



Commissioner Taxpayer Services  
P.O. Box 1085  
Maseru 100  
Tel. +266 2231 3796  
Fax +266 2231 2091

## Individual Income Tax Return Year ended 31 March 2011

### **Liability to make a return**

If you are resident in Lesotho, you are required by law (*unless specifically exempted*) to make a return of your total income from all sources in the income tax year ended 31 March 2011.

If you are not resident in Lesotho, you must make a return of all your Lesotho-source income.

**You are also required to calculate the tax due for the year of assessment.**

You do not need to make a return if your only income, other than income subject to a **final** withholding tax, is from one employment or from one pension scheme **and your employment income did not exceed M50,000.**

### **What you must do with this form**

To make your return you must fill in the form, sign the declaration on page 13 and pay any balance of tax due. You must return this form to me, together with any documents asked for, **not later than 30 June 2011.** There are penalties (including the possibility of imprisonment) if you fail to make a return within the period allowed.

### **How to complete the form**

You need only fill in those sections which apply to you. When you have completed a section you must accurately transfer the income figure to the column headed 'Self-assessment income tax calculation' on page 12.

Please read the enclosed notes (IT4 Notes) before you start to complete the return. Then, complete the section at the foot of this page. Now, turn to page 2, and read the notes before you start to complete page 3, and continue through the form. Finally, do not forget to sign the Declaration on page 13.

Commissioner Taxpayer Services

### **Personal details**

Show your full name, postal address, location address (or residential address) and Taxpayer identification number (TIN)

Surname

First names

Spouses full names

Postal address

Location address

TIN

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## Notes for guidance

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### Part A Business income

#### A1 Trade, profession or vocation

If you are in business on your own account, show the nature of your business, (for example, shop proprietor, hotelier, construction, etc). If you are a partner in a business, see *Partnership business income below*. If you are a director of a company, include your salary etc under Employment income on page 6.

Show your business address or location, and enclose a copy of the accounts (financial statements) except partnership accounts.

If you have more than one business give the details of your principal business in the first section, and details of any other business below. If there is insufficient space on the form to give details of all your business interests, you must attach a statement to show the

- description
- business address or location
- accounting date and
- profit or loss

for each business and enclose a copy of the accounts of each business.

Show, on the line described 'Total profits', the business profit adjusted, if necessary, to exclude

- business income arising outside Lesotho which has been subject to foreign tax
- property income, that is,
  - income from letting (unless the business profits arise solely from the letting of accommodation)
  - interest and dividends etc
- any other income or gain which is chargeable to tax and does not arise from the business operation.

You will need to include these items later in this return.

Where the accounts of a business show a loss, that loss is to be carried forward and set against the business income arising in a subsequent year of assessment. Losses are only allowable against the source of income that gives rise to the loss and may not be set against other income.

Where there are allowable trading losses brought forward deduct the loss to arrive at the net profits chargeable to income tax. Any surplus losses are to be carried forward to the next year of assessment.

#### A2 Business income arising outside Lesotho

Show here the net amount chargeable to tax (expressed in Maloti). If you paid foreign tax on this income you can claim a credit, see *pages 9 and 10*.

#### A3 Partnership business income

The partnership is required to make a separate return of partnership income and to send a copy of the partnership accounts with that return. You should show here your share of the partnership business income. (You must declare, in Part C and D, your share of any other partnership income, and claim, where appropriate, for any tax credit.)

#### Total of all business income

You must now show the total business income from all sources, as detailed above (and on any supporting lists). This is the figure to enter into the tax calculation on page 12.

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Tax tip:

Keeping proper records ensures that you pay the right amount of tax.

## Part A Business income

### A1 Trade, profession or vocation

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#### A1.1: Total Income

(Sales, Turnover, Investment, Interest, Premium, etc.)

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#### A1.2: Less: Expenses

- a. Operation Exp / Cost of Sales / Direct Exp
- b. General & Administrative Expense
- c. Staff / Labour Costs
- d. Interest Expense
- e. Depreciation
- f. Foreign Exchange Losses
- g. Other cost / Expense


#### Total Expenses (a+b+c+d+e+f+g)

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#### A1.3: Total Profit (A1.1 - A1.2)

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#### A1.4: Less: Losses Brought Forward

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#### A1.5: Net Profit Chargeable to tax (A1.3 - A1.4)

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### A2 Other Business

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#### A2.1: Total Company Income

(Sales, Turnover, Investment, Interest, Premium, etc.)

