

The background of the entire page is a photograph of a modern building's interior. It features a complex, golden, geometric lattice structure that resembles a large, intricate web or a series of interconnected triangles. The structure is made of thin, metallic-looking rods. In the background, through the lattice, a blue sky and parts of a building's exterior can be seen. A dark blue rectangular box is overlaid on the left side of the image, containing the title and subtitle text.

Sage in Africa

Lesotho
2020

CLIENT DOCUMENT

1. Terminology

All references to 'he', 'his', 'him' or 'himself' includes 'she', 'her' or 'herself' in the case of a female taxpayer, and 'it' or 'its' refers to a taxpayer other than an individual, and is not intended to be discriminatory.

The purpose of this document is to address employee's tax and includes references to the Income Tax Act where applicable.

2. Employees' Tax (PAYE)

An employer must withhold employees' tax from a payment of employment income to an employee (other than a domestic assistant) who is in employment during the tax year, and the Income Tax Order has been devoted to this requirement.

Income tax is residence based, therefore a resident taxpayer will be taxed on income from all geographical sources (worldwide income), while a non-resident taxpayer is subject to tax on Lesotho-source income only. See 'Resident' and 'Non-Resident' and 'LRA Practice Note: Taxation of Foreign Nationals' for more information.

The Income Tax Act requires three elements to be present before employees' tax can be withheld for payment to the Revenue Authority:

- an employer
- paying employment income
- to an employee in employment.

Sources:

- Income Tax Act
- Income Tax Order Explanatory Memo

Tax Year	1 April – 31 March
Revenue Service	Lesotho Revenue Authority (LRA) www.lra.org.ls
Employer	Employer means a person who employs or remunerates an employee. Person includes a partnership, a company, a government, a political subdivision of a government and a public international organization. (section 3)
Employee	Employee means an individual who is in employment. (section 3)
Employment	Employment means: <ul style="list-style-type: none">• the position of an individual in the employ of another person, or• a directorship of a company, or• a position entitling the holder to a fixed or ascertainable remuneration, or• a public office.

	<p>An employment relationship will not exist where a person is genuinely engaged as an independent contractor. The determination of whether a person is an employee or independent contractor involves looking at a number of factors, including whether the hirer has the legal right to control the manner in which the work is to be performed, and the degree of integration of the service provider within the hirer's business. The later point will depend on such things at –</p> <ul style="list-style-type: none"> • whether the service provider is engaged on a continuous basis, • where the services are performed, • whether the hirer controls the timing and scheduling of work, and • whether the hirer provides the working tools, plant and other relevant facilities. <p>(section 3 and the Income Tax Order Explanatory Memo)</p>
Employment income	<p>Employment income means a payment or benefit arising from an employment, but does not include –</p> <ul style="list-style-type: none"> • a benefit included in the fringe benefits taxable amount of the employer and in respect of which fringe benefits tax is payable (see Fringe Benefits Tax for more information), and • an exempt fringe benefit (see Exempt Income), and • a reimbursement of expenditure incurred by an employee on behalf of the employer for which the employer would be entitled to a deduction (i.e., reimbursement of genuine business expenses incurred by employee on behalf of the employer), and • passage granted to an employee at the commencement or termination of employment. <p>Employment income includes wages, salaries, bonuses, allowances (including responsibility, recruitment and retention allowances), overtime payments, leave payments, payment in lieu of leave, sick pay, strike pay, a return-to-work payment, commission, bonus, gratuity (including a contract gratuity), stipend, pension, retirement allowance, supplementary pay, fees, severance pay, benefit (whether or not convertible into money or money's worth) and other income of similar nature. This list is not exhaustive and is provided for guidance only.</p> <p>Employment also includes a gift (including a testamentary gift) made to, or for the benefit of an employee. Consequently, for example, a wedding present given by an employer to an employee is included in gross income as employment income.</p> <p>If the employer is not liable for fringe benefits tax, then the fringe benefit will be included in the employee's employment income and will be subject to PAYE.</p> <p>(section 18 and section 31(3))</p>
Chargeable employment income	<p>Chargeable employment income means employment income reduced by the deductions allowed -</p> <ul style="list-style-type: none"> • employee contribution to a complying superannuation fund, and • certain employment related expenses incurred in the production of employment income. <p>(section 3 and 12)</p>
Source of income	<p>Income is Lesotho-source income if it is –</p>

