

Business in Malawi



Malawi is a landlocked country in southeastern Africa, endowed with spectacular highlands and extensive lakes, and occupies a narrow, curving strip of land along the East African Rift Valley. Lake Nyasa, known in Malawi as Lake Malawi, accounts for more than one-fifth of the country's total area. It is bordered by Tanzania to the north, Lake Malawi to the east, Mozambique to the east and south, and Zambia to the west.

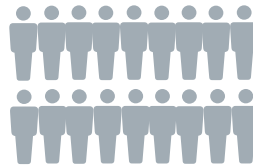
Most of Malawi's population engages in cash-crop and subsistence agriculture. The country's exports consist of the produce of both small landholdings and large tea and tobacco estates. Agricultural products constitute a large proportion of the Malawian export revenue; the most important of these are tobacco, sugar, tea and cotton.



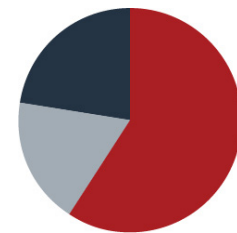
Population

 = 1 million

18
million



GDP Breakdown by Sector



- Services (55.61%)
- Industry (17.16%)
- Agriculture (21.09%)

Currency

Malawian
Kwacha (MK)

Foreign Direct Investment (2019)

98.4 billion (USD)

GDP Growth (2019)

5.72%

Business Climate

Malawi has a population of 18 million, and its capital city is Lilongwe. With an area of 118,484 square kilometers, the country's official languages include both English and Chichewa.

Intellectual Property

Malawi is a member of the World Intellectual Property Organization (WIPO) since 1970, and it has a plethora of laws regulating intellectual property.

Banking System

There are 10 full-service commercial banks. The two largest banks – National Bank of Malawi and Standard Bank – collectively command 51% of all banking deposits.

The Reserve Bank of Malawi, the country's central bank, fosters the stability, integrity and efficiency of the monetary, financial and payment systems through the formulation and implementation of sound monetary and macro-prudential policies that take into account national interest.

Foreign Exchange Control

Though foreign exchange markets operate freely, the Reserve Bank of Malawi has the mandate to manage the exchange rate.

International Trade

The Malawian economy is open to trade and investment and imposes no restrictions on foreign ownership, the size of the investment, the source of funds, or the destination of the final product.

The Malawi Bureau of Standards (MBS) is responsible for standards development and conformity assessment.

Foreign Trade Zones

Malawi is a member of the World Trade Organization (WTO) since 1995 and two regional trade blocs including the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

Foreign Direct Investment

Malawi is eager to receive foreign investments, and foreign investors are generally granted the same treatment as nationals, as the Malawian constitution protects investment irrespective of nationality. However, while not discriminatory to foreign investors, investments in the country involve multiple administrative procedures, which may include obtaining a business license, a tax registration number, and a land permit.

There is no government policy to screen foreign direct investment (FDI); however, FDIs need to be registered with the Malawi Investment Trade Centre.

Agricultural products constitute a large proportion of the Malawian export revenue.



Tax Regime

Residence and Basis

A corporate entity is considered a tax resident if it has a permanent establishment in Malawi.

An individual is considered a tax resident if one resides in Malawi permanently/on a long-term basis, intends to reside for an aggregate period of at least 183 days in a year, or obtains either a business residence permit, an employment permit, or a temporary residence permit.

Business Tax

Tax liability is based on whether the income is sourced from Malawi, irrespective of the resident of the recipient of such income.

Locally incorporated companies are taxed at the rate of 30% for income tax. Branches of companies not incorporated in Malawi are taxed at 35%.

Corporates are also subject to value-added tax (VAT), customs duties, excise duties, tobacco levy, stamp duties on certain documentation, turnover tax, resource rent tax for miners, payroll taxes, and fringe benefits tax.

Individual Tax

Regardless of residence, an individual will be taxed only on income sourced in Malawi and not on passive foreign income. The personal income rate is pegged at 15% for non-residents.

The rates for residents vary as follows:

- **0%** for a taxable income of MWK 0 to MWK 1.2 million
- **30%** for a taxable income of MWK 1.2 million to MWK 36 million
- **35%** for a taxable income of MWK 36 million and above

An individual is also subjected to VAT, presumptive tax and local taxes.