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#### A2.2: Less: Expenses

- a. Operation Exp / Cost of Sales / Direct Exp
- b. General & Administrative Expense
- c. Staff / Labour Costs
- d. Interest Expense
- e. Depreciation
- f. Foreign Exchange Losses
- g. Other cost / Expense


#### Total Expenses (a+b+c+d+e+f+g)

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#### A2.3: Total Profit (A2.1 - A2.2)

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#### A2.4: Less: Losses Brought Forward

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#### A2.5: Net Profit Chargeable to tax (A2.3 - A2.4)

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Tax tip:

You need to keep all your records to substantiate your figures during tax audits.

### A3 Business income arising outside Lesotho

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#### A3.1: Total Income

(Sales, Turnover, Investment, Interest, Premium, etc.)

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#### A3.2: Less: Expenses

- a. Operation Exp / Cost of Sales / Direct Exp
- b. General & Administrative Expense
- c. Staff / Labour Costs
- d. Interest Expense
- e. Depreciation
- f. Foreign Exchange Losses
- g. Other cost / Expense


#### Total Expenses (a+b+c+d+e+f+g)

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#### A3.3: Total Profit (A3.1 - A3.2)

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#### A3.4: Less: Losses Brought Forward

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#### A3.5: Net Profit Chargeable to tax (A3.3 - A3.4)

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### A4 Partnership business income

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#### A4.1: Total Income

(Sales, Turnover, Investment, Interest, Premium, etc.)

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#### A4.2: Less: Expenses

- a. Operation Exp / Cost of Sales / Direct Exp
- b. General & Administrative Expense
- c. Staff / Labour Costs
- d. Interest Expense
- e. Depreciation
- f. Foreign Exchange Losses
- g. Other cost / Expense


#### Total Expenses (a+b+c+d+e+f+g)

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#### A4.3: Total Profit (A4.1 - A4.2)

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#### A4.4: Less: Losses Brought Forward

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#### A4.5: Net Profit Chargeable to tax (A4.3 - A4.4)

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#### Total (A1.5+A2.5+A3.5+A4.5)

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Transfer this figure to line B on page 12

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## Notes for guidance (continued)

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### Part B Employment income (including pensions)

Employment income means any payment, benefit or gift from an employment. It does not include any repayment of expenses you incurred on behalf of your employer if your employer would have obtained a deduction if incurred directly.

If you received a fringe benefit and your employer has included this in a return of taxed fringe benefits you should not include this on your return. You should include only those fringe benefits that are not included in the fringe benefit tax system. Such benefits include, among other things

- school fees
- travel expenses, for yourself or your family for private journeys
- other payments made to meet your general, personal expenditure.

You do not need to include employment income earned in a foreign country **if the income was taxed in the foreign country.**

Show the name of your present (or main) employer and the address where you work. If you had more than one employer during the year of assessment, you must also provide the information in respect of each previous (or, where appropriate, secondary) employer. If there is insufficient space on the form, enclose a list to give the information.

Your employer, or employers if during the year of assessment you had more than one employment, should have given you a statement of your total earnings and the amount of tax deducted. You should have received this statement either at the end of each employment or at the end of the year of assessment.

This statement is called a 'Tax withholding certificate' and has the number of the form in the bottom left-hand corner. The form number is P16A. If you did not receive this form, you should ask your employer (or former employer) for one. You must send the form P16A, in respect of each employment, to the Commissioner with your return.

#### Pension income

If you receive a pension you must include this on the return form. State the name and postal address of the payer. If you receive more than one pension and there is insufficient space on the form, enclose a list to give the required information. If you retired before 11 March 1993, any war pension or gratuity paid by the Lesotho Government is exempt from tax.

You must enclose form P16 (tax withholding certificate) in respect of each pension you receive.

If your pension relates to an employment carried on in a foreign country and **was taxed in that country**, you do not need to include the pension on your return.

#### Total of all employment and pension income

You must now add together all your earnings, benefits, pensions etc and show the total employment income in the box provided. And, remember, it is the **total employment income from all your employments and pensions during the year** that you must include in the income tax calculation on page 12.

Tax tip:

If you incurred expenses in your employment - see page 9 to find out if you can claim a deduction

## Part B Employment income

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Employment income  
(including taxable fringe benefits which have not been taxed)

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Employment income  
(including taxable fringe benefits which have not been taxed)

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Employment income  
(including taxable fringe benefits which have not been taxed)

### Pensions

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Pension income

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Pension income

**Total of all employment and pension income**

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## Notes for Guidance (continued)

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### Part C Property income

Property income may arise from various sources and you must distinguish these sources on your return. Section C1 covers rental income from land and buildings in Lesotho; Section C2 covers rental income from land and buildings outside Lesotho. Section C3 deals with income from dividends, interest etc arising in Lesotho. And Section C4 covers income from dividends, interest etc arising outside Lesotho.