	<ul style="list-style-type: none"> • derived from any activity which occurs in Lesotho (for example income from an employment exercised in Lesotho), or • derived from services performed under a contract entered into with the Lesotho Government, or • derived by a resident of Lesotho from services performed as a driver of a vehicle, or an officer or member of the crew of any vehicle or aircraft, where the services are performed both in and out of Lesotho, or • management fee or director's fee paid by a resident company, or • pension or annuity where- <ul style="list-style-type: none"> ○ the pension or annuity is paid by the Lesotho Government or a resident of Lesotho, or ○ the services or employment is in respect of which the pension or annuity was granted were rendered or exercised in Lesotho, or • taxable in Lesotho under an international agreement <p>Any employment income which is not Lesotho-source income, is treated as foreign source income.</p> <p>(section 103 and the Income Tax Order Explanatory Memo)</p>
Foreign employment income of residents	<p>Foreign-source income from employment in a foreign country derived by a resident individual is exempt from income tax if the income is chargeable to tax in the foreign country.</p> <p>The exemption is not available where the income is Lesotho-source income.</p> <p>This exemption is only available in respect of employment income, therefore, income derived in a foreign country as an independent contractor will not qualify for the exemption.</p> <p>The exemption is conditional on the foreign employment income being chargeable to tax in the foreign country of service. If the employment income is exempt in the foreign country of service, then Lesotho asserts full jurisdiction to tax the employment income. Employment income which is untaxed in the foreign country due to being below the tax threshold is regarded as being chargeable to tax in the foreign country of service.</p> <p>(section 104 and the Income Tax Order Explanatory Memo)</p>
Resident	<p>An individual is a resident for the entire year of assessment if one of the below requirements are met, unless one of the listed exceptions applies.</p> <ul style="list-style-type: none"> • If the individual has a normal place of abode in Lesotho and is present in Lesotho for part of the year of assessment. • If the individual is present in Lesotho for more than 182 days in any consecutive period of twelve months which includes all or part of the year of assessment. • If the individual is an official of the Lesotho Government posted overseas during the year of assessment. • If the individual is otherwise a resident of Lesotho. <p>An individual who satisfies one of these tests is treated as a resident individual for the entire year of assessment.</p> <p>Exceptions:</p>

	<p>The exceptions provide part-year residence rules for the first and last year of an individual's residence in Lesotho.</p> <ul style="list-style-type: none"> • An individual who was not a resident individual at any time during the preceding year of assessment is only a resident from the date of first presence in Lesotho in the current year of assessment. • An individual who is not a resident individual at any time in the following year of assessment is only treated as a resident up until the last day of presence in Lesotho in the current year. This only applies if the individual had a closer connection to a foreign country than to Lesotho for the period after the last day of presence in Lesotho. <p>For application of resident and non-resident tests, please refer to the Income Tax Order Explanatory Memorandum (section 5) and the LRA Practice Note on Taxation of Foreign Nationals.</p> <p>(section 3 and 5)</p>
Permanent resident	<p>A permanent resident means a resident individual who has been present in Lesotho for a period or periods in total of seven years or more.</p> <p>(section 3)</p>
Non-resident	<p>An individual will be a non-resident if the individual is not a resident in Lesotho.</p> <p>(section 3)</p>
Expatriate taxpayer	<p>Expatriate taxpayer means a resident individual, other than a citizen or permanent resident of Lesotho, who is employed or engaged under a technical services contract.</p> <p>Technical services contract means a contract under which accounting, auditing, economic, financial, legal, management, engineering, architectural, surveying, or other similar professional service is performed.</p> <p>(section 3)</p>
Exempt Income	<p>All items that are exempt from income are also exempt from employment income for PAYE purposes, and include:</p> <ul style="list-style-type: none"> • Terminal benefits which mean a gratuity, a severance payment, and a lump sum payment from a superannuation fund. Terminal benefits shall be exempt from income tax, provided that the total does not exceed 25% of the basic salary earned during the period of employment. <p>Please refer to the Income Tax Public Ruling PR02/ITAX/2012 for more information.</p> <ul style="list-style-type: none"> ○ 'Contract gratuity' means a gratuity, expressed as a percentage of salary earned during the contract period, which is paid upon expiry, termination or renewal of a written contract of employment to an employee. ○ 'Severance payment' made under section 79 of the Labour Code Order. According to section 79 of the Labour Code Order, an employee who has completed more than one year of continuous service with the same employer shall be entitled to receive, upon termination of his service, a severance payment equivalent to two weeks' wages for each completed year of continuous service with the employer.

