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Commissioner Domestic Taxes

Physical Address Lesotho Revenue Authority Tel: +266 22325931
Finance House P.O. Box 1085 Fax: +266 22310357
High Court Road Maseru 100 Website: www.lra.org.ls
Lesotho, Southern Africa

Instructions for Resident Individual Income Tax Return for Employment and Pension Income (Form S128EP) – Year Ended 31 March 2018

General Instructions

Who Must File an Income Tax Return

Residents of Lesotho. Generally, you are required by law to file a return of your total income from all sources (except income exempt from tax in Lesotho or subject to a final withholding tax in Lesotho) and calculate the tax due for the assessment year ended 31 March 2018. However, you do not need to file a return if either of the following applies:

- The income tax payable (before reduction by the personal credit) for the assessment year is less than the amount of the personal credit (the amount of which is M 6 960.00 if engaged in an income-earning activity for the entire year), or
- Your only income was (a) employment income of less than M 50,000 from a single employer from which tax was withheld or (b) a pension from which tax was withheld. This applies even if you have income exempt from tax in Lesotho or subject to a final withholding tax in Lesotho.

Even if you are not required to file a return, you should file if you are due for a refund and want to receive that refund.

Non-residents of Lesotho. You are required by law to file a return of your total Lesotho-source income and calculate the tax due for the assessment year ended 31 March 2018. Foreign-source income and income exempt from tax in Lesotho is excluded. Also, income subject to a final withholding tax in Lesotho is excluded unless you make an election under section 109(1) of the Income Tax Act 1993. If you are required to file, you are not eligible to use this form. Instead, file Form S128-I, Individual Income Tax Return.

Who May File this Resident Individual Income Tax Return for Employment and Pension Income

You are eligible to file this return (Form S128-EP) only if you meet **all** of the following requirements:

- You were a Lesotho resident for the entire assessment year.
- Your only income was employment income or from a pension. But if you also had income exempt from tax in Lesotho or subject to a final withholding tax in Lesotho (such as interest), you are still eligible to file this form.
- You were at least 18 years of age.

- You did not pay a person to prepare your tax return.

If you are required to file a tax return, but you do not meet the above requirements, you must file Form S128-I, Individual Income Tax Return.

When To File and Pay

Your return must be filed and the tax due must be paid no later than 30 June 2018. If you are unable to file by the due date, you may apply in writing to the Commissioner Domestic Services for an extension of time to file. An extension to file does not affect the due date for payment. You also may apply in writing to the Commissioner Domestic Services for an extension of time to pay if you can show good cause for not paying on time.

Penalties and Interest

There are penalties if you fail to file the return on time or pay the tax when due, including the possibility of imprisonment. Interest is also charged if you do not pay the tax on time.

How To Complete the Return

Complete only those parts of the return that apply to you. Express all figures in Maloti. After you have completed Parts A and B, transfer the income amounts to Part C. Be sure to read the line instructions, if any, that apply to the line you are completing. If there are no instructions for a line, that line is considered self-explanatory. Finally, do not forget to sign the declaration at the bottom of page 2.

Specific Instructions

Part A, Line 1

Employment information. Employment income means any payment, benefit, or gift arising from employment. This includes all gains (regardless of their nature) arising from the employment

relationship. If you would like more information about the specific items included or excluded from employment income, see the Instructions for Individual Income Tax Return (Form S128-I).

On line 1a, show the name and TIN of your main employer where you worked during the assessment year. On lines 1b and 1c, show the names and TINs of any previous or secondary employers where you worked during the assessment year. If you had more than three employers during the assessment year, attach a list with the additional information.

Enter your gross employment income for each employer in the space in the right-hand column on line 1a, 1b, or 1c. This amount should be shown in the taxable income box at the bottom right corner of Form P.16, Certificate of Total Emoluments and Tax Deducted Year End 31 March 2018. You should have received this form from your employer either by 28 April 2018 or within 7 days of the date your employment ended (if it ended during the assessment year). Ask your employer for this form, if you did not receive it. Attach the second copy of Form P.16 to your tax return. Keep the first copy for your records. On line 1d, add the amounts shown on lines 1a, 1b, and 1c, plus the amounts shown on the attached list if you had more than 3 employers.

Part A, Lines 2a through 2e

Unreimbursed employment-related expenses. These are employment-related expenses that you paid out of pocket that your employer did not pay back to you. Do not include on these lines any amounts for which you were paid back or received a subsistence allowance from your employer.

Part A, Line 2a

Travel expenses incurred for work. “Travel expenses” means fares; registration fees for any conference, seminar, or convention; and meals, accommodation, and other expenses

incidental to travel. Travel expenses **do not** include entertainment expenses or an expense or portion of an expense attributable to a relative accompanying the Taxpayer.

Travel expenses you incurred in the course of your employment are deductible, subject to the following rules:

- If the expense was incurred by more than one person, the expenses must be divided equally among the individuals to whom the expense was attributable.
- If you were not primarily engaged in employment activities on every day of a particular trip, the deductible amount is determined by multiplying the deduction by a fraction equal to the number of days you were primarily engaged in employment activities during the trip divided by the total number of days you were traveling. You are treated as engaged in an employment activity while in transit and on any day that is a weekend or public holiday where you engaged in business on the days both before and after the weekend or public holiday.

