

REPUBLIC OF LYSMARK

MINISTRY OF FINANCE AND REVENUE
Directorate of Tax Administration

GUIDANCE NOTE No. 2025/61-FR/INT

Application of the Progressive Income Tax and Surcharge Act (Act No. 2025/61-FR)

Effective: 1 January 2026

Audience: Tax Officers, Regional Tax Offices

Classification: Internal – Operational Guidance

1. Purpose

This Guidance Note explains the method of assessment, calculation, and enforcement of the progressive income tax introduced under Act No. 2025/61-FR. It is intended for use by tax officers in reviewing declarations, issuing assessments, and advising taxpayers.

2. General Principles

- Progressive Taxation:** Tax liability increases as income rises, with different brackets applying different marginal rates.
- Bracket Application:** Only income above a threshold is taxed at the higher rate.
- Surcharge:** Applied if the total tax (before surcharge) exceeds **5000**.

3. Step-by-Step Assessment Method

Step 1 – Determine Taxable Income

- Start with declared gross income.
- Deduct allowable expenses (as defined under the General Tax Code).
- Confirm residency for the fiscal year.

Step 2 – Apply Brackets

- **First Bracket:** Income up to 10000 → taxed at 10%.
- **Second Bracket:** Any income above 10000 → taxed at 20%.

Step 3 – Calculate Base Tax

- Add the amounts from each bracket to determine base tax liability.

Step 4 – Test for Surcharge

- If base tax > 5000, apply surcharge = $2\% \times \text{base tax}$.

Step 5 – Issue Assessment

- Record both base tax and surcharge clearly in notice.
 - Ensure taxpayer is informed of payment deadline.
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4. Worked Examples

Example A – Middle Income

Taxpayer earns **40000**.

- First $10000 \times 10\% = 1000$
- Remaining $30000 \times 20\% = 6000$
- Base Tax = 7000
- Since > 5000, surcharge = $2\% \times 7000 = 140$
- **Total Tax = 7,140**

Example B – Low Income

Taxpayer earns **8000**.

- Entire 8000 falls within first bracket: $8000 \times 10\% = 800$
- Base Tax = 800 (< 5000) → No surcharge
- **Total Tax = 800**

Example C – High Income

Taxpayer earns **120000**.

- First $10000 \times 10\% = 1000$

- Remaining $110000 \times 20\% = 22000$
 - Base Tax = 23000
 - Surcharge = $2\% \times 23000 = 460$
 - **Total Tax = 23,460**
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5. Compliance and Enforcement

- **Timeliness:** Ensure notices are issued within 90 days of filing.
 - **Interest:** Apply statutory 4% annual interest on overdue balances.
 - **Penalties:** Non-filers must be reported to Enforcement Division.
 - **Documentation:** Officers must retain assessment calculations in taxpayer's digital file.
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6. Appeals

- Appeals must be filed within 30 days.
 - Officers must provide complete reasoning and evidence for contested assessments.
 - All appeal submissions must be logged in the Fiscal Case Management System (FCMS).
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7. Closing Notes

This Guidance Note shall be reviewed annually by the Directorate of Tax Administration. Updates will be issued in response to amendments in legislation or CPI-index adjustments of income brackets.

Issued by:

Chief Tax Commissioner, Directorate of Tax Administration
Republic of Lysmark

Date: 10 July 2025

Classification: Internal Operational Guidance – Not for public distribution