriculture, Three Phase Supply	Demand Charge per kVA based on actual monthly demand reading		10,500.00
		Standard Unit Charge per kWh		48.50
		On peak Unit charge per kWh		145.00

Period Type	Monday to Friday	Weekend & Public Holiday
Standard Period	12pm - 5pm	NA
On-Peak Period	5am - 12pm & 5pm - 9pm	NA
Off-Peak Period	9pm - 5am	24hrs

TRANSPORTATION

- Road distances in Malawi from major business areas

Below is a graph showing



- Road distances between Malawi's major trade routes i.e. Dar es Salaam Corridor, Beira Corridor, Nacala Corridor

Corridor/Destination	Point of Origin	Distance (Km)	Mode of transport
Durban	Lilongwe	2,650	Road
	Blantyre	2,340	
Dar-es-Salaam	Lilongwe	1,667	Road
	Blantyre	1,978	
Beira	Lilongwe	1,096	Road
	Blantyre	825	

Nacala	Lilongwe Blantyre	989 799	Rail
Beira	Lilongwe Blantyre	951 575	Rail

1. FREIGHT SERVICES (TRANSPORT TARIFF RATES)

A. MANICA MALAWI LIMITED

Containerized Imports							
Destination	Cost Range (varies based on tonnage)		Port Clearing Charges		Total Cost	Total Cost	Remark
	20'	40'	20'	40'	20'	40'	
Beira to Lilongwe	\$3,419	\$3,388	\$1,281	\$1,512	\$4,700	\$4,900	
Dares-salaam to Lilongwe	\$4,070	\$3,805	\$1,530	\$1,995	\$5,600	\$5,800	Inclusive Container return to port

Containerized Exports (FOB)			
Destination	Transport	Port Clearance Cost	Remarks
Beira to Lilongwe	\$1,700	\$500 - \$650	Agricultural
Beira to Lilongwe	\$1,700	\$550 - \$780	Non-agricultural

Other Fees

Ship line Original Terminal Charges **\$200 to \$300 per container**

2. RAIL IMPORT AND EXPORT RATES

Central East African Railway (CEAR)

Rail Way Freight Rates (Containerized) As of July 2023

Container Import Rates				
	Container Weight	Origin	Destination	Freight Rate per container
Container 20"	Normal	Nacala	Blantyre	\$1,461.12
	Overweight	Nacala	Blantyre	\$1,978.93
	Light	Nacala	Blantyre	\$1,133.09
	Empty Container	Nacala	Blantyre	\$325.32
Container 40"	Normal	Nacala	Blantyre	\$2,390.92
	Light	Nacala	Blantyre	\$1,922.45
	Empty Container	Nacala	Blantyre	\$634.18
Container 20"	Normal	Nacala	Liwonde	\$1,131.56
	Overweight	Nacala	Liwonde	\$1,683.84
	Light	Nacala	Liwonde	\$965.88
	Empty Container	Nacala	Liwonde	\$276.14
Container 40"	Normal	Nacala	Liwonde	\$2,036.81
	Light	Nacala	Liwonde	\$1,639.17
	Empty Container	Nacala	Liwonde	\$545.65
Bulk/Bagged Import rates				
Bagged/Bulk cargo		Nacala	Blantyre	\$65.00
Bagged/Bulk cargo		Nacala	Liwonde	\$55.00

Container Export Rates				
	Container Weight	Origin	Destination	Freight Rate per container
Container 20"	N/A	Blantyre	Nacala	\$850.00
Container 20"	N/A	Liwonde	Nacala	\$700.00
Container 40"	N/A	Blantyre	Nacala	\$900.00
Container 40"	N/A	Liwonde	Nacala	\$750.00
Container 40"/20"	N/A	Lilongwe	Nacala	\$1,000.00
Bulk/Bagged Export rates				
Bagged/Bulk cargo		Blantyre	Nacala	\$45.00
Bagged/Bulk cargo		Liwonde	Nacala	\$40.00

Key	
<i>Light 20" Container</i>	<i>Cargo weight up to 15 MT</i>
<i>Normal 20" Container</i>	<i>Cargo weight up to 25 MT</i>
<i>Heavy 20" container</i>	<i>Cargo weight Above 25 MT</i>
<i>Normal 40" Container</i>	<i>Cargo weight above 23 MT</i>
<i>Light 40" container</i>	<i>Cargo weighs up to 23 MT</i>

MT = Metric Ton

Source: NACALA LOGISTICS

Weighbridge Fees and Penalties

- Application of abnormal load permits - K30, 000.00 (US\$36.40)
- International cross-border service permits per annum - K12, 000.00 (US\$14.56)

DIMENSIONAL LIMITS

- Maximum height -4.6 meters,
- Minimum width – 2.6 meters
- Maximum length: Rigid vehicles – 12.0 meters
- Articulated vehicles – 22.0 meters

COMMON PENALTIES

- Willfully avoiding to have vehicle weighed - \$2 000
- Contravening an international or regional agreement - \$1 000

PENALTIES FOR OVERLOADING PER AXLE: SINGLE AXLE FITTED WITH TWO WHEELS LEGAL LOAD PER AXLE IS 8.0 TONNES

- Overload of 100kgs - \$10
- Overload of 300kgs - \$31
- Overload of 500kgs - \$53
- Overload of 1000kgs - \$117
- Overload of 1500kgs - \$192
- Overload of 2000kgs - \$280
- Overload of 3000kgs - \$500
- Overload of 4000kgs - \$789
- Overload of 5000kgs - \$1 160
- Overload of 6000kgs - \$1 628

TANDEM AND TRIDEM AXLES FITTED WITH FOUR WHEELS ON EACH AXLE, MULTIPLE AXLE COMBINATION FITTED WITH FOUR WHEELS

- Overload of 100khs -\$12
- Overload of 300khs -\$38
- Overload of 500khs -\$66
- Overload of 1000khs -\$146
- Overload of 1500khs -\$246
- Overload of 2000khs -\$370
- Overload of 3000khs -\$740
- Overload of 4000khs -\$1 480

- Overload of 5000khs -\$3 115
- Overload of 6000khs -\$7 170

VEHICLE LOAD LIMITS

- Steering axle fitted with two wheels – 8 000kgs
- Tandem steering axle fitted with two wheels on each axle - 16 000kgs
- Single axle fitted with four wheels – 10 000kgs
- Tandem steering axle fitted with four wheels on each axle – 18 000kgs
- Tridem axle unit fitted with four wheels on each axle – 24 000kgs
- Permissible gross vehicle or vehicle combination mass shall be the least of mass limits determined by:
 - a. Manufacturer
 - b. Tyre rating
 - c. Law
- Maximum gross vehicle combination mass - 56 000kgs

SINGLE AXLE FITTED WITH FOUR WHEELS LEGAL LOAD PER AXLE 10.0 TONNES

- Overload of 100kgs - \$8
- Overload of 300kgs - \$25
- Overload of 500kgs - \$43
- Overload of 1000kgs - \$92
- Overload of 1500kgs - \$214
- Overload of 2000kgs - \$369
- Overload of 3000kgs - \$566
- Overload of 4000kgs - \$809
- Overload of 5000kgs - \$ 1 100

IMMIGRATION PERMITS

Requirements

(i) Business Residence Permit:

- Required fees: Processing fee is US\$100, and Issuance fee is US\$ 7,500
- Validity Period: 5 years
- Application requirements: fully completed application forms in duplicate, 2 passport size photographs, a Business Registration Certificate/ Certificate of Incorporation, A police clearance report from country of origin, a business plan/profile, bank statement with not less than US\$50,000, MITC Investment Certificate, and a covering letter from the applicant. Note that all documents should be in duplicate and all certificate be certified.

