



GLOBAL  
EMPLOYER  
GUIDE

**MALAWI**





## Basic Country Facts

### Full name

- Republic of Malawi

### Capital

- Lilongwe

### Main Languages

- English
- Chewa

### Population

- 18.14 million

### Monetary unit

- Malawian kwacha

### Internet domain

- .mw

### International dialing code

- +265

### Currency

- Malawian kwacha



# STATUTORY LABOR REQUIREMENTS

## Probation Period

- In respect of a skilled worker, parties may agree to add a provision on probation in the employment contract provided that its duration does not exceed 12 months.

## Annual Leave

- Annual leave is: -
  - eighteen (18) working days if the worker works six days a week; and
  - fifteen (15) working days if the worker works five days a week.

## Public Holidays

- New Year's Day (1st January)
- John Chilembwe Day (15th January)
- Martyr's Day (3rd March)
- Good Friday (10th April)
- Holy Saturday (11th April)
- Easter Monday (13th April)
- Labor Day (1st May)
- Kamuzu Day (14th May)
- Eid al-Fitr
- Independence Day (6th July)
- Mother's Day (15th October)
- Christmas Day (25th December)
- Boxing Day (28th December)

## Maternity Leave

- Any female employee who has served in the civil service or private sector for a continuous period of not less than 12 months shall be entitled to 90 consecutive days' maternity leave once every three years.

## Paternity Leave

- Malawi does not have any statutory benefits related to paternity leave



### **Sick Leave**

- An employee is entitled, after completing twelve months' continuous service, to at least four weeks' sick leave on full pay and eight weeks' sick leave on half pay during each year.
- During sick leave, an employee is paid the normal wages.

### **Work Hours**

- The Minister for Labor may not require or permit a shift worker to work more than 8 hours a day.
- For other employees, the daily hour limit is 12 hours for 5-day work week and eight hours for a six-day work week.

### **Overtime**

- Malawi's Employment Act of 2000 recognizes three classes of overtime, known respectively as Ordinary, Day Off and Holiday.
- Ordinary overtime is the time worked in a working day in excess of the hours normally worked by the employee.
- Day Off overtime is the time worked by an employee on a day on which he/she would otherwise be off duty.
- Holiday overtime is the time worked on a public holiday.
- For each hour of Ordinary overtime an employee should be paid at the hourly rate of not less than one and one half their wage per one hour.
- For each hour of Day Off overtime an employee should be paid at the hourly rate of not less than twice their wage per one hour.
- For each hour of Holiday overtime an employee should be paid at a rate of not less than twice the normal hourly rate.

### **Notice Period**

- The required notice period is one month for workers paid wages on a monthly rate.
- For workers paid fortnightly, the required termination notice is 15 days for workers with less than five years of service and 30-day notice for workers with at least five years of service.
- For workers paid weekly, the contract termination notice ranges between one week (less than 2 years of service) to two weeks (2-5 years) and finally one month (at least 5 years).

### **Severance**

- On the termination of contract as a result of redundancy or retrenchment or due to economic difficulties or technical, structural or operational requirements of the employer or unfair dismissal of the employee, workers are entitled to severance payment in the following manner:
  - no severance pay for less than one year of service;
  - two weeks' wages for each completed year of service: first to fifth year;
  - three weeks' wages for each completed year of service: sixth to tenth year;
  - four weeks' wages for each completed year of service: eleventh year and onward

