



COUNTRY GUIDE: MALAWI

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ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record (EOR) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

We also assist with onboarding and termination of both local or expatriate employees.

BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



WORK PERMITS AND VISAS



Types of Visas:

- Tourist Visa - Strictly for people visiting Malawi.
- Official Visa - Issued to someone holding a service passport or an official passport for official business visits in Malawi.
- Transit Visa - Strictly for people transiting through Malawi within 7 days.
- Diplomatic Visa - Issued to someone who has a diplomatic passport for official mission/to visit Malawi.

Types of work permits:

- Temporary employment permit - for temporary work/voluntary work.
- Employment permit: Working under contract - applied for by employer before employee arrives. This permit is used to show that a particular work cannot be done by a citizen or local in Malawi. Valid for two years and enables unrestricted domestic and international travel.
- Business residence permit - for individuals wanting to start a business and live within Malawi.
- Permanent residence permit - This permit is available to those who have resided in Malawi on business- and temporary employment permits for a minimum of seven years straight. Nevertheless, you are not permitted to live outside Malawi for more than a year straight after receiving this permit. With the exception of the right to vote, this permit entitles its holder to all of the privileges available to holders of Malawian passports.

EMPLOYMENT CONTRACTS



Probation period

The probation time should be specified in the contract, and it should not be more than 12 months.

Notice period

The length of notice is determined by the frequency with which the employee is paid.

- If the employee is paid monthly, 30 days' notice is required.
- If an employee is paid every two weeks, the notice period is 15 days for those with less than five years of service and 30 days for those with more than five years.
- The notice period is one week if the employee has been employed for less than two years and is paid monthly; two weeks if the employee has been working for two to five years; and one month if the employee has been working for more than five years.
- If the employee is paid on an hourly or daily basis, the notice period is one day for those who have worked for less than six months, one week for those who have worked for six months to two years, 15 days for those who have worked for more than two years to five years, and one month for those who have worked for more than five years.

Minimum wage

Employees in both urban and rural regions are entitled to a minimum salary of 50,000 MWK per month or 2,380 MWK per day under the Employment Act.

Working hours and overtime

In Malawi, a typical full-time working week lasts little more than 48 hours. The Employment Act of 2000 in Malawi recognizes three types of overtime: ordinary, day off, and holiday. Employees require overtime to perform productively, according to the Act, and it is critical for employers to provide overtime.

- Ordinary overtime shall be compensated at a rate of not less than one and a half times the employee's regular salary per hour.
- For each hour of Day Off overtime worked, an employee should be paid at least twice their regular hourly salary.
- Employees should be paid at least twice their regular hourly rate for each hour of holiday overtime.

Termination

A fixed-term contract and a task-based contract both automatically end when the period expires or when the specified job is completed. After delivering written notice on the other party, an indefinite duration contract can be dissolved by any side.

Severance

There is no severance compensation for employees who have worked for less than a year;

- two weeks' pay for each year of service completed, from the first to the fifth;
- three weeks' pay for each year of service completed: sixth to tenth year;
- four weeks' pay for each year of service completed: tenth year and up

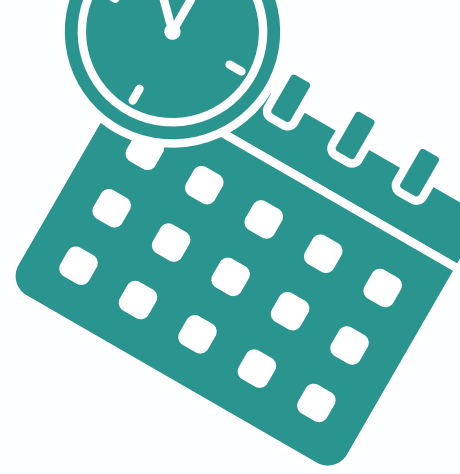
Non-compete clause

Employers can impose restrictions on employees through non-compete agreements or a clear condition in the employment contract.

Collective bargaining

Is recognized in Malawi.

PAID TIME OFF



Annual Vacation

Employees who work a six-day workweek are entitled to 18 days of paid annual leave (excluding weekends and public holidays) after 12 months of employment, whereas those who work a five-day workweek are entitled to 15 days (excluding weekends and public holidays).

