Small and Micro Taxpayer Regime

Who Is A Small Business Taxpayer?

A Small Business Taxpayer is a resident taxpayer whose gross turnover from all businesses owned by such a person in a year is less than Le 350 million but not less than Le 10 million. The term Turnover refers to one's total sales in a year.

Persons NOT Included

The following persons are excluded from this category of taxpayers even if their turnover is below Le 350 million:

1. Property Owners
2. Persons in Employment
3. Companies/ Incorporated entities

This category of taxpayers and those whose gross turnover is Le 350 million and above in a year will be required to file returns and be assessed to tax the normal way which is based on Net Income.

Calculation of Tax Liability:

Income tax is based on gross turnover – The tax payable is to be calculated and determined based on the following brackets:

Bracket Gross Turnover Tax Payable

1 Gross Turnover under Le 10,000,000 Nil

2 Gross turnover of Le 10,000,000 but not exceeding Le 20,000,000 100,000 + 2% of the amount above 10,000,000

3 Gross turnover of Le 20,000,000 but not exceeding Le 100,000,000 300,000 + 4% of the amount above 20,000,000

4 Gross turnover of Le 100,000,000 but not exceeding Le 200,000,000 3,500,000 +5% of the amount above 100,000,000

5 Gross turnover of Le 200,000,000 but not exceeding Le 350,000,00 8,500,000 + 6% of the amount above 200,000,000

Illustrations

(a)Bracket 1: If gross turnover is below Le 10,000,000 the tax payable is Nil (b)Bracket 2: If the actual gross turnover falls between Le 10,000,000 and Le 20,000,000 the tax is Le 100,000 plus 2% of the amount above Le 10, 000,000

Example:

If the actual turnover is Le 15,500,000 the tax payable is as follows:

Le1 00, 000 + 2 %(15,500,000 - 10,000,000) =Le, 000 +Le 110,000 = Le 210, 000

(c)Bracket 3: If the actual gross turnover falls between Le 20,000,000 and Le 100,000,000 the tax is Le 300,000 plus 4% of the amount above Le 20, 000,000

Example:

If the actual turnover is Le 82,000,000 the tax payable is as follows:

Le 300, 000 + 4 %(82,000,000 - 20,000,000) =Le 300, 000 + Le 2, 480, 0,000 = Le 2, 780,000

(d)Bracket 4: If the actual gross turnover falls between Le 100,000,000 and Le 200,000,000 the tax is Le 3, 500,000 plus 5% of the amount above Le 100, 000,000

Example:

If the actual turnover is Le 150,000,000 the tax payable is as follows:

Le 3,500,000 + 5 % (200,000,000 - 1500,000,000) =Le3,500,000 + Le 2,500,000 = Le 6,000,000

(e)Bracket 5: If the actual gross turnover falls between Le 200,000,000 and Le 350,000,000 the tax is Le 8, 500,000 plus 6% of the amount above Le 20, 000,000

Example:

If the actual turnover is Le 300,000,000 the tax payable is as follows: Le 8, 500,000 + 6 %(350,000,000 - 300,000,000) =Le 8, 500,000 + Le 3,000,000 = Le 11, 500,000

This shows that each taxpayer tax falls only in one bracket.

Deductions

No deduction (outgoing or expenses) are allowed in respect of any expenditure or loses (Sec 3 of the Finance Act 2013)

6. Set Off Of Tax Credit (Withholding Taxes)

No tax credit is allowed to be off set against the final tax except in the following cases:

I. A tax credit arising out of withholding on receipt included in the gross turnover of the taxpayer.

II. Any provisional tax paid against the taxpayer’s turnover during the year.

Records, Books of Accounts and Returns

Taxpayers are require to maintain cash base accounts—simplify cash accounting and to submit return of gross turnover. In the case of a person carrying on business with annual turnover of less than Le 350 million but not less than Le 200 million is required to submit Returns and accompanied by set of accounts (Sec 20 of the Finance Act of 2013).

In each of the cases returns should be submitted not later than one hundred and twenty (120) days after the end of the year.

Payment of Tax Liability

Taxpayers are required to make quarterly payment (four installments— on or before,15 March, 15 June, 15 September, and 15 December) of taxes as require under Section 113 of the Income Tax Act of 2000(as amended).

Election (Option) For Income Tax Assessment

The law provides for an option in writing notifying the Commissioner General that the taxpayer prefers (opts) to be assessed under the NET INCOME method. In order to qualify, a taxpayer is required to submit the election notice together with his/her Annual Income Tax Return for that year by the due date of filing such return.