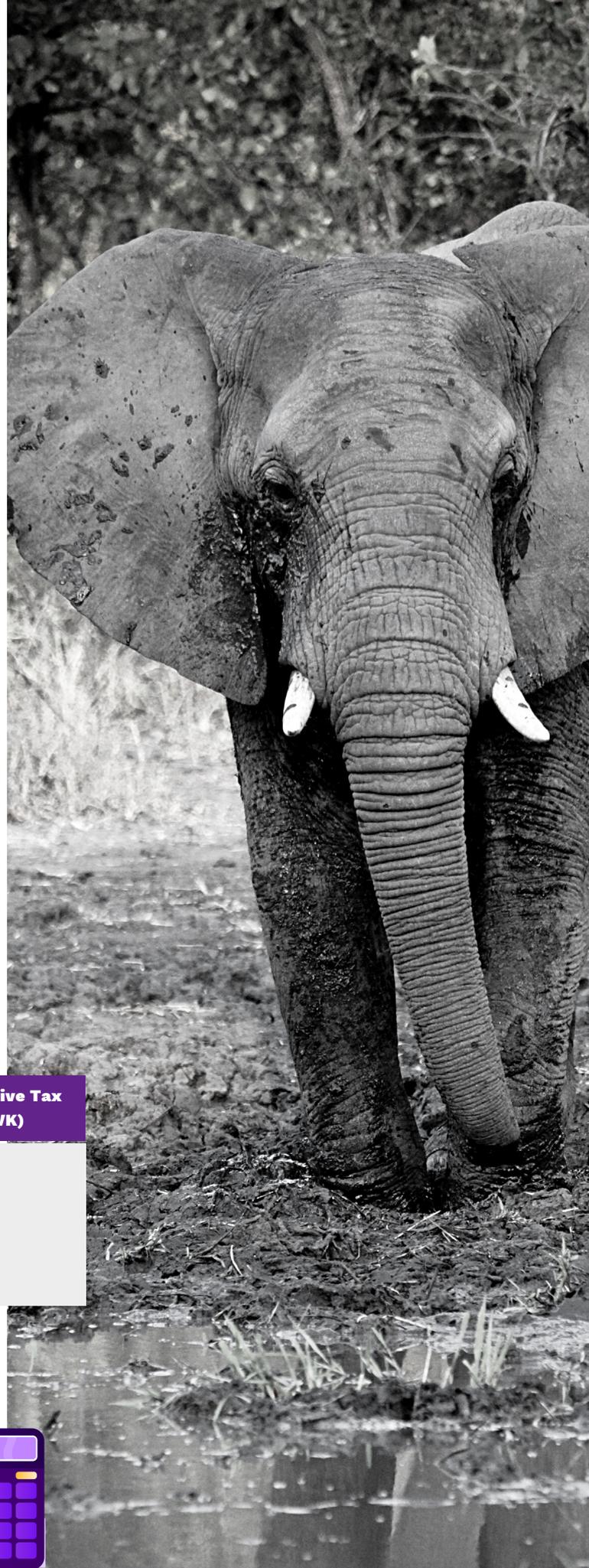
### **13th Month**

- 13th month pay is not mandatory

## Income Tax

- Resident individuals are subject to income tax on their income deemed to be from a source in Malawi.
- Nonresident individuals are subject to Malawi income tax at a standard rate of 15% on their Malawi-source income.
- A person is considered resident for tax purposes in Malawi if he or she is physically present in Malawi for an aggregate period of 183 days in any 12-month period. Income is deemed to be from a source within Malawi if it is derived from the carrying on in Malawi of a “trade.”
- For this purpose, “trade” covers any employment, profession, business, calling, occupation, or venture, including the leasing of property.
- Foreign-source income is exempt from tax.
- Effective from 1 October 2019, the following progressive income tax rates are imposed on the annual taxable income other than employment income of resident individuals.

Taxable Income (MWK)	Tax Rate (%)	Tax Due (MWK)	Cumulative Tax Due (MWK)
First 540,000	0	0	0
Next 60,000	15	9,000	9,000
Above 600,000	30	-	-



- Effective from 1 October 2019, the following progressive income tax rates are imposed on the annual employment income of individuals.