If you received property income as a share of partnership income you must include it in your return under the appropriate heading.

Foreign income must be given in Maloti.

If there is insufficient space on the form, enclose a list to give the information required and enter the total in the appropriate section.

#### **C1 Rental income from land and buildings situated in Lesotho**

Show the address of all let property. You must include on your return the gross rents due for the year, allowable deductions, for example, repairs and maintenance, and the net rent receivable. If, because the deductions exceed the gross rent, there is a loss for the year, the loss is to be carried forward and set against the rents of the following year of assessment. If in an earlier year there was an allowable loss, you may set the loss - to the extent not already allowed - against rental income for this year.

If you are a partner and receive rental income as part of your share of the partnership profits, show the name of the partnership in the property address box and the net amount of rental income chargeable to tax.

#### **C2 Rental income from land and buildings situated outside Lesotho**

Show the address of all let property situated outside Lesotho. If the rents have been subject to assessment and suffered foreign tax, you must show the amount of rental income assessed and the amount of foreign tax paid. You may claim a foreign tax credit in calculating your liability to income tax in Lesotho (see pages 9 and 10). You must enclose evidence of foreign tax paid on the rents, for example, the receipt for the tax paid. If the rents have not been assessed in the country in which the property is situated, include a statement to show the gross rents due for the year, allowable deductions, allowable losses from an earlier year and the net rent assessable.

#### **C3 Interest, royalties, trust income etc arising in Lesotho**

You must show the name of the bank or financial institution, or the name of the trust etc, and the gross amount of interest or other payment you received. Where tax was deducted, show the amount of tax paid and enclose evidence of the tax deducted by the payer. You must also declare details of all natural resource payments and the gains on investment assets. And if you are non-resident, you must also include details of any dividends you received.

Special arrangements apply to interest received from an account with a Lesotho- resident savings bank. If you are resident in Lesotho the first M500 interest you receive is exempt, provided you have nominated the account as the one to which the exemption applies. You may only nominate one account, and the exemption applies only to that account. Tax is deducted at source from the interest in excess of M500 and you do not need to return this interest.

#### **C4 Dividends, interest, royalties etc arising outside Lesotho**

Show the name of the payer and the gross amount of income received. If you have paid foreign tax on this income you may claim a foreign tax credit in calculating your liability to income tax in Lesotho (see pages 9 and 10). You must enclose evidence of foreign tax paid, for example, dividend warrant counterfoils or a certificate of tax deducted.

Finally, total all the Property income and show the amount in the box provided.

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Tax tip:

To nominate a Lesotho Savings Bank account so that you may receive some interest free of tax, ask your bank for further information.

## Part C Property income

### C1 Rental income from land and buildings situated inside Lesotho

<b>C1.1 Gross rents</b>	
<b>C1.2 Less allowable deductions:</b> Repairs & maintenance	
Interest on loan	
Insurance relating to property	
Electricity , Water or Sewerage	
Refuse disposal expenses	
Security expenses	
Others (Please specify.....)	
<b>Total expenses</b>	
<b>C1.3 Less losses brought forward</b>	
<b>C1.4 Rents chargeable for this year (C1.1-C1.2-C1.3)</b>	

### C2 Rental income from land and buildings situated outside Lesotho

Address of foreign property	
Foreign rental income chargeable to tax in Lesotho	
Foreign tax paid	

### C3 Income from interest, royalties, trust income etc arising in Lesotho

Name of payer	Tax deducted	Gross amount
<b>Totals</b>		

Transfer this total to page 12

### C4 Income from dividends, interest etc arising outside Lesotho

Name of payer	Foreign tax paid	Gross amount
<b>Totals</b>		

See pages 9 and 10

**Total property income (C1.4 + C2 + C3 + C4)**

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Enter this figure on line C, page 12

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## Notes for guidance (continued)

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### Part D Any other income or gain

You must include here any other income, profits or gains (including capital gains) chargeable to tax in Lesotho, but not already included in this return. This includes payments from which you benefited either directly or indirectly, or payments made under your direction if they would have been your income if paid directly to you. Any attempt to split income, for example, by assigning a right to receive income, where you would otherwise be chargeable, is an offence.

You should not include gifts, unless they are in return for services.

The amount of any capital gain should reflect the adjusted cost base. You should show any gains arising outside Lesotho and claim a credit for any foreign tax paid.

If there is insufficient space on the form, enclose a list to provide the information.