	<ul style="list-style-type: none"> ○ 'Superannuation fund payment' means a payment under section 99, which is a lump sum payment made by a complying superannuation fund to a member or a dependant of the member of the fund where the member has died. • Scholarships payable for tuition or for full-time instruction at an educational institution is exempt from income tax. This exemption is confined to scholarships payable in respect of tuition or fees and does not include scholarships or a part of a scholarships for living expenses (section 28). • The official employment income of an individual who is not a citizen or permanent resident of Lesotho and who is a diplomatic officer, consular officer, administrative or technical employee of a diplomatic mission or consulate, consular employee, member of the service staff of a diplomatic mission or consular post, or a private servant of a member of a diplomatic mission (section 22(a)). • The official employment income of a person in the public service of the government of a foreign country where – <ul style="list-style-type: none"> ○ the person is resident in Lesotho solely for the purpose of performing the duties of his or her office, and ○ the income is payable from the public funds of that country, and ○ the income is subject to income tax in that country. <p>(section 22, 28, 32, 99, 159, Income Tax Public Ruling PR02/TAX/2021 and section 79 of the Labour Code Order)</p>
Fringe Benefits	Any fringe benefit not included in fringe benefit tax (see section 3) shall be a taxable fringe benefit in the hands of the employee. The taxable value shall be determined under the same rules of fringe benefit tax.
Tax Deductions	<p>For the purpose of determining chargeable employment income, there shall be allowed as a deduction from remuneration -</p> <ul style="list-style-type: none"> • Any employee contribution to an employer superannuation fund which means a pension, provident, benefit or retirement annuity fund, and group life assurance which is a resident superannuation fund established and maintained by the employer which satisfies the conditions prescribed by the regulations. The deduction is limited to 20% of employment income. This is only allowed for resident employees. • Any employee contribution to a self-provided superannuation fund which means a pension, provident, benefit or retirement annuity fund and group life assurance which is a resident fund which satisfies the conditions prescribed by regulations. The deduction is limited to 20% of employment income. • Any employee contribution made by a resident of Lesotho to a non-resident superannuation fund (limited to 20% of employment income), provided – <ul style="list-style-type: none"> ○ the trustee or fund manager has given the Commissioner General a statement in writing that it will withhold tax at the rate specified by the Commissioner General on payments to the person for whom the contributions were made or the person's dependents; and ○ the fund complies with the conditions prescribed in the regulations. <p>The deduction is also allowed if an expatriate taxpayer makes contributions to a non-resident superannuation fund.</p>

	<p>Please note: If the employee contributes to an employer provided, self-provided and/or non-resident superannuation fund, the tax deduction limit of 20% of employment income is a combined limit.</p> <ul style="list-style-type: none"> Certain employment related expenses incurred in the production of employment income, which include – <ul style="list-style-type: none"> home office expenses, motor vehicle expenses travel expenses education expenses, and subscription to associations. <p>For more information on how to calculate the allowable deduction amount of these expenses, please refer to Legal Notice No.23 of 1994 and the Explanatory Notes.</p> <p>(section 13, 33, 94, 95, 96, 97 and Legal Notice No. 23 of 1994)</p>								
Rates of normal tax for resident	<table border="1"> <thead> <tr> <th colspan="2">Annual Table</th></tr> <tr> <th>Taxable Income (M)</th><th>Tax Payable (M)</th></tr> </thead> <tbody> <tr> <td>0 - 64 200</td><td>20% of the amount up to 64 200</td></tr> <tr> <td>More than 64 200</td><td>12 840 + 30% over 64 200</td></tr> </tbody> </table> <p>(section 9 and the Second Schedule)</p>	Annual Table		Taxable Income (M)	Tax Payable (M)	0 - 64 200	20% of the amount up to 64 200	More than 64 200	12 840 + 30% over 64 200
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Taxable Income (M)	Tax Payable (M)								
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Rates of normal tax for non-residents	<p>Non-residents are taxed at the standard rate of tax, which is 25%.</p> <p>Non-residents are not entitled to the annual tax credit value.</p> <p>A non-resident employee who lives permanently outside Lesotho but who is employed full-time in Lesotho or who is engaged full-time in a business or trade in Lesotho, is subject to tax in respect of his chargeable employment income at the progressive tax rates (see section 8.1) and is entitled to the annual tax credit of M10 080.</p> <p>(section 3 and 12)</p>								
Tax credit	<p>The rebate/abatement is called a tax credit. A tax credit of M10 080 is allowed per annum (M840 per month) for resident employees only.</p> <p>A non-resident employee who lives permanently outside Lesotho but who is employed full-time in Lesotho or who is engaged full-time in a business or trade in Lesotho, is subject to tax in respect of his chargeable employment income at the progressive tax rates and is entitled to the annual tax credit of M10 080.</p> <p>If an employee qualifies for a tax credit for a period which is less than 12 months, the tax credit is allowed in the proportion which that period bears to 12 months.</p> <p>(section 73)</p>								
Secondary employment	<p>Employees in secondary employment would generally be falling within the higher tax band. This being the case, if therefore means that their secondary employer should tax all their employment income at the rate of 30% and there is no tax credit available in this case since the main employer would have allowed the tax credit.</p>								