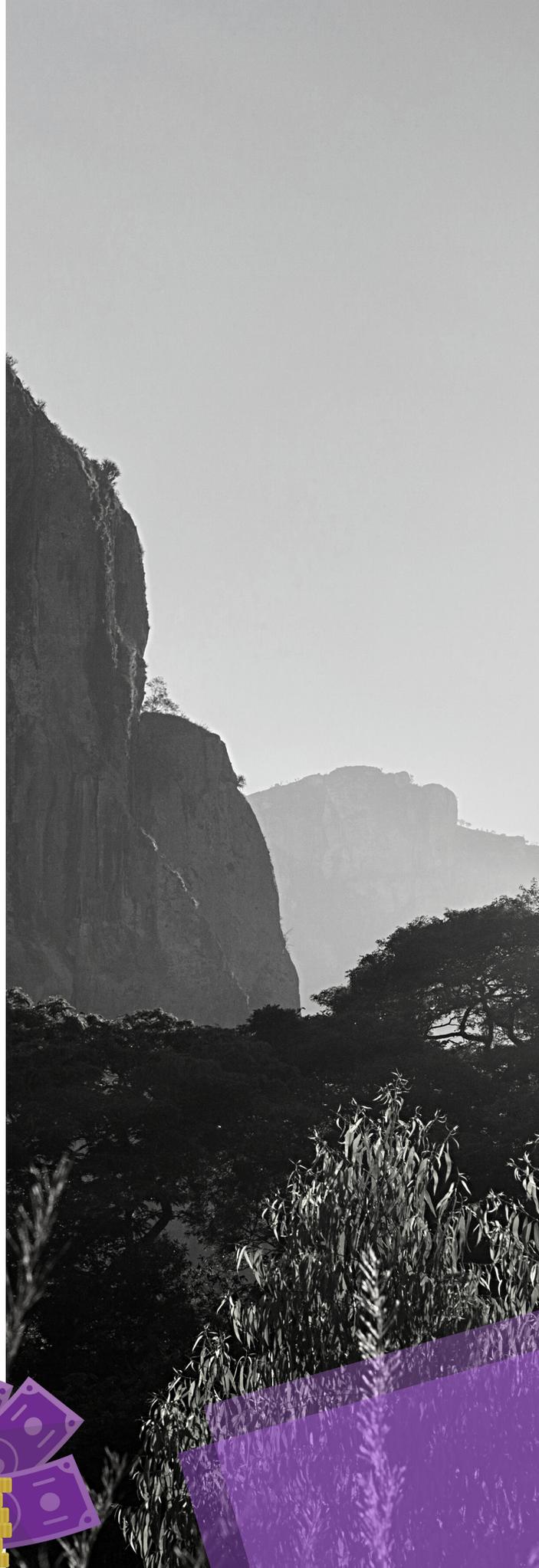
<b>Taxable Income (MWK)</b>	<b>Tax Rate (%)</b>	<b>Tax Due (MWK)</b>	<b>Cumulative Tax Due (MWK)</b>
First 540,000	0	0	0
Next 60,000	15	9,000	9,000
Next 35,400,000	30	10,620,000	10,620,000
Above 36,000,000	35	-	-



## Social Security

- Sickness benefit: 100% of the employee's daily wage is paid for up to four weeks; 50% for an additional eight weeks.
- Maternity benefit: 100% of the employee's daily wage is paid for eight weeks. Additional paid leave may be provided in case of certified medical complications.
- Malawi does not require social security contributions.
- Under the National Pension Scheme (NPS), an employee contributes a minimum of 5% of the pensionable emoluments while the employer contributes at least 10% of the employee's pensionable emoluments.
- Contributions by the employer are tax deductible up to a maximum of 15% of the employee's pensionable emoluments while those made by the employee are not.
- Upon withdrawal, through retirement, all the benefits are exempt from income tax.
- This is applicable whether they are received as a lump sum or as an annuity.

Contribution	Employer	Employee
Pension Fund	10%	5%



## Deductible Expenses

- Expenditure and losses are allowable as deductions in determining the assessable income of an individual if they are not of a capital nature and if they are wholly, exclusively and necessarily incurred for the purposes of the trade or in the production of income.
- For tax purposes, certain expenses are not allowed as deductions, including the following:
  - Losses or expenses that are recoverable under insurance contracts or indemnities
  - Tax on the income of individuals or interest payable on such tax
  - Expenses relating to income that is not included in taxable income
  - Expenses for which subsidies have been or will be received
  - Rent or cost of repairs to premises not occupied for purposes of trade
  - Costs incurred by individuals to maintain themselves and their families
  - Domestic or private expenses of individuals including the cost of travel between the individual's residence and place of work
  - Fines payable that are charged under the Taxation Act or any other law
- Individuals may deduct donations to charitable organizations that are approved and gazetted by the Minister of Finance.
- However, individual donations in excess of MWK5 million to approved charitable organizations or nonprofit institutions operating solely or principally for social welfare, civic improvement, educational development or other similar purposes as the Minister may approve are not allowable for deduction.
- In determining the taxable income derived from farming, expenses with respect to the following are allowed as deductions:
  - The stumping, leveling and clearing of land
  - Works for the prevention of soil erosion
  - Boreholes
  - Wells
  - Aerial and geophysical surveys
  - Water control work with respect to the cultivation and growing of rice, sugar or other crops approved by the Minister of Finance and water conservation work (reservoir, weir, dam or embankment constructed for the impounding of water)



