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ACT NO. 2 OF 2014

Income Tax (Amendment) Act, 2014

To amend the Income Tax Act, 1993[1] to adjust the tax rates prescribed in the Second and Third Schedules.

Enacted by the Parliament of Lesotho.

Short title and commencement

1. This Act may be cited as the Income Tax (Amendment) Act, 2014 and shall be considered to have come into operation on the 1st April, 2014.

Amendment of Second Schedule

2. The Income Tax Act, 1993, (hereinafter referred to as "the Principal Act") is amended in the Second Schedule by deleting "22%" and "35%" and substituting "20%" and "30%", respectively.

Amendment of Third Schedule

3. The Principal Act is amended in the Third Schedule by -

   (a) deleting items "1" and "2" and substituting the following:

   "1. Manufacturing Income 10%".

   (b) renumbering item "3" as item "2".

NOTE

1. Act No. 9 of 1993

GOVERNMENT NOTICE NO. 39 OF 2014

The Parliament of Lesotho
Statement of Objects and Reasons of the
Income Tax (Amendment) Bill, 2014

(Circulated by authority of the Honourable Minister of Finance
Leketekete Victor Ketso)

The object of this Bill is to adjust personal income tax rates against the first and second thresholds of chargeable income. Lesotho's effective tax rate on personal income has remained one of the highest in Sub-Saharan Africa. This has burdened taxpayers and even encouraged tax avoidance and probably evasion in some instances. The adjustment is therefore intended to reduce the tax burden and encourage tax compliance. Furthermore, the adjustment of income tax rates will stimulate consumption emanating from increased incomes, and as such, Value Added Tax will increase.

The Bill again abolish the zero rate corporate tax on extra-SACU exports and imposes the standard 10% rate to all manufacturers. This is the fulfilment of Lesotho's obligations under international and regional agreements to remove very low tax rate as a step towards regional integration and to eliminate unfair competition that could arise from differentiated tax applicable to other domestic producers exporting within SACU.

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