	(Final Deduction System Guidelines)
Part-time salary	<p>Employees who receive part-time salary must be taxed at a fixed rate of 30% and there is no tax credit available in this case. Where this is the only income, the employee earns (thus no other sources of employment income), then the marginal tax rates should be applied, and the tax credit will be allowed.</p> <p>(Final Deduction System Guidelines)</p>
Directors'/Board Fees	<p>A number of individuals are engaged in board membership of different organisations. These individuals generally have other sources of income normally falling within the higher tax band. This therefore means that the directors' fees, board fees and sitting allowances they get should be taxed at the upper rate of 30%. There is no tax credit available in this case.</p> <p>(Final Deduction System Guidelines)</p>
Monthly reconciliation and payments	<p>Remittance for monthly PAYE returns (P19 and FDS return)</p> <p>PAYE withheld must be remitted to the LRA within 15 days from the end of the month in which tax was withheld.</p> <p>(section 156 - 191)</p>
Annual reconciliations and tax certificates	<p>P16, P16(B) and P16(b)-1</p> <p>Every employer must submit the P16, P16(B) and P16(b)-1 before the end of June following the end of the tax year (31 March) each year.</p> <p>(section 156 - 191)</p>

3. Fringe Benefits Tax (FBT)

Fringe benefits tax is a tax imposed on every employer who has taxable fringe benefits. A fringe benefit is any monetary or non-monetary benefit derived from employment that does not form part of an employee's normal salary or wage. Fringe benefits are also referred to as benefits in kind. In summary, fringe benefits or benefits in kind refer to earnings, other than in cash, that are received or due to an employee by virtue of an employment relationship with the employer.

Sources

- Income Tax Act (section 3, 117, 115 to 127 and 152)
- FBT Public Ruling Issue 2

Employee	<p>Employee includes an associate of an employee but does not include a domestic assistant. As this term is defined inclusively, the general term of 'employee' (see section 3) is intended to apply for FBT. Through the definitions of 'employee' and 'employment', FBT will apply to a person who remunerates an office holder (for example a director) where the remuneration includes fringe benefits. FBT, however, will not apply to a service relationship which is properly characterised as that of independent contractor.</p> <p>The inclusion of associate ensures that fringe benefits provided by an employer directly to, for example, the spouse, children, family company or trust of an employee will be subject to FBT.</p>
Employer	<p>Employer includes an associate of an employer. As this term is defined inclusively, the general term of 'employer' (see section 3) is intended to apply for FBT. Consequently, every person who employs and remunerates an employee is liable for FBT.</p>