## Deductible Expenses

<b>Employment Expenses</b>	<ul style="list-style-type: none"><li>• Expenditure and losses are allowable as deductions in determining the assessable income of an individual if they are not of a capital nature and if they are wholly, exclusively and necessarily incurred for the purposes of the trade or in the production of income.</li></ul>
<b>Personal Deductions</b>	<ul style="list-style-type: none"><li>• Individuals may deduct donations to charitable organizations that are approved and gazetted by the Minister of Finance.</li><li>• However, individual donations in excess of MWK5 million to approved charitable organizations or nonprofit institutions operating solely or principally for social welfare, civic improvement, educational development or other similar purposes as the Minister may approve are not allowable for deduction.</li></ul>
<b>Deductible Farming Expenses</b>	<ul style="list-style-type: none"><li>• The stumping, leveling and clearing of land</li><li>• Works for the prevention of soil erosion</li><li>• Boreholes</li><li>• Wells</li><li>• Aerial and geophysical surveys</li><li>• Water control work with respect to the cultivation and growing of rice, sugar or other crops approved by the Minister of Finance and water conservation work (reservoir, weir, dam or embankment constructed for the impounding of water)</li></ul>



# Immigration

- The employer must apply for a temporary employment permit before the employee begins employment.
- The employer must submit the following documents to the Immigration Office:
  - A cover letter
  - Educational and professional certificates certified as true copies of the originals
  - For a new applicant, evidence that the position was advertised in the local press and the curriculum vitae (CV) of each local Malawian who applied for the post
  - Two passport-size photographs
  - Police clearance from country of origin
  - Medical report
  - Certificate of incorporation of the company employing the individual
- The employer must pay a processing fee of USD100 and, on approval, a fee of USD1,000.
- The temporary employment permit is valid for a period of two years and can be renewed for an additional two years.

## Business residence permits

- Persons who want to engage in business must obtain a business residence permit.
- An applicant for this permit must submit the following documents to the Immigration Office:
  - Two passport-size photographs
  - Business Registration Certificate
  - Business plan for the business intended to be established
  - Police clearance letter from the country of origin
  - A bank statement showing that the applicant has brought into the country at least USD50,000 (MWK20 million)

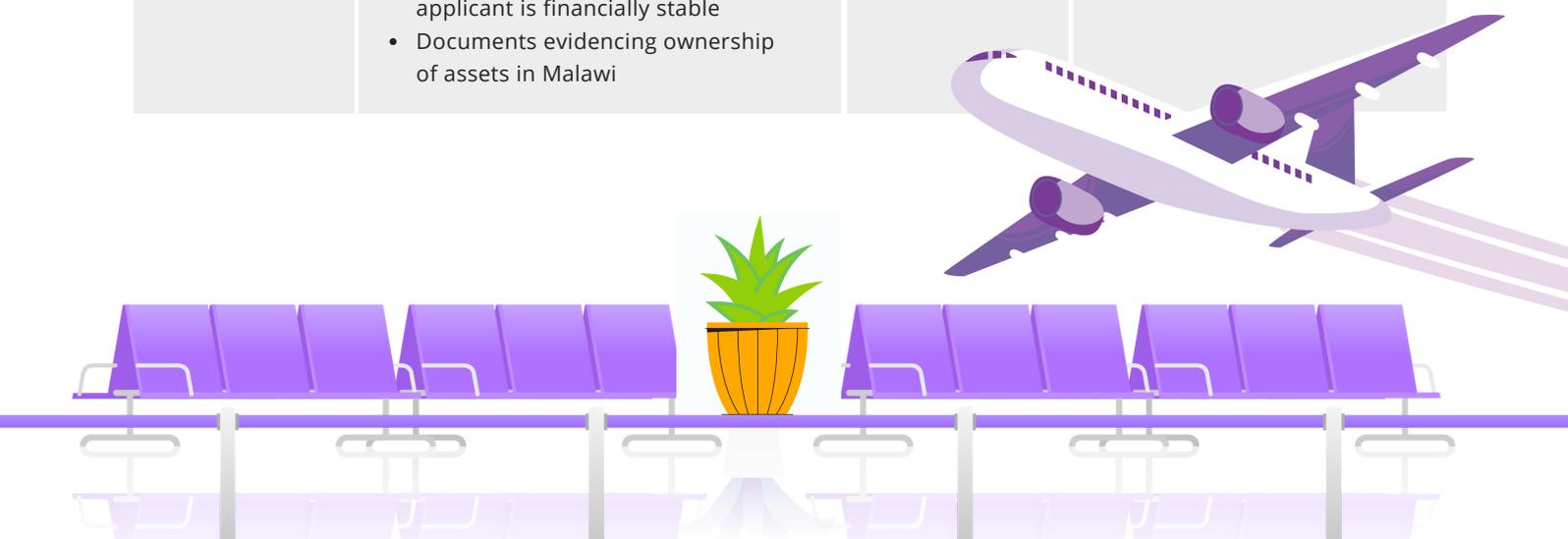
- The applicant must pay a processing fee of USD100 and, on approval, a fee of USD2,000 or USD3,500, depending on the type of application.
- The business residence permit is valid for five years and is renewable.

