

LESOTHO REVENUE AUTHORITY

Our Mandate:

The Lesotho Revenue Authority is a corporate body established under the Lesotho Revenue Authority Act no. 14 of 2001 to be the main body responsible for the assessment and collection, on behalf of the Government, of specified revenue; for the administration and enforcement of laws relating to such revenue and for related matters.

The LRA is responsible for the administration and enforcement of the following revenue legislation:

- The Customs and Excise Act (1982, as amended),
- The Income Tax Act (1993, as amended), and
- The Value Added Tax Act (2001, as amended).

LESOTHO TAX SYSTEM

Overview:

The Lesotho tax system consists of both direct and indirect taxes. The direct taxes are levies which are imposed on the income of individuals or corporations for example corporate tax, personal income tax, fringe benefits tax and withholding taxes. Conversely there are indirect taxes which are generally levied on consumption of goods and services. Examples of indirect taxes include value added tax, excise tax and customs duties.

Fiscal or Budgetary Reasons - To provide the Government with a sustainable Source of Revenue:

Tax systems exist primarily to raise revenue to fund Government operations. Taxation is the only source of sustainable revenue for the Government. Adequate tax collections are necessary to enable the Government to carry out its core functions and to provide public goods and services. Lack of sufficient revenue often results in large budget deficit.

Economic Reasons – To pursue fairness and distributive Equity

Lesotho tax system avoids discrimination against economically similar entities. The tax system further recognizes the ability to pay principle. That is, those with highest absolute income should pay the highest absolute tax while ensuring that individuals and companies are not overly burdened.

Social Reasons – To discourage consumption of harmful goods

Taxes are imposed to discourage consumption of some goods which are generally considered health hazards to the citizens. Some tax provisions discourage consumption of harmful commodities such as alcohol beverages and tobacco products by imposing higher tax rates on them and prohibit illicit trade, all of which would pose threats to societal health.

Tax Incentives:

In addition to tax revenues directly contributing to actualization of national development plans/strategies, tax policies enhance a nation's economy and its stability. Use of tax incentives in attracting foreign direct investment is an apparent contributor.

TYPES OF TAXES

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| Tax type | |
| DIRECT TAXES | |

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| Corporate Income Tax | Is a direct tax that is levied on taxable or chargeable income of corporate bodies or companies. |
| Personal Income Tax | It is a direct tax that is imposed on chargeable income of individuals. |
| Employees tax (PAYE) | <p>This is a tax imposed directly on employees' income (employment income) derived from employment. Employment income is the total earnings of an employee that arise from an employment relationship. Total earnings refer to all income received by or credited in favor of an employee arising from an employment relationship.</p> <p>Employment income wages, salaries, bonuses, allowances, overtime payments, leave payments, commission, gratuity, supplementary pay, fees, severance pay and other income of similar nature.</p> |
| Fringe Benefits Tax | A fringe benefit tax is a tax that is imposed on taxable fringe benefits. A fringe benefit is any monetary or non-monetary benefit derived from employment that does not form part of an employee's normal salary or wage. Fringe benefits are also referred to as benefits in kind. In summary, fringe or benefits in kind refer to earnings, other than in cash, that are received or due to an employee by virtue of an employment relationship with the employer. |
| Withholding tax | It is an advance payment of tax imposed on income generated from the supply of services. Withholding tax is imposed on Lesotho source income. The payer is required to deduct from the gross amount due to the payee, a percentage prescribed by the law. Thus, the payee receives payment on the invoice amount |

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| | | company or branch profits of a non – resident company. | |
| Personal Income Tax (PIT) | 20% 30% | <p>For Resident individuals:</p> <ul style="list-style-type: none"> • 1st M 61, 080.00 is taxable at 20% • Excess is taxable at 30% • less tax credit of M 9,600.00 per annum <p>For Non – residents:</p> <ul style="list-style-type: none"> • Standard rate of 25% is applied. | Annually (30 th June) or per substituted Accounting period. |
| Pay As You Earn (PAYE) | 20% 30% | <p>For Resident individuals:</p> <ul style="list-style-type: none"> • 1st M 5,090.00 is taxable at 20% • Excess is taxable at 30% • less tax credit of M 800.00 per month <p>For Non – residents:</p> <ul style="list-style-type: none"> • Standard rate of 25% is applied. | 15 th of following month |
| Fringe Benefits Tax (FBT) | 40% | 40% is charged on taxable fringe benefit taxable amount. | <p>Quarterly on the following dates:</p> <ul style="list-style-type: none"> • 14th July, • 14th January, • 14th April |

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| Withholding tax | 5% | It is charged on income paid to resident contractors for services provided. | 15 th of following month |
| | 10% | It is levied on income paid to non-residents for services provided. | Immediately |
| | 25% | It is imposed on passive income paid to non-resident otherwise lower Double taxation agreement rate is applied on income due to existing treaty partner. | Immediately |
| INDIRECT TAXES | | | |
| Value Added Tax | 0% | It is charged on the value of basic commodities, Sanitary towels & exports. Electricity | 20th of Every month |
| | 8% | Telecommunication services | |
| | 12% | Most commodities | |