### Part E Deductions

You may claim a deduction in calculating the amount of tax due, in respect of expenses incurred in producing employment income. The income tax regulations specify certain conditions and limits; if you are in doubt, ask the Commissioner. Broadly, you may claim for travel expenses incurred in your employment activities, education expenses, where your work requires you to improve your knowledge and skills, and professional subscriptions. You need not send proof of payment with your return, but you must keep such proof for at least four years from the date you make your return.

If you are resident in Lesotho and you pay contributions to an approved employer or self-provided superannuation fund, show the name of the fund and the amount you pay. The maximum relief is 20% of your earnings and 20% of your business profits or, where appropriate, partnership income. If there is insufficient space on the form, enclose a schedule and enter the amount claimed in Part E. Again, you must retain the proof of payment for any amounts for which you claim for at least four years.

### Credit for foreign tax paid

If you are resident in Lesotho, you may claim a credit for foreign tax paid in calculating your liability to income tax. However, the foreign tax credit may not exceed the amount of the Lesotho tax on the foreign-source income. The following examples show how to calculate foreign tax credit.

#### *Example 1*

A taxpayer earns M100,000 interest from country A on which tax is paid by way of withholding at the rate of 25% which amounts to M25,000. The taxpayer has incurred expenses totaling M64,000 to earn the M100,000

Calculation of tax credit:

Lesotho tax on foreign interest =  $(M100,000 - M64,000) * 35\% = M36,000 * 35\% = M12,600$ . The tax credit available cannot exceed Lesotho tax on the same income. The taxpayer can only claim M12,600

Please note that this example assumes the taxpayer to be already paying tax at top marginal rate.

#### *Example 2*

A Lesotho resident company runs a business in a neighbouring country. It makes a profit of M124,000 which is taxed at 20% resulting in a liability of M24,800.

Lesotho tax on the same profits =  $M124,000 * 25\% = M31,000$

Since Lesotho tax on the foreign income is higher than the tax paid in the other country the whole tax paid in the other country is allowed as a credit against Lesotho tax liability.

Show the amount of foreign-source income included in the tax calculation under each heading and the amount of foreign tax paid. Then show the amount of the foreign tax credit you are claiming - this will be the lower of the foreign tax paid or the credit available using the average rate.

Tax tip:  
Higher compliance rates may mean lower tax rates.

**Part D Any other income or gains**

	Amount
Total	

*Enter this amount on line D, page 12*

**Part E Deductions**

	Amount paid
Total amount claimed	

*Enter this amount on line G, page 12*

**Credit for Foreign tax paid**

Source of income	Foreign tax paid	Tax credit claimed
Total		

*Enter this amount under tax credits on page 12*

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## How to complete the self-assessment calculation

### Step 1 Calculate your chargeable income

Ensure that you have correctly transcribed the totals from pages 3, 6, 8 and 10 to the worksheet on page 12.

Gross income is the total of business income, employment income (which includes pensions), property income (which is made up of rental income, interest and dividends) and other income and gains (including capital gains). Net income is your gross income less any allowable deductions. This represents your chargeable income and it is this figure you use to now calculate your tax bill for the year to 31 March 2011.

### Step 2 Calculate the assessed tax

If your chargeable income is less than M40,368, enter the amount and calculate the tax at 22%.

If your chargeable income exceeds M40,368 enter M40,368 on the line after the word 'first'; the tax on this amount is M8,880.96. Enter, on the second line after the word 'balance', the excess of your chargeable income over M40,368; tax is due on this at 35%.

This will, in turn, give you the figure for the total tax assessed.

### Step 3 Deduct the tax credits

Individual taxpayers are entitled to a personal tax credit. This may vary each year. The amount due for the year ended 31 March 2011 is M5,000. In addition, you may be entitled to a credit for foreign tax paid. This will be the total credit due as shown in your calculation on page 10.

You now deduct the total of these credits from the amount of the tax assessed; this will give the total amount due for payment for the year. But, you should already have made some payments of tax on account of this liability. We deal with these in step 4.

### Step 4 Deduct the tax already paid

If you are in business, you will, normally, have paid three installments of tax; show the amount paid for each installment. If you have income subject to PAYE tax, enter the amounts shown on the statements you received from each employer or pension provider.

If any interest or dividends were subject to tax, show the amounts deducted. and if you paid tax on any other income included in this return, say what the income was and enter the amount of tax already deducted.

If you are in the construction industry, tax may have been withheld from payments you received. Enter the amount of such tax withheld.

You should add together these various tax payments, and deduct the total from the amount due for payment arrived at in step 3.

### Step 5 Final adjustment

If your calculation results in an entry in box M, this is the amount you must pay when you send your return to the Commissioner. Remember, you must do this before the 30 June 2011. If your return or payment is made after this date, you will be liable to a penalty. There is a leaflet, *Self-assessment: penalties* IT107 available from the tax office, that explains the penalties.

