

CORPORATE TAX GUIDE:

1.1 Introduction:

This is a brief guide which is intended to inform corporate bodies about their responsibilities and obligations under an income tax law. The guide deals specifically with administration of corporate tax.

The legislation requires that every company, unless specifically exempt, is subject to corporate tax on chargeable income derived by the company in a year of assessment.

1.2 Corporate Tax:

Is a tax that is charged on profits generated by the company in a given year of assessment. It is a direct tax administered under the income tax Act of 1993 (as amended).

1.3 Chargeable Income:

In order to determine the right amount of corporate tax that should be paid by a company, firstly, the chargeable income has to be calculated. Chargeable income is calculated by deducting all allowable deductions incurred wholly and exclusively in the production of income subject to tax and capital allowances from the gross income.

1.3.1 Calculation of Chargeable Income:

The chargeable income of a body of persons subject to corporate tax is calculated as follows:

Chargeable income = Gross income – Allowable deductions.

Gross Income is the income derived by the corporate body in the course of doing its business in a year of assessment.

Allowable deductions are expenses incurred wholly and exclusively by the company in the production of income subject to corporate tax.

1.4 Corporate tax Rates:

A corporate body is subject to corporate tax at the following rates:

Income tax rates for companies	
Nature of income	Rate
Manufacturing income derived from export of manufactured goods outside the Southern African Customs Union.	10%
Manufacturing income derived from a manufacturing activity or enterprise which promotes industrial, scientific, educational or other development within Lesotho	10%
Income from farming operations (subsistence not commercial)	10%
Other Income	25%

Explanatory Notes:

- a) Corporate tax rate of 10% is levied on income from exporting manufactured goods outside the Customs Union.
- b) A corporate tax rate of 25% is imposed on profits of a resident non-manufacturing company or branch profits of a non – resident company.
- c) The corporate tax rate is applied to all income of a Lesotho branch of a non - resident company.

1.5 Due Date for Submission of Annual Income Tax Return:

Every company is required to file its annual income tax return on or before 30th June every year, unless the company has been approved by the Commissioner General to use a substituted accounting period. A substituted accounting period may be any period of twelve months which does not commence from 1st April and ends on 31st March.

An approval to use substituted accounting period is granted by the Commissioner General only on request by an application by the concerned company. The commissioner General has the powers to approve or disapprove the request depending on reasons put before the Commissioner General by the taxpayer.

1.3 Payment of Corporate Tax:

Corporate tax is paid in advance and in three equal installments and the balance if any, should be paid when the company submits its annual income return. Paying corporate tax in quarterly instalments is legal requirement under section 150 of Income Tax Act and it helps reduce the burden of paying substantial amount of tax at end of the financial year.

A company can make a payment of its tax due or tax liability by means of the following methods of payment:

- Electronic funds transfer (EFT).
- Bank guaranteed cheque.
- Cash Payment.

The Company can remit the tax due for payment at the following places:

- Standard Lesotho Bank
- First National Bank
- Nedbank Lesotho.
- LRA Banking Hall – Head Office in Maseru.

1.4 Additional Tax:

Additional tax is imposed on a company for non-filing or late submission of a tax return as well as for late or non-payment of tax due. The additional tax is charged at the rate of 22% per twelve months period.