	<p>The inclusion of associate ensures that fringe benefits provided by an associate of an employer (for example, a related company) to an employee of the employer are subject to FBT in the hands of the employer. This rule is only relevant where the benefit provided by the associate is not a reward for services rendered by the employee to the associate.</p> <p>An employer whose income is not subject to tax is exempt from fringe benefit tax.</p> <p>A public international organisation is exempt from fringe benefits tax (section 21).</p>
Fringe benefits taxable amount	<p>The fringe benefits taxable amount of an employer is calculated in accordance with the following formula:</p> <p>$A \times (1 / 1 - B)$</p> <p>where –</p> <p>A is the sum of the taxable values of all fringe benefits provided by the employer to all employees during the year of assessment other than exempt fringe benefits, and</p> <p>B is the rate of tax specified by the Fourth Schedule (currently 40%).</p> <p>For example, assume that the sum of the taxable values of all fringe benefits provided by the employer during the year of assessment is M100 000. The fringe benefit amount is:</p> <p>$M100\ 000 \times (1 / 1 - 0.4) = M166\ 666$ (taxable amount).</p> <p>FBT Payable is M66 666 (M166 666 x currently 40%).</p> <p>Steps in calculating FBT:</p> <ul style="list-style-type: none"> • Identify the benefits and characterise them accordingly. • Determine the value of the benefit using the rules listed above. Use market-value if the benefit is non-cash (other than the rules for the items listed above). If a taxable value cannot be determined, the LRA will provide valuation rules. • Add all the taxable values and apply the formula $(A \times (1 / 1 - B))$ as explained above. • Apply the tax rate (currently 40%) to get the fringe benefits tax payable.
Exempt fringe benefits	<p>The following are exempt fringe benefits:</p> <ul style="list-style-type: none"> • A meal or refreshment provided in a canteen, cafeteria or dining room operated by or on behalf of the employer solely for the benefit of employees and which is available to all non-casual employees on equal terms is an exempt fringe benefit. • A reimbursement or discharge of the employee's medical expenses if the medical fringe benefit is available to all non-casual employees on equal terms. • A fringe benefit relating to exempt employment income. • A fringe benefit, the value of which (after taking into account the frequency with which similar benefits are provided by the employer) is so small as to make accounting for it unreasonable or administratively impracticable (for example occasional departmental or celebratory lunches or dinners, birthday cakes for employees etc.). • Private use of motor vehicle by an employee provided on special occasional hardship circumstances, for example, to take care of funeral of bereavement and emergency situations. • Common transportation operated by or on behalf of the employer to transport employees outside the normal 8am to 5pm working hours, to remote places where the employer's business is conducted.

	<ul style="list-style-type: none"> • Small common benefits that are difficult to quantify and place value received by each individual employee, for example, use of an employer's recreational and sporting facilities. Staff parties and functions are typical examples. • Accommodation provided on a remote employer camp site. • Uniform or similar employer branded attire or clothing. • Passage granted to an employee at the commencement or termination of employment if such passage is the actual expenditure incurred for transporting by the employer or represents a reimbursement of actual expenditure. A cash allowance in lieu of passage is taxable.
Car fringe benefit	<p>A benefit provided by an employer to an employee consisting of the use, or the availability for use, of a motor vehicle wholly or partly for private purposes of the employee is a car fringe benefit.</p> <p>The reference to motor vehicle is intended to cover a motor car, station wagon, panel van, utility, or similar vehicle etc.</p> <p>Private use includes any use, which is not exclusively for the business purposes of the employer, for example, the use of the motor vehicle to travel from the employee's place or residence to the employee's place of work.</p> <p>An employee has private use of a motor vehicle if:</p> <ul style="list-style-type: none"> • the employee is entitled to use the motor vehicle for private purposes, or • the vehicle is kept at or near the employee's place of residence, or • the employer is not consistently enforcing prohibition of private use policy that might be in place. <p>The taxable value of a car fringe benefit is –</p> <p>(15% x A x B/C) – D</p> <p>where –</p> <p>A is the market value of the motor vehicle at the time it was first provided for the private use of the employee, and</p> <p>B is the number of days on which the motor vehicle was used or available for use for private purposes during all or a portion of such days, and</p> <p>C is the number of days in the year of assessment, and</p> <p>D is any payment made by the employee for the benefit.</p>
Housing fringe benefit	<p>A benefit provided by an employer to an employee consisting of accommodation or housing is a housing fringe benefit. This is intended to cover a lease, license or permission granted by an employer to an employee to occupy or use a house, flat, unit, caravan, mobile home, bunkhouse, living quarters, hotel, hostel, or guest house room. An employer is also regarded to have provided accommodation where the employee is reimbursed any payments the employee would have made for the accommodation.</p> <p>The taxable value of a fringe benefit is the open market value of the accommodation or housing reduced by any payment made by the employee for the benefit. In the case of hotel or similar accommodation, the tariff charged by the hotel for the room occupied by the employee would normally be treated as the open market rent of the accommodation.</p> <p>The taxable value of the housing benefit shall not exceed 20% of the remuneration paid by the employer to the employee for the year of assessment in which the benefit is provided.</p> <p>The reference to 'remuneration' is intended to ensure that the value of fringe benefits provided by the employer to the employee are included when applying the limit of 20%. The reference to 'remuneration' rather than employment income is intended to ensure</p>

	that the value (as determined under the FBT provisions) of fringe benefits provided to the employee is taken into account in applying the ceiling.
Utilities fringe benefit	<p>A benefit provided by an employer to an employee consisting of the reimbursement or discharge of the employee's utilities expenditure is a utilities fringe benefit.</p> <p>Utilities expenditure means any expenditure for electricity and other fuel supplies, water, sewerage/refuse removal, or telephone and other communication provisions.</p> <p>The taxable value of a utilities fringe benefit is the amount of the reimbursement or discharge.</p>
Domestic assistance fringe benefit	<p>A benefit provided by an employer to an employee consisting of the provision of a housekeeper, a maid, a babysitter, a chauffeur, a gardener, or other domestic assistance (other than a security guard) is a domestic assistance fringe benefit.</p> <p>The taxable value of a domestic assistance fringe benefit is the total employment income paid to the domestic assistance in respect of services rendered to the employee reduced by any payment made by the employee for the benefit.</p>
Meals or refreshment fringe benefit	<p>A benefit provided by an employer to an employee consisting of the provision of any meal or refreshment is a meal or refreshment fringe benefit. This is intended to cover a meal or refreshment provided either at the employee's place of work or at a restaurant or café. Refreshment is intended to be interpreted broadly and would include the provision of drinks.</p> <p>The taxable value of the meal or refreshment fringe benefit is the cost to the employer of providing the meal or refreshment reduced by any consideration paid by the employee for the meal or refreshment.</p> <p>No value is placed on a meal or refreshment provided in a canteen, cafeteria or dining room operated by or on behalf of the employer solely for the benefit of employees and which is available to all non-casual employees on equal terms is an exempt fringe benefit.</p> <p>Canteen, cafeteria, and dining room are intended to have their ordinary meaning and, in particular canteen is intended to include a bar operated by an employer. It is not necessary that the facility be on the employer's business premises provided it is operated by or on behalf of the employer. The reference to "operated...on behalf of the employer" is intended to cover, for example, a facility operated by an associate company of the employer, which is available to all employees of the corporate group.</p>
Medical fringe benefit	<p>A benefit provided by an employer to an employee consisting of the reimbursement or discharge of the employee's medical expenses is a medical fringe benefit.</p> <p>Medical expenditure includes a premium or other amount paid for medical insurance (for example, hospitalisation, medical bills, and medical scheme premiums). As the term is defined inclusively, it will have its ordinary meaning, namely an amount paid for medical treatment both preventing and curative. It is intended that "medical" be interpreted broadly and would include dental treatment.</p> <p>The taxable value of the medical fringe benefit is the amount of the reimbursement or discharge.</p> <p>No value is placed on a medical fringe benefit available to all non-casual employees on equal terms. For example, of M500 per month is paid to all employees regardless of their levels in the employer's organisational hierarchy. An entitlement based on a certain percentage for all employee is not on equal terms and therefore, a taxable fringe benefit.</p>
Loan benefit	A benefit provided by an employer to an employee consisting of a loan at a rate of interest below two-thirds of the Central Bank of Lesotho (CBL) or commercial banks' prime/normal lending rate is a loan fringe benefit.

