

Malawi

1. Government requirements

Registration requirements

Registration for Pay-As-You-Earn (PAYE) and Fringe Benefit Tax (FBT)

Every employer who pays remuneration to his or her employees exceeding MWK1,200,000 per annum and MWK100,000 per month is required to register with the Malawi Revenue Authority within 21 days for PAYE.

Section 94A(1) requires every employer other than the Government who provided fringe benefits to employees to register for FBT. Where an employer provides fringe benefits to employees earning less than MWK1,200,000 per annum or MWK100,000 per month, then FBT should not be operated.

FBT is due in cases where an employer makes payments directly to third parties in respect to goods or services provided to and not on payments made directly to employees. An employer is required to register with the Commissioner General within 14 days after he begins to provide fringe benefits.

Registration for tax in Malawi is done through Msonkho Online at the Malawi Revenue Authority website (mra.mw) where all employer details and appropriate number of employees eligible for PAYE and FBT are supplied. A unique Tax Payer Identification number (TIN) and certificate of registration is issued upon successful registration of the taxpayer.

The requirements under PAYE is governed by section 102(1) and FBT 94A(1) of the Taxation Act (Cap 41:01). There is no registration fees.

Employee registration for Msonkho Online

Every employee is required to complete Form E1 which is submitted by the employer in order to be allocated a Taxpayer Identification Number (TPIN) for each employee. This provides the employee with access to Msonkho Online, a tool that will enable employers to submit PAYE returns online. All employers are therefore requested to register all their employees using the prescribed forms. The completed forms can either be uploaded onto the MRA website, through e-mail or hand-delivered to the nearest tax office.

Ongoing compliance requirements

Monthly PAYE returns

Every employer who pays a remuneration of or exceeding MWK100,000 per month shall deduct PAYE at the specified rates and remit this to the Malawi Revenue Authority within 14 days after the end of the month in which it was deducted. PAYE is due and payable monthly following the deductions made by the employer at the time of making payments. The payment shall be accompanied by monthly return forms P12 and P12A and can be made by cash, check or electronic fund transfers. The following are the prevailing monthly PAYE rates:

- First MWK100,000 at 0%
- Next MWK2,900,000 at 30%
- Excess of MWK3,000,000 at 35%

PAYE certificates

Every employer shall complete a PAYE Deduction Certificate (Form P9), supplied by the Commissioner General, in respect of each employee, and this shall be handed to the employee by the employer on the date of cessation of his or her employment, or within 21 days from the year of assessment to which it relates, whichever is the later. Copies of the P9 certificates shall be filed at the Malawi Revenue Authority within the same period.

Annual PAYE return

Every employer to whom PAYE Deduction Certificates are supplied shall be required to distribute the PAYE Deduction Certificates with employees thereof within 21 days of the end of the year of assessment in respect of which they are supplied. The accounting shall be done on Form P16 and shall be accompanied by copies of the P9 certificates as described above.

Both foreign and local employees shall be subject to PAYE at the same rates and under the same rules.

Quarterly FBT returns

FBT returns are due for submission within 14 days after the end of a quarter. Every FBT return is required to be accompanied with a proof of payment of the tax. The tax rate is 30% which is charged on the taxable value as determined depending on the nature of the fringe benefit being provided.

2. Pension requirements

Registration requirements

Section 12(1) of the Pension Act governs pension contributions for both employers and employees. Employers are required to make a minimum contribution of 10% of each employee's gross salary. In addition, employees are required to contribute 5% of their gross earnings, which is normally withheld by the employer and remitted to the respective pension fund managers (Section 9 of the Pension Act) on a monthly basis, i.e., between the date salaries are paid and the 14th of the month following the month to which such deductions relate. There are no prescribed reporting regulations or return forms. A payroll summary indicating the contributions may be provided with the remittance. Employment contracts, payroll records and payslips may be required for inspection.

Ongoing compliance requirements

Refer to the above registration requirements related to pension. Foreign employees working in Malawi and in possession of a Permanent Residence Permit (PRP) are subject to pension legislations as opposed to Temporary Employment Permit (TEP) holders (Government Notice No.32).

3. Employment obligations

Minimum salary requirements

Under the provision of the Employment Act, employees shall be entitled to a minimum wage of MWK50,000 per month (MWK2,380 per day for both urban and rural areas).

Leave days

The minimum annual leave is 18 days for employees working 6 days a week and 15 working days for employees working 5 days a week respectively. In addition, employees shall be

entitled, after completing 12 months of continuous service, to at least 4 weeks of sick leave on full pay and 8 weeks of sick leave on half pay during each year. Female employees shall be entitled, every three years, to at least eight weeks of maternity leave on full pay.

4. Payroll requirements

According to the provisions of the Taxation Act, PAYE shall be deducted from the payroll and it shall be the first deduction made to the payment, prior to any other deduction whether such other deduction be deductible under any court order or under any other law. The pension is also another mandatory deduction after PAYE, in accordance with the provisions of the Pension Act.

The Employment Act stipulates those wages payable to an employee shall be paid in accordance with the terms of the employment contract in the following manner:

1. No less than once a week or fortnight in the case of an employee whose wages are fixed by the hour, day or week or calculated on a project basis
2. No less than once a month in the case of an employee whose wages are fixed on a monthly or yearly basis

The Employment Act also stipulates that every employee must receive, with each payment of wages, an accurate itemized statement from the employer in writing, in a form which sets out the employee's gross wages due at the end of the pay period, the amount of every deduction from his or her wages during the pay period, the purpose for which each deduction was made and the employee's net wages payable at the end of the pay period. Payslips are therefore a requirement each time wages and salaries are paid.

5. Banking requirements related to payroll

For foreign employees, the Central Bank's foreign exchange control regulations state that nonresidents or foreign employees can remit the whole amount (100%) to their home countries effective 1 January 2015.