On the other hand, your calculation may show that you have already paid more tax during the year than you have assessed for the year. You will, subject to the settlement of any outstanding tax liabilities, be entitled to a repayment of the excess. Any amount due for repayment will normally be repaid within 30 days of your claim.

## Calculation of chargeable income and tax due

<b>Business income</b> (enter total from page 4)	<b>A</b>	<input style="width: 95%;" type="text"/>
<b>Employment income - including pension income</b> (enter total from page 6)	<b>B</b>	+ <input style="width: 95%;" type="text"/>
<b>Property income</b> (enter total from page 8)	<b>C</b>	+ <input style="width: 95%;" type="text"/>
<b>Other income or gains</b> (enter total from page 10)	<b>D</b>	+ <input style="width: 95%;" type="text"/>
<b>Gross income</b> (add lines A, B, C and D)	<b>E</b>	= <input style="width: 95%;" type="text"/>
<b>Less deductions</b> (enter total from page 10)	<b>G</b>	- <input style="width: 95%;" type="text"/>
<b>Net income</b> (line E less line G) <b>and Amount chargeable to tax</b>	<b>H</b>	= <input style="width: 95%; border: 2px solid black;" type="text"/>

## Calculation of income tax due

The amount at line H is chargeable as follows

The first ..... (maximum M40,368) at 22% ... =		<input style="width: 95%;" type="text"/>
The balance ..... at 35% ... .. =		<input style="width: 95%;" type="text"/>
<b>Total tax assessed</b>	<b>I</b>	<input style="width: 95%; border: 2px solid black;" type="text"/>

### Less tax credits

Personal tax credit ... .. M5,000.....		
Foreign tax credit (total from page 10) .. .. .	+	<input style="width: 95%;" type="text"/>
<i>Add together the tax credits</i> <i>(transfer this total to box J)</i>	=	<input style="width: 95%; border: 2px solid black;" type="text"/>

Tax due for payment (where credits due, line J, exceed the tax assessed, line I, enter Nil) **K**

### Less tax already paid

Income tax on Business profits First installment .....		
Second installment .....		
Third installment .....		
Income tax PAYE deductions (as shown on P16) .....		
Income tax PAYE deducted from pensions (P16) .....		
Income tax deducted from interest and dividends .....		
Other withholding taxes .. .. .		
<b>Total tax paid</b> (transfer this total into box L)	<b>L</b>	<input style="width: 95%; border: 2px solid black;" type="text"/>

**Further tax due for payment now** (where line K is greater than line L) **M**

If the figure at line L exceeds the amount at line K: **tax overpaid** **N**

Tax tip:

You need to keep all your records to substantiate your figures during tax audits.

Before you send your completed form to the Commissioner, you must sign the declaration below. If you give false information or conceal any part of your income or gains, you can be prosecuted.

## Declaration

I declare that the information given on this form is correct and complete and is a full statement of my income and gains chargeable to income tax for the year ended 31 March 2011.

<input type="text"/>	Contact telephone number	<input type="text"/>
Signature	Date	<input type="text"/>

If you are signing this form on behalf of a legally incapacitated person, state your full name.

And show here the nature of the taxpayer's incapacity

## How to pay the tax due or claim a repayment

### Further tax due

You should enclose your remittance with this return. If you send your return by post, you may pay by cheque or by banker's draft. **Do not send cash by post.** Cheques and banker's drafts should be made payable to 'The Commissioner Taxpayer Services' and should be sent with your return to The Commissioner Taxpayer Services, PO Box 1085, Maseru 100.

If you bring your return to the Tax Advice Centre, Finance House, Maseru, you may pay by cash as well as by cheque or banker's draft.

There is a leaflet available, which explains more fully how you may pay your tax under self-assessment. This leaflet, *Paying tax under self-assessment* IT103, is now available. You can get a copy from the Tax Advice Centre.

The tax is due for payment on the date your return is due. Interest is charged on tax paid late and a penalty may also be charged for late payment.

### Tax overpaid

If your self-assessment calculation shows that you have overpaid tax you may claim a repayment. Your claim must be made within four years from the end of the income tax year to which it relates. If you wish to claim repayment now, you should complete the section below. Any repayment due is subject to the Department checking your calculations, and will be subject to set off against any other outstanding tax liabilities. If subsequently it transpires that your return was incorrect, penalties and interest will be chargeable on the amount repaid.

### Claim for repayment

I claim repayment of the tax overpaid for the year ended 31 March 2011.

Signature .....

Date .....