	<p>Loan is intended to be interpreted broadly covering an advance or money, provision of credit or any transaction which in substance effect a loan of money.</p> <p>The taxable value of a loan fringe benefit is the difference between the interest paid during the year of assessment, if any, and the interest that would have been paid if the loan had been made at the interest rate equal to two-thirds of the Central Bank of Lesotho's or commercial banks' prime/normal lending rate.</p> <p>For example, if the commercial lending rate is 15% but instead the employee is charged 8%, then this loan arrangement is subject to FBT, because 8% is less than 2/3's of the commercial lending rate of 15% (2/3's is 10%). If the employee was charged 10% or more, then the loan arrangement is not subject to FBT.</p>														
Debt waiver benefit	<p>A benefit provided by an employer to an employee consisting of the waiver of an obligation of the employee to pay or repay an amount owing to the employer or to any person (third party) is a debt waiver fringe benefit.</p> <p>The reference to waiver of employee debts to third parties is intended to cover a situation where the employer discharges the employee's obligation to a third party with no obligation for the employee to reimburse the employer.</p> <p>The taxable value of the debt waiver fringe benefit is the amount of the payment or repayment waived.</p>														
Excessive superannuation contribution	<p>A benefit provided by a tax-exempt employer to an employee consisting of contributions to a superannuation fund which, if the employer were taxable, would not be allowed as a deduction, is an excessive superannuation contribution fringe benefit. This applies to contributions by Public International Organisations (PIOs), listed in the First Schedule of the Act. If PIO's make pension and/or provident fund contributions amounting to more than 20% of the employee's salaries, then such excess over 20% constitute superannuation fringe benefit.</p> <ul style="list-style-type: none"> • An employer is entitled to a deduction for a contribution made to an employer superannuation fund in respect of a resident employee, and • a resident employee is entitled to a deduction for a contribution made to an employer superannuation fund. <p>The combined deduction allowed is limited to 20% of the employment income.</p> <p>The taxable value of an excessive superannuation contributions fringe benefit is the amount of the deduction which is not allowed.</p> <p>Example:</p> <table border="1"> <tr> <td>Employment Income</td><td>M100 000</td></tr> <tr> <td>Employee Contribution</td><td>M15 000</td></tr> <tr> <td>Employee Contribution</td><td>M15 000</td></tr> <tr> <td>Allowable tax deduction</td><td>M20 000 (20% of employment income)</td></tr> <tr> <td>Tax deduction allowed for employee</td><td>M15 000 (within the 20% limit)</td></tr> <tr> <td>Tax deduction allowed for employer</td><td>M5 000 (M20 000 less employee tax deduction of M15 000 = M5 000)</td></tr> <tr> <td>Excessive Superannuation Contribution Fringe Benefit</td><td>M10 000</td></tr> </table>	Employment Income	M100 000	Employee Contribution	M15 000	Employee Contribution	M15 000	Allowable tax deduction	M20 000 (20% of employment income)	Tax deduction allowed for employee	M15 000 (within the 20% limit)	Tax deduction allowed for employer	M5 000 (M20 000 less employee tax deduction of M15 000 = M5 000)	Excessive Superannuation Contribution Fringe Benefit	M10 000
Employment Income	M100 000														
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Allowable tax deduction	M20 000 (20% of employment income)														
Tax deduction allowed for employee	M15 000 (within the 20% limit)														
Tax deduction allowed for employer	M5 000 (M20 000 less employee tax deduction of M15 000 = M5 000)														
Excessive Superannuation Contribution Fringe Benefit	M10 000														
Return and payment of fringe benefits	<p>Every employer is obliged to pay and file a quarterly return (each period of 3 months) of fringe benefits provided to employees. The quarterly period for which the returns are required are:</p> <ul style="list-style-type: none"> • 1 April – 30 June, • 1 July - 30 September, • 1 October – 31 December, and 														

- 1 January – 31 March.

The return must be filed within 14 days of the end of the period to which it relates.

If employers fail to comply with the above requirements, they are guilty of an offence and liable on conviction to a fine and or imprisonment and additional tax.

(section 152 and 153)

4. Sources

- Income Tax Order
- Income Tax Order Explanatory Memorandum
- LRA Income Tax Public Ruling: Tax Treatment of Terminal Benefits (PR02/ITAX/2012)
- LRA Practice Notes: Taxation of Foreign Nationals
- Fringe Benefits Tax LRA Income Tax Public Ruling Issue 2
- LRA Tax Guide on taxation of Employment Income
- LRA Final Deduction System Guidelines
- LRA Notice: Income Tax Structure for the Period Starting 1 April 2020
- Lesotho Revenue Authority website: <http://www.lra.org.ls/>
- Legal Notice No. 23 of 1994
- Government Notice No. 23 of 1994 Income Tax Regulations, 1994 Explanatory Notes
- Government Gazette Vol. 65 No. 17

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