## Permanent residence permits

- Residents who hold a temporary employment permit or business residence permit and have stayed in Malawi for at least five years can apply for a permanent residence permit.
- The applicant must submit the following documents to the Immigration Office:
  - Two passport-size photographs
  - Police certificate
  - Medical certificate
  - Tax clearance certificate issued by the Malawi Revenue Authority to confirm that applicant is paying tax
  - Bank statement showing that the applicant is financially stable
  - Documents evidencing ownership of assets in Malawi
- The applicant must pay a processing fee of USD100 and, on approval, a fee of USD2,500.



Type of Visa/ Permits	Documentation	Validity	Eligibility
<b>Temporary Employment Permit</b>	<ul style="list-style-type: none"> <li>• A cover letter</li> <li>• Educational and professional certificates certified as true copies of the originals</li> <li>• For a new applicant, evidence that the position was advertised in the local press and the curriculum vitae (CV) of each local Malawian who applied for the post</li> <li>• Two passport-size photographs</li> <li>• Police clearance from country of origin</li> <li>• Medical report</li> <li>• Certificate of incorporation of the company employing the individual</li> </ul>	2 years (can be renewed for an additional 2 years)	<ul style="list-style-type: none"> <li>• This permit is issued to persons before they enter Malawi for the purpose of taking up specified employment in Malawi</li> </ul>
<b>Business Residence Permit</b>	<ul style="list-style-type: none"> <li>• Two passport-size photographs</li> <li>• Business Registration Certificate</li> <li>• Business plan for the business intended to be established</li> <li>• Police clearance letter from the country of origin</li> <li>• A bank statement showing that the applicant has brought into the country at least USD50,000 (MWK20 million)</li> </ul>	5 years (can be renewed)	<ul style="list-style-type: none"> <li>• Persons who want to engage in business must obtain a business residence permit.</li> </ul>
<b>Permanent Resident permit</b>	<ul style="list-style-type: none"> <li>• Two passport-size photographs</li> <li>• Police certificate</li> <li>• Medical certificate</li> <li>• Tax clearance certificate issued by the Malawi Revenue Authority to confirm that applicant is paying tax</li> <li>• Bank statement showing that the applicant is financially stable</li> <li>• Documents evidencing ownership of assets in Malawi</li> </ul>	Indefinite	<ul style="list-style-type: none"> <li>• Residents who hold a temporary employment permit or business residence permit and have stayed in Malawi for at least five years can apply for a permanent residence permit.</li> </ul>



## Value Added Tax (VAT)

- The standard rate for VAT in Malawi is 16.5 percent
- No reduced rates are available. Nevertheless, several items are exempt from VAT (machinery and financial services) while other are zero-rated (exercise books, fertilizers, motor vehicles for the transport of goods, salt).

VAT Rates	
Standard Rates	16.5%
Zero Rate	0%



## Withholding Tax

- Certain payments are subject to withholding tax.
- The tax is withheld by the payer and remitted to the Malawi Revenue Authority on a monthly basis by the 14th day of the following month.
- Recipients of the payments treat the withholding tax as an advance payment of tax that offsets income tax subsequently assessed.
- Withholding Tax Exemption Certificates may be issued to qualifying taxpayers whose affairs are up to date.
- Under the Taxation Act, exemption from withholding tax is not granted for bank interest, rent, royalties, fees, commission, payments for casual labor and payments to contractors and subcontractors.
- The Commissioner General may exempt from withholding tax the receipts of certain persons or organizations that are exempt from tax under the Taxation Act.
- The following table provides withholding tax rates.