Sick

After 12 months of work, employees are entitled to 12 weeks of sick leave every year, providing they show a medical certificate. For the first four weeks, employees are paid in full, then for the next eight weeks, they are paid half.

Maternity

For every three-year duration of employment, female employees are entitled to eight weeks of fully compensated maternity leave. For pregnancy-related conditions, this leave can be extended.

Paternity

N/A

Family

N/A

National Holidays

Malawi has a total of 13 public holidays which are paid.

Other Paid Time Off

N/A

EMPLOYEE BENEFITS



Statutory

Unemployment

N/A

Workers compensation

The Workers' Compensation Act of Malawi's Laws, provides compensation for injuries and mortality caused by workers while on the job.

Social Security

Employees contribute a minimum of 5% of their pensionable earnings to the National Pension Scheme (NPS), while employers contribute at least 10% of the employee's pensionable earnings.

Retirement

Covered by Social Security.

Health

Malawi has a public healthcare system that is free of charge for its citizens.

Life

Employers must have life insurance coverage for all of their employees. An employee's pensionable emoluments should be covered for at least one year under the insurance.

Private

Workers compensation

Private worker's compensation available.

Retirement

Private retirement schemes available.

Health

Private health insurance available.

Life

Private life insurance is available.

TAX



Personal Income Tax (PIT)

- **Tax year** : Malawi's fiscal year runs from April 1 to March 31.
- **Tax rate** : Non-residents' total income is taxed at a flat rate of 15%. Tax rates on income for resident individuals in Malawi range between 0-40%.
- **Tax method** : The taxation method is progressive in Malawi.
- **Tax residency requirements** : If an employee is resident or expects to be resident in Malawi for an aggregate period of not less than 183 days in a year, or receives either a business residence permit, an employment permit, or a temporary residence permit, the employee becomes resident for Malawi tax purposes.
- **Double taxation agreements (DTA's)** : Malawi has multiple double taxation agreements.

Investment Income Tax

The cost of the asset is adjusted by the appropriate consumer price index to determine the tax basis for capital gains (inflation index). The taxable gain is then subject to corporation tax at the rate that applies to the specific entity. Royalty income, with the exception of mining royalties, is added to other income and taxed at the rate that applies to the individual who earns it. When a non-resident receives royalties from a mining project, they are taxed at a rate of 20%.

Taxable Income

Individuals will be taxed solely on Malawi-sourced income, not on passive foreign income, regardless of where they live.

All remuneration, including allowances, is taxed under the pay-as-you-earn system (PAYE).

The capital gain is calculated by subtracting the cost (adjusted for inflation) from the sale profits. Capital gains from the sale of shares traded on the Malawi Stock Exchange that have been held for longer than a year are not taxed.

PIT rates are applied to investment income.

PAYROLL



Payroll Elements

- **Income:** Salary, earnings, bonuses, overtime pay, taxable benefits, allowances, and certain lump sum perks are examples of remuneration (revenue from employment). Profits or losses made by a company or trade. Income or profits derived from an individual's status as a trust beneficiary.
- **Deductions:** Expenses that are not related to your business are not deductible. Personal allowances are not available in Malawi. Allowable deductions for income from business operations are those costs that are not capital in character and are expended entirely, exclusively, and necessarily in the creation of the income.
- **Benefits in Kind:** Any asset, service, or other in-kind benefit offered by or on behalf of an employer to an employee that includes an element of personal benefit to the employee is considered a fringe benefit. FBT must be paid by the employer who provides these benefits. FBT is calculated at a rate of 30% of the taxable amount.
- **Employer contributions:** Workers compensation and social security.

Payroll Taxes

Employees contribute a minimum of 5% of their pensionable earnings to the National Pension Scheme (NPS), while employers contribute at least 10% of the employee's pensionable earnings.

Payroll Calendar

Employees are not required to be paid on a set schedule.

Payrolls can be done weekly, biweekly, fortnightly, or monthly.

LEGISLATION AND STATUTORY BODIES



LEGISLATION

- Employment Act 2000
- Labor Relations Act

STATUTORY BODIES

- Health Regulatory Authority
- Tax Authority
- Social Security Fund Authority



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