

VALUE ADDED TAX (AMENDMENT) BILL, 2026

MEMORANDUM

This Bill seeks to amend the Value Added Tax Act (Cap. 42:02) in order to provide for—

- (a) increased value added tax threshold from K25,000,000 to K50,000,000;
- (b) value added tax on supply of digital services;
- (c) exemption of various products from value added tax; and
- (d) zero-rating of various products.

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ARRANGEMENT OF SECTIONS

SECTION

1. Short title
2. Amendment of s. 2 to Cap. 42:02
3. Amendment of s. 7 of the principal Act
4. Amendment of s. 11 of the principal Act
5. Amendment of s. 19 of the principal Act
6. Amendment of s. 24 of the principal Act
7. Amendment of s. 26 of the principal Act
8. Amendment of s. 30 of the principal Act
9. Amendment of *First Schedule* to the principal Act
10. Amendment of *Second Schedule* to the principal Act
11. Amendment of *Third Schedule* to the principal Act

A BILL

entitled

An Act to amend the Value Added Tax Act

ENACTED by the Parliament of Malawi as follows—

1. This Act may be cited as the Value Added Tax (Amendment) Act, 2026. Short title
2. The Value Added Tax Act (hereinafter referred to as the “principal Act”) is amended, in section 2, as follows— Amendment of s. 2 to Cap. 42:02
 - (a) in the definition of the word “business”, by inserting, immediately after the words “mining project”, the words “and

supply of digital services”;

(b) in the definition of the word “consideration”, by inserting, immediately after the words “supply of goods or services”, the words “including digital services”; and

(c) by inserting, in the correct alphabetical order, new definitions as follows—

““digital services” means services supplied over the internet or an electronic network, the supply of which is automated and requires minimal human intervention, and include—

- (a) streaming of videos, music or games;
- (b) cloud computing;
- (c) software downloads and subscriptions;
- (d) online advertising;
- (e) digital marketplace facilitation;
- (f) e-books and online publications; and
- (g) mobile applications and in-app purchases;

“electronic marketplace operator” means a person who operates a digital platform that facilitates the supply of digital services to recipients in Malawi;

“intermediary” means a person who facilitates the supply of digital services supplied by a digital services supplier to recipients in Malawi and who is responsible for issuing the invoices and collecting payment for the supply;

“non-resident digital services supplier” means a person who has no fixed establishment in Malawi and supplies digital services to recipients located in Malawi; and

“recipient” in relation to a supply of digital services, means a non-taxable person to whom the supply is made;”.

Amendment
of s. 7 of the
principal Act

3. Section 7 of the principal Act is amended by deleting subsection (1) and substituting therefor, a new subsection (1) as follows—

“(1) There is hereby imposed a tax to be known as value added tax (in this Act otherwise called “Value Added Tax”) which shall in accordance with this Act, be charged on—

- (a) every supply of goods and services made in Malawi;
- (b) every importation of goods;
- (c) the supply of any imported service; and
- (d) the supply of digital services, other than exempt goods and services.”.

4. Section 11 of the principal Act is amended by deleting subsection (1) and substituting therefor, a new subsection (1) as follows—

Amendment of s. 11 of the principal Act

“(1) A person is registrable as a taxable person if that person is—

(a) the one that makes taxable supply of goods or services or conducts a mining project and, whose business turnover is, or exceeds, K50,000,000 per annum; or

(b) a non-resident digital services supplier or an intermediary or an electronic marketplace operator, whether or not the taxable supplies meet the turnover threshold of K50,000,000 per annum.”.

5. Section 19 (1) of the principal Act is amended by inserting immediately after the words “goods or services”, the words, “including digital services,”.

Amendment of s. 19 of principal Act

6. Section 24 (1) of the principal Act is amended by inserting immediately after the words “supply of goods or services”, the words, “including digital services,”.

Amendment of s. 24 of the principal Act

7. Section 26 of the principal Act is amended by inserting, immediately after subsection (2) a new subsection (3), as follows—

Amendment of s. 26 of the principal Act

“(3) Notwithstanding the provisions of subsection (2), in the case of digital services, the place of supply shall be where the recipient of the digital services has his or her usual place of residence or establishment, regardless of the place of contract or payment.”.

8. Section 30 of the principal Act is amended by deleting subsection (3) and substituting therefor a new subsection (3), as follows—

Amendment of s. 30 of principal Act

“(3) No input tax deduction shall be made on—

(a) purchases or imports in respect of exempt supplies by the taxable person; or

(b) transactions in respect of digital services by a non-resident digital services supplier or an intermediary or an electronic marketplace operator.”.

9. The *First Schedule* to the principal Act is amended—

Amendment of the *First Schedule* to the principal Act

(a) in paragraph 2, by—

(i) deleting subparagraph (b) and substituting therefor a new subparagraph (b), as follows—

“(b) fish and other aquatic invertebrates under Customs Tariff Headings 0302.71.00, 0302.72.00, 0303.23.00, 0303.24.00 and 0305”; and

(ii) deleting subparagraph (c) and substituting therefor a new subparagraph (c), as follows—

“(c) dairy produce, natural honey and infant milk under Customs Tariff Subheadings 0401, 0409 and 1901.10.10”;

(b) in paragraph 3, by—

(i) deleting subparagraph (f) and substituting therefor a new subparagraph (f), as follows—

“(f) products of the milling industry under Customs Tariff Headings 1102.20.00, 1103.13.00, 1103.20.00, 1104.23.00, 1105, 1106, 1107.10.10, 1107.10.20, 1107.10.30 and 1107.10.90”; and

(ii) inserting a new subparagraph (ga), as follows—

“(ga) Cooking oil under the Customs Tariff Subheadings 1507.90.00, 1508.90.10 to 1508.90.90, 1511.90.11 to 1511.90.90 and 1512.19.00 to 1512.29.00”; and

(c) inserting, in the correct numerical order, a new paragraph 21 as follows—

“21. Wheat Flour

Exemption covers wheat flour under Customs Tariff Subheading 1101.00.10.”.

10. The *Second Schedule* to the principal Act is amended, by—

(a) inserting, immediately after paragraph 10, a new paragraph 11 as follows—

“11. Buses

Zero-rating covers buses with seating capacity of forty-five or more persons, including driver under Customs Tariff Subheadings 8702.10.30 and 8702.90.30.”;

(b) inserting, immediately after paragraph 12, a new paragraph 13 as follows—

“13. Goods for use in Tourism Industry

Zero-rating covers building materials for use in the tourism industry as specified in Customs Procedure Codes 4000.442 and 4071.442.”; and

(c) inserting, immediately after paragraph 30, a new paragraph 31 as follows—

“31. Laundry Soap

Zero-rating covers laundry soap under the Customs Tariff Subheading 3401.19.90.”.

Amendment
of the *Second
Schedule* to
the principal
Act

11. The *Third Schedule* to the principal Act is amended, by deleting paragraph 4 and substituting therefor a new paragraph 4, as follows—

Amendment
of the *Third
Schedule* to
the principal
Act

“4. Goods specified under the following Customs Procedure Codes of the Customs and Excise (Tariffs) Order—

403, 405, 406, 409, 410, 411, 412, 414, 415, 416, 417, 418, 419, 420, 421, 422(a) and (c), 423, 424, 426, 427, 428, 429, 430, 431, 433, 436, 441, 442, 444(b), 445, 447 (b), and 496.”.

OBJECTS AND REASONS

The object of this Bill is to amend the Value Added Tax Act in order to provide for—

- (a) increased value added tax threshold from K25,000,000 to K50,000,000;
- (b) value added tax on supply of digital services;
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