Payment	Rate (%)
Interest	20
Royalties	20
Rents	20
Payments for supplies to traders and institutions	3
Technical fees	20
Commission	20
Payments for carriage and haulage	10
Payments for sales of tobacco and other products	3
Payments to contractors and subcontractors in the building and construction industries	4
Payments for carriage and haulage	20
Payments for sales of tobacco and other products	20



## Termination

- An indefinite term contract may be terminated by either party after serving a written notice.
- Contract termination notice depends on the wage period.
- The required notice period is one month for workers paid wages on a monthly rate.
- For workers paid fortnightly, the required termination notice is 15 days for workers with less than five years of service and 30-day notice for workers with at least five years of service.
- For workers paid weekly, the contract termination notice ranges between one week (less than 2 years of service) to two weeks (2-5 years) and finally one month (at least 5 years).
- Where the employee terminates the contract without notice in circumstance in which notice was required, and the employer has not waived the right to notice, the employee is required to pay the employer in lieu of notice a sum equal to the remuneration that would otherwise have been given to the employee up to the expiration of the required period of notice.
- Employer is required to provide a contract termination certificate which should include, among others, the reasons for employment termination.
- Employer may not terminate the employment contract without a valid reason connected with the capacity or conduct of the employee or based on the operational requirements of the undertaking.
- Employee must be provided an opportunity to defend himself against the allegations.
- On the termination of contract as a result of redundancy or retrenchment or due to economic difficulties or technical, structural or operational requirements of the employer or unfair dismissal of the employee, workers are entitled to severance payment in the following manner:
  - no severance pay for less than one year of service;
  - two weeks' wages for each completed year of service: first to fifth year;
  - three weeks' wages for each completed year of service: sixth to tenth year;
  - four weeks' wages for each completed year of service: eleventh year and onwards



## Statutory Benefits

- These are benefits as postulated by law
- These include probationary period, public holidays, annual leave, sick leave, maternity and paternity leave, overtime pay and notice period
- Statutory benefits also include social security benefits

### Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Sick Leave

Maternity Leave

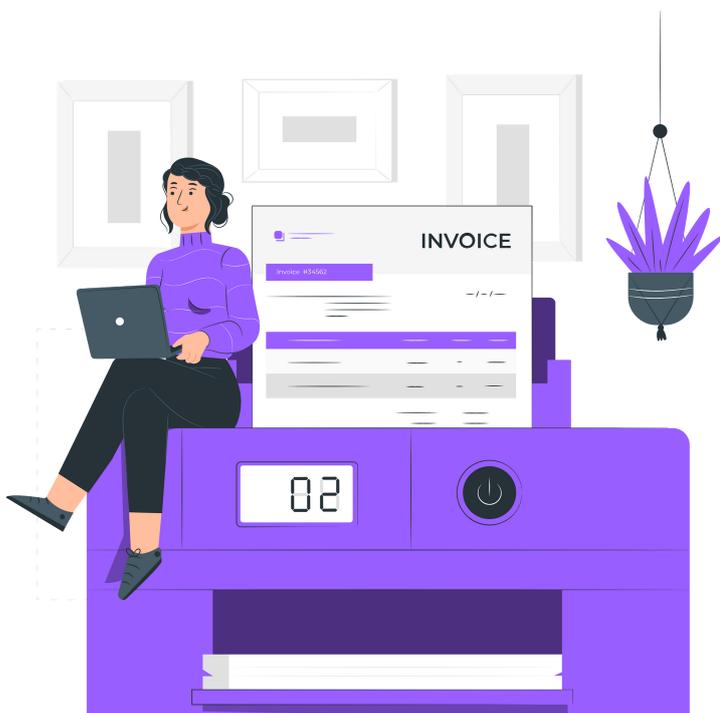
Overtime Pay

Notice Period

Social Security Contributions

## Payments and Invoicing

- Effective from 1 July 2018, a person who carries on business is liable for registration for income tax from the date the business was registered.
- Employers are expected to apply for tax registration within 15 days.
- The year of assessment is from 1 July to 30 June.
- For self-employed individuals, financial years ending on or before 31 August are normally treated as relating to the year of assessment ended in June of that calendar year.
- Individuals must file an income tax return with the Commissioner General within 180 days after the end of the year of assessment.
- The balance of tax due is payable when the tax return is due.
- Married women have the option of filing their own returns.
- The earned income of a wife is not aggregated with her other income or the income of her husband when calculating their joint tax liability



## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Malawi ranked 109th in the World in 2019 in terms of ease of doing business.



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