(ii) Employment Permit:

- Required fees: Processing fee is US\$100, and Issuance fee is US\$2,000
- Validity Period: 2 years
- Application requirements: fully completed application forms in duplicate, covering letter from the employer, certified copies of educational certificates, certified copies of professional certificates, evidence that the post was advertised in the local press and CVs of the local Malawians who took part in the interview, a letter of no objection from the previous employer in case the applicant changes jobs, 2 passport size photographs of the applicant, proof of arrangement of understudy, thumb print, registration certificates and certificate of incorporation, medical report, and original police clearance letter from country of origin. All supporting documents should be submitted in duplicate.
- Certified copies of the passport

TAXATION

COMPILED BY THE CORPORATE AFFAIRS DIVISION OF THE MALAWI REVENUE AUTHORITY (Year)

1. DIRECT TAXES

Direct taxes are taxes on income such as income tax. They are normally levied on individuals and companies or corporations. Direct taxes are governed by the Taxation Act-Chapter 41:01 of the Laws of Malawi

1	INCOME TAX REGIME		
	Income Tax, as the name implies, is tax on income. Income shall include the total amount in cash or otherwise received by or accrued to a person from sources within Malawi or deemed to be within Malawi.		
	Tax Source	Descriptions	Rates
	Final Income Taxes		
	- Corporate Tax	Domestic Incorporated Companies	30%
		Foreign Incorporated Companies	Add 5% to rate of domestic company
		Insurance companies	30%
		Trusts and educational institutions	30%
		Pension funds	15%
	- Individual Tax (PAYE)	From employment or business income: First K100,000/month	0%

		Next K350,000	25%
		Next K2,050,000	30%
		Next K2,500,000	35%
	Export Processing Zone Companies		30%
	Companies in Priority Industries	This is subject to the Minister of Finance gazetting of such priority companies	Either 0% for a period not exceeding 10 years (tax Holiday for up to 10 years) or 15% tax for ever
	Ecclesiastical, Charitable or educational institutions of a public character or of trusts. For further details on Income Tax, please refer to the Eleventh Schedule of the Taxation Act		30%
WITHHOLDING TAX REGIME			
Withholding Tax is an advance payment of Income tax deducted at source on specific payments. The tax is deducted by the person making the payment at the time payment is made			
2	Tax Source		
	Final Income Taxes	Descriptions	Rates
	- Dividend Tax		
	- <i>Non-Resident Tax</i>	Final Tax	15%

	Non-final tax rates applicable to residents on payments for	<i>On gross income</i>	15%
	- Royalties		20%
	- Rent		20%
	- Fees		20%
	- Bank interest of over K10,000		10%
	- Services		20%
	- Commissions		20%
	-Payment for carriage and haulage		10%
	-Payment for tobacco sales in excess of 1200kg		1%
	- Payment to contractors/sub-contractors		10%
	- Payment of any supplies to traders and institution	Only contractors and subcontractors in the building and construction industry	3%
	- Public entertainment	Foodstuff	3%
		Other	20%
	- Payment of over K35,000 for casual labor		20%

	<p>For further details on Withholding Tax, please refer to the Fourteenth Schedule of the Taxation Act</p>		
<p>EXEMPTIONS FROM INCOME TAX</p>			
<p>3</p>	<p>Capital Gains/Losses</p> <ul style="list-style-type: none"> - Transfer of capital assets between spouses or between former spouses - On disposal of a principal residence - From shares held on the Malawi Stock Exchange for more than one year. - On disposal of personal and domestic assets. - (Realized by an individual not used in connection with any trade) <p>OTHER</p> <ul style="list-style-type: none"> - Severance pay of up to K50,000 - Interest up to K10, 000 (for individuals) <p>For further details on exemptions on Income Tax, please refer to the First Schedule of the Taxation Act</p>		

4	INCOME TAX INCENTIVES			
Malawi offers a wide range of tax incentives with the aim of encouraging development, enhancing output, earning or saving foreign exchange and expanding employment opportunities.				
	Item	Description	Claimable Rate	Reference
	Pre-business expenses for manufacturers	In the course of establishing the business	Expenses up to 18 months before commencement of the business	Section 41 of the Taxation Act
	Export allowance	Allowance on taxable income on non-traditional exports (i.e. not un manufactured tobacco and tobacco refuse, tea, coffee and cane sugar)	25% of taxable income from export sales	Section 14 of Export Incentives Act and Section 36A of the Taxation Act
	International Transport Allowance	Allowance on international transport costs incurred by the taxpayer for his non-traditional exports	Additional 25% of international cost	Section 41B of the Taxation Act

	Tax holiday	<p>Companies operating in priority industry so designated by the Minister of Finance i.e.</p> <ol style="list-style-type: none"> 1. Agro processing sector with minimum investment of USD500,000 for 100% local shareholding and USD 5 million for foreign shareholding. 35% value addition 2. Electricity generation, transmission and distribution sector with minimum investment of USD 30million for any type of share holding 	<p>0% not exceeding 10year period</p> <p>or</p> <p>15% for companies incorporated in Malawi and additional 5% of the taxable income for companies not incorporated in Malawi</p>	- Eleventh schedule of the Taxation Act
	Initial annual and Investment allowance			See the table below on Capital allowance
	Other tax incentives	<ul style="list-style-type: none"> - Duty free importation of qualifying capital goods used in manufacturing, tourism, mining, horticulture, information Technology, and telecommunication - For manufacturing, duty free benefit also applies to raw materials - VAT levelled at 16.5% is reclaimable - Specific goods are VAT exempt or zero rated (see table below VAT relief supplies) - Industrial rebate scheme: qualifying industries can import raw materials duty free 		

5. FRINGE BENEFIT TAX STRUCTURE

Fringe Benefit Tax (FBT), is the tax that is charged on the total taxable value of fringe benefits provided by the employer to the employee. A fringe benefit means any asset service or other benefit in kind that is provided by or on behalf of an employer to an employee, if such provision includes an element of personal benefit to the employee. Except government, all other employers are eligible for Fringe Benefit Tax.

	Taxable Item	Basis of Taxable Value	Rate	Option
	Motor Vehicle	15% Original Cost	30%	No
		-		
	Housing Accommodation Property owned by employer	50 percent of open market value (OMV) or - 10% employee's salary for an unfurnished house - 12% employees' salary for furnished house	30%	The one with greater amount
	Rented Property	- Rented value or - 10% of salary (unfurnished housing) - 12% of salary (furnished housing)	30%	The one with greater amount
	School fees and related expenses	- Total Cost	30%	50% taxable if paid directly to an institution
	Utilities Household items,	- Total Cost	30%	100% Taxable (but gardener security guard & watchmen are

	Vacations, travel, Domestic services; gardeners, maids, cooks, nannies, security guards and watchmen			exempted if the property is owned by employer
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For more details on Fringe Benefit tax, please refer to section 94A-94D of Taxation Act and Taxation (Fringe Benefits Tax) (Information and Payment) Regulations

6	CAPITAL ALLOWANCES			
	Item	<u>Initial Allowance</u>	<u>Annual allowances</u>	<u>Investment Allowances</u>
	Farm Improvements, Railway lines	10%	5%	-
	Industrial Building	10%	5%	- 40% on used buildings - 100% on unused buildings
	Plant & Machinery	20%	10% normal shifts or 17.5% for 2 shifts or 25% for 24hrs/day	- 40% on used plant and machinery buildings - 100% on unused plant and machinery buildings
	Farm Fencing	33.3%	10%	
	Staff Housing for manufacturers and large	10%	5%	-

	tobacco, tea, sugar & cocoa farmers			
	Commercial Building costing K100 million		2.5%	-
	Article, Implements	20%	Various as determined by Commissioner General	- Examples are given below

Note:

- Those who qualify for both Initial and investment allowances are required to choose either of the two but not both.
- Investment allowance is given to a taxpayer who is also a manufacturer.
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For further details on Investments Allowance, please refer to the Second Schedule of the Taxation Act

7	ANNUAL ALLOWANCES FIXED BY THE COMMISSIONER GENERAL	
	The following rates are fixed by the Commissioner General, and except where stated, are to be used on the diminishing balance of the original cost	
	Goods and Services	Rates
	Air conditioner plant	10%
	Aircraft	20%
	Angle Dozers	25%
	Anvils	20%
	Bakers' Ovens (metal parts only)	10%
	Bicycles	25%
	Billiard Tables	10%
	Blinds, Venetian	10%
	Book-Keeping and calculating machines	10%

	Bulldozers	25%
	Caravans	20%
	Carpets (over 100 pound)	25%
	Clarinets	10%
	Combined Harvesters (self-propelled)	20%
	Computer (on straight line basis)	40%
	Concrete Mixers	20%
	Cranes (Mobile)	15%
	Diesel Alternation sets, compressors and motors	10%
	Dozers – Angle bull and Tree	25%
	Electric cooking stoves	10%
	Electric fires and fans (renewals basis)	100%
	Electric Organ (portable)	20%
	Flues: Brick and tile maker	100% once or 10% annually
	Forges	20%
	Furniture: hotel, Boarding house and office	10%
	Craders	25%
	Helicopters	20%
	Hot water systems (Flats): equipment	10%
	Pipes	10%
	Industrial Plant	0%
	Instruments (Doctors & Dentists) (renewals basis)	100%
	Kilos: Brick & Tile maker	100% one or

		10% annually
	Legal & Professional libraries	25%
	Lifts and Elevators	10%
	Lime Kilos	10%
	Linen, cutlery, crockery, glassware, Hotels, Boarding houses, restaurants etc. (renewals basis)	100%
	Loose Tools (Renewals basis)	100%
	Machinery & Plant	10%
	Mattresses	25%
	Mechanical Elevator	25%
	Mechanical Shovels	25%
	Mobile cranes	15%
	Motor cars	20%
	Motor cars in special cases, such as commercial travellers, and where use is mainly on rough roads	25%
	Motor Lorries (town use-delivery van)	20%
	Motor lorries, heavy lorries and light trucks, where used heavy work or on rough roads	25%
	Special cases, such as road transport service	33%
	Musician's drum sets (replacement of vellums to be allowed as repairs)	10%
	Neon electric signs	10%
	Organ: Electric: portable	20%
	Pianos: Used in schools, music studios, hotels and used for private pupils	10%
	Pipes clocks	10%

	Railway lines (Light-movable)	10%
	Refrigerators	10%
	Road Scrapers	25%
	Safes	10%
	Saxophones	10%
	Scaffolding	10%
	Scales	10%
	Shop Fittings and fixtures	10%
	Sprinkler installation	10%
	Telephones & lines owned by taxpayers (excluding wiring which should be on the replacements basis)	10%
	Temporary Housing: Uniport Huts Tents	20%
	Tractors: Farm	20% (or up to 33% where justified)
	Tractors: tracked	25%
	Trailers	10%
	Tree dozers	25%
	Trench diggers	25%
	Typewriters	10%
	Trumpets (musical)	10%
	Uniport Huts: Temporary housing	20%
	Venetian Blinds	10%
	Water-boring drills: Ordinary	10%
	High Speed rotary	20%
	Percussion	15%

	Water supply plant (Including windmills)	10%
	Wagon drills	10%
	Wagons	15%
	Wireless sets	15%
	X-ray plant	20%

Source: Malawi Revenue Authority