Value-Added Tax (VAT)

VAT is applicable on taxable goods and services. There three classes of supplies for VAT are taxable supplies (at a rate of 16.5%), zero-rated supplies and exempt supplies.

Withholding Tax

For residents, dividends are taxed at a 10% rate, while interests and royalties are taxed at a 20% rate. For non-residents, the rate is 15% for dividends, interests and royalties.

Capital Gains Tax

Capital gains are subject to the normal corporate and personal tax rates mentioned.

The main tax incentives in Malawi are:

- **Export Allowance:** Entitled to claim additional allowances for non-traditional exports, there is a 25% tax allowance on taxable income derived from exports.

There is a 25% transport tax allowance on international transport costs for non-traditional exports.
- **Investment Allowance:** For taxpayers in the manufacturing industry, there is a 100% investment allowance on new and unused industrial building plants and machinery, and a 40% investment allowance for used versions of the same items.
- **Farming Operations:** Farming operations receive a 100% allowance with respect to expenditures incurred during any year of assessment on the selected activities.
- **Mining Operations:** Mining operations receive a 100% allowance with respect to mining expenditures incurred during any year of assessment.

Establishing a Business

The types of entities that can be registered at the office of the Registrar General in Malawi are:

- **Sole Proprietorships:** Once registered, they are renewable every three years. These are registered under the Business Registration Act 2012.
- **Partnerships:** Once registered, they are renewable every three years. These are registered under the Business Registration Act 2012.
- **Limited Liability Companies:** These are classified into four categories, namely the public limited liability companies, private limited liability companies, companies limited by guarantee, and state-owned companies. These are registered under the Companies Act, 2013.

Employment Affairs

Work Permits and Employment for Foreign Individuals

A Temporary Work Permit (TEP) is issued to individuals before entering Malawi to take up specified employment in Malawi. Employers based in Malawi have the responsibility to apply for the permit on behalf of the applicant.

The TEP application form and supporting documents are submitted at the Immigration Headquarters or Regional Immigration Offices for processing upon payment of the processing fees.

A TEP can be renewed twice through submission of a TEP Renewal Application Form and supporting documents to the Immigration offices. An application renewal must be submitted three months before the expiry of the permit.

Social Security

The minimum contribution rate for the National Pension Fund is 10% for the employers and 5% for the employees. Employers are required to maintain a life insurance policy for all their workers. The policy should cover at least one year's pensionable emoluments to an employee.

An employee is entitled, after completing 12 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.

A female employee is entitled, within every three years, to at least eight weeks' maternity leave on full pay. Every pregnant worker is entitled to a fully paid eight-week maternity leave. Maternity leave is paid by the employer.

Termination of Employment

Contract termination notice depends on the wage period. The required notice period is one month for workers paid on a monthly wage 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 two years of service) to two weeks (two to five years) and finally one month (at least five years).

For those workers paid hourly or daily, the contract termination notice is one day for less than six months of service; one week for six months to two years of service; 15 days' notice for two to five years of service; and one month for at least five years of service.

Andersen Global is an international association of legally separate, independent member firms comprised of tax and legal professionals around the world.

Visit global.Andersen.com for more locations.

The opinions and analyses expressed herein are subject to change at any time. Any suggestions contained herein are general, and do not take into account an individual's or entity's specific circumstances or applicable governing law, which may vary from jurisdiction to jurisdiction and be subject to change. Knight & Knight is the Malawian collaborating firm of Andersen Global, a Swiss Verein comprised of legally separate, independent member firms located throughout the world providing services under their own name. Andersen Global does not provide any services and has no responsibility for any actions of the member firms, and the member firms have no responsibility for any actions of Andersen Global. No warranty or representation, express or implied, is made by Knight & Knight, nor does Knight & Knight accept any liability with respect to the information and data set forth herein. Distribution hereof does not constitute legal, tax, accounting, investment or other professional advice. Recipients should consult their professional advisors prior to acting on the information set forth herein. © 2021 Knight & Knight. All rights reserved.


Contact Us

Knight & Knight, Malawi

A collaborating firm of Andersen Global

For more information, please contact your Andersen advisor or visit global.Andersen.com to view our global office locations.

 @AndersenGlobal1

 Andersen Global

 @AndersenGlobal

 ANDERSEN®

Updated: November 10, 2021