

Lesotho

1. Government requirements

Registration requirements

Tax registration with Lesotho Revenue Authority (LRA)

Any business or organization registered in Lesotho, either as a company, partnership, professional, sole trader or association (including non-profit-making organizations), should register with the LRA. Any such businesses can contact the Advice Centers, Taxpayer Education Office or One-Stop Business Facilitation Centre (OBFC) located at the Ministry of Trade, Industry, Cooperatives and Marketing for assistance.

Tax registration is governed by the Lesotho Revenue Authority (LRA). The governing legislation is the Income Tax Act No. 9 of 1993. The business registration form is called the Bus-reg-01 form and the individual's registration form is called the Ind-reg-01 form.

The following are the types of taxes that businesses are required to register for:

- Individual Income tax (IIT): An individual who derives income in Lesotho is expected by law to register for income tax and pay tax due in Lesotho.
- Company Income Tax (CIT): An entity registered as a company should register for CIT.
- Employment Income Tax (EIT)/Pay-As-You-Earn (PAYE): If the business or organization has employees earning taxable salaries, then it should also register for PAYE.
- Fringe Benefit Tax (FBT): If the business or organization provides any taxable fringe benefits, such as domestic assistance, meals or refreshments, a car, medical aid, electricity, a telephone, housing, debt waiver, a loan, or excessive superannuation contributions, then it should also register for FBT.
- Withholding Tax (WHT): If the business or organization outsources some services, then it should register for WHT
- Value-Added Tax (VAT): If a business makes a taxable turnover of LSL850,000 or more per annum, it must be registered for VAT. This is referred to as compulsory registration. A business may, however, volunteer to register for VAT where it does not meet the above turnover threshold. This is referred to as voluntary registration.

Companies are required to bring Memorandum and Articles of Association, Trader's license, certified copies of passports of the directors, certificate of incorporation and a schedule listing all employees, their salaries and fringe benefits offered, if any.

No tax registration fee is payable

Ongoing compliance requirements

Company Income Tax (CIT)

A taxpaying company that derives income in a year of assessment is liable to pay three installments of tax due by 30 September, 31 December and 31 March of the year of assessment, except where the taxpayer has been granted permission to use a substitute accounting period, the installments of tax become due on the last day of the 6th, 9th and 12th months of the substituted year/accounting period. A company is required to file a return annually but pay every quarter.

Fringe Benefit Tax (FBT)

The return for FBT must be filed by a company within 14 days of the end of the period to which it relates, and payment of FBT is to be made quarterly:

- First quarter: 30 June
- Second quarter: 30 September
- Third quarter: 31 December
- Fourth quarter: 31 March

Individual Income Tax (IIT)

An individual taxpayer is required to make an annual tax payment and file an annual tax return by 30 June.

Pay-As-You-Earn (PAYE)

PAYE is to be withheld by employers monthly and is to be paid to the LRA by the 15th of every month.

Withholding Tax (WHT)

WHT is to be paid by the 15th of every month.

Value-Added Tax (VAT)

A VAT return is to be submitted by the 20th of every month and payment to be made by the same date.

2. Pension requirements

There are no mandatory social security requirements.

3. Employment obligations

Labor relations are governed under the Lesotho Labor Code Order, 1992.

Manner of fixing wages

Wages and conditions of employment may be fixed by the terms of a contract of employment, a collective agreement, an arbitration award, an industry-wide order under Section 54 or by a wages order issued by the Minister upon the recommendation of the Wages Advisory Board.

Weekly rest and public holidays

Except as otherwise provided by the Code, every employee shall be allowed a weekly rest period of at least 24 continuous hours which shall, whenever practicable, include Sunday as the day of rest. If the circumstances of a particular employment so require, the employer may, after consultation with the employee or his or her representative, at not less than 3 days' notice, grant a different period of at least 24 continuous hours in that week as the period of weekly rest for the employee concerned.

Whenever an employee is required to work on his or her day of weekly rest or on a public holiday, the employer shall pay him or her for such work at double the employee's wage rate for an ordinary work day. This shall be without prejudice to an employee's entitlement to payment at a higher rate for work performed on that day of rest or public holiday under the terms of a collective agreement applicable to the employee

Holiday

An employee shall be entitled to one working day's holiday on full pay in respect of each month of continuous employment with the same employer. An employee shall be entitled in each year to a minimum holiday of 12 working days on full pay, to be taken at such times as may be agreed between the employer and the employee.

Ordinary hours of work and overtime

Except as otherwise provided in the Code, the normal hours of work for any employee shall not be more than 45 hours per week, calculated as follows:

- For an employee who ordinarily works a five-day week: nine hours of work on any day
- For an employee who ordinarily works a six-day week: eight hours of work on five days and five hours of work on one day

Dismissal

An employee shall not be dismissed, whether adequate notice is given or not, unless there is a valid reason for termination of employment, which is:

- Connected with the capacity of the employee to do the work he or she is employed to do (including but not limited to an employee's fraudulent misrepresentation of having specific skills required for a skilled post)
- Connected with the conduct of the employee in the workplace
- On the basis of the operational requirements of the undertaking, establishment or service

Any other dismissal will be unfair unless, having regard to all the circumstances, the employer can sustain the burden of proof to show that he or she acted reasonably in treating the reason for dismissal as sufficient grounds for terminating employment.

4. Payroll requirements

The wages of every employee shall be made payable in legal tender only, and any agreement whereby the whole or any part of the wages of an employee are made payable in any other manner shall be void. However, nothing in the Code shall render illegal an agreement or contract with an employee to provide the employee, as partial remuneration for his or her services in addition to money wages, with food, a dwelling place or such other allowances or privileges as may be customary in the trade or occupation concerned. The Minister may make regulations whereby, in specified classes of employment or in particular cases, contracts may provide for the partial payment of wages in the form of allowances in kind.

The following conditions shall apply to the partial payment of remuneration in any form other than money wages:

- Under no circumstances shall an employer give to an employee any noxious drug or any intoxicating liquor by way of remuneration or wages
- Any allowances in kind shall be appropriate for the personal use and benefit of the employee and his or her family
- The value attributed to any allowance or privilege shall be fair and reasonable in accordance with prevailing prices and in any case shall not exceed the cost to the employer of supplying the same.

- Where the employee is provided with accommodation, the statutory minimum wage applicable to that employee may be reduced by such amount as may be determined by the relevant wages order.
- An employee may at any time (by a fortnight's notice in writing to take effect from the next date for the payment of wages after the expiry of such notice) renounce his or her right to any such allowances or privileges and require the same to be replaced by a sum of money equivalent to the value thereof

5. Banking requirements related to payroll

Depending on the employment contract, there is no specific banking requirements.