Substantiation required. To claim this deduction, you must keep in your records for at least 4 years:

- A travel diary that you filled in at the time of each trip showing:
 - a. The dates of departure and return for a trip,
 - b. The destination or locality of travel,
 - c. For each day of travel, the activities you undertook while at the travel destination, and
 - d. The amount of any expense you incurred on each day of travel for which a receipt is not required.

- Receipts for fares, registration fees, or accommodation, regardless of amount.
- Receipts for any other expense greater than M 50.

Do not attach the diary or receipts to your tax return.

Minimum deductible amount of overall unreimbursed employment-related expenses. The sum of the deductions on lines 2a, 2c, 2d, and 2e must **exceed** both M 2,500 and 5% of your gross income (Part A, line 1d + Part B, line 1c). Otherwise, no deduction is allowed on lines 2a, 2c, 2d, or 2e.

Part A, Line 2b

Education expenses to improve work knowledge or skills. If you incurred expenses in order to maintain or improve skills and knowledge required in your current employment, such expenses are deductible, subject to the following rules:

- The sum of such expenses incurred by you during the year of assessment exceeds M 1,000.
- The expenses are for enrolment and tuition fees; examination fees; or books, stationery, and other materials you purchased to undertake your study.
- The expenses incurred will not lead to a degree or diploma (that is, a formal qualification).

Part A, Line 2c

Expenses for technical and trade books and journals and association subscriptions. The following expenses you incurred that are related to your employment are deductible:

- Books, journals, and other publications.
- Subscriptions to any trade or professional association, including a trade union.

Minimum deductible amount of overall unreimbursed employment-related expenses. The sum of the deductions on lines 2a, 2c, 2d, and 2e must exceed both M 2,500 and 5% of your gross income (Part A, line 1d + Part B, line 1c). Otherwise, no deduction is allowed on lines 2a, 2c, 2d, or 2e.

Part A, Line 2d

Motor vehicle expenses incurred for work. “Motor vehicle expenses” means expenses or losses you incurred:

- For the operation, maintenance, and repair of a motor vehicle,
- To borrow money for the purpose of acquiring a motor vehicle, including interest on the money borrowed,
- To lease a motor vehicle, including rental payments under the lease,
- For depreciation of a motor vehicle you own. Calculate your depreciation deduction following the Instructions for Form S128-I, Part C, line 2e.

If you incurred expenses for the use of your motor vehicle in the course of your employment, you may deduct either the actual expenses incurred or M 1 per km travelled by the vehicle on employment-related travel. The cost of commuting between your residence and work is not considered to be in the course of your employment and is not deductible.

If you did not use your vehicle exclusively for employment-related travel, the deductible amount for actual expenses is determined by multiplying the deduction by a fraction equal to the distance travelled on employment-related travel divided by the total distance travelled by the vehicle during the year of assessment.

Substantiation required. To claim this deduction, you must keep in your records for at least 4 years, a daily log book that you filled in at the time of each trip showing:

- The total distance traveled by the vehicle each day,
- The distance travelled by the vehicle on employment-related travel,
- The destination,
- The object in making the trip, and
- If you are claiming actual motor vehicle expenses, the vehicle expenses you incurred.

Minimum deductible amount of overall unreimbursed employment-related expenses. The sum of the deductions on lines 2a, 2c, 2d, and 2e must exceed both M 2,500 and 5% of your gross income (Part A, line 1d + Part B, line 1c). Otherwise, no deduction is allowed on lines 2a, 2c, 2d, or 2e.

Part A, Line 2e

Home office expenses. A “home office” is the portion of your principal residence that you use:

- Exclusively and on a regular basis as your principal place of work, and
- For the convenience and at the request of your employer.

A “residence” includes a house, apartment, or similar property and all structures or other property connected to the residence (but not any portion you exclusively rented out to others as a hotel, motel, inn, or similar establishment).

A “home office expense” is an expenditure you incurred:

- To borrow money for the purpose of acquiring a principal residence, including interest on the money borrowed,
- To lease a principal residence, including rental payments under the lease,
- To insure your principal residence and its contents,
- For heating and lighting of your principal residence,
- For maintaining your home office, or

- For depreciation and repair of the furniture and equipment used in the home office. Calculate your depreciation deduction following the Instructions for Form S128-I, Part C, line 2e.

If a home office expense is not wholly attributable to the home office, the deductible amount for that expense is determined by multiplying the expense by a fraction equal to the floor area of your home office divided by the total floor area of your principal residence.

Minimum deductible amount of overall unreimbursed employment-related expenses. The sum of the deductions on lines 2a, 2c, 2d, and 2e must exceed both M 2,500 and 5% of your gross income (Part A, line 1d + Part B, line 1c). Otherwise, no deduction is allowed on lines 2a, 2c, 2d, or 2e.

Part A, Line 2f

Contributions you made to a complying superannuation fund. Enter the amount of the:

- Contributions you paid to a complying employer superannuation fund, but not more than 20% of the employment income paid to you by the employer sponsoring the fund, plus
- Contributions you paid to a complying self-provided superannuation fund, but not more than:
 - a. 20% of your gross income (Part A, line 1d + Part B, line 2c), minus
 - b. The total contributions you and your employers paid to complying employer superannuation funds.

Part A, Line 2g

Donations paid to the Lesotho Sports and Recreation Commission. You may deduct a

charitable deduction of M 1,000 or more in cash or the value of goods and services to:

- Support sport and recreation development through the provision of sports equipment and facilities, and
- Provide sponsorship of different sports codes and sport competitions and tournaments at different levels of the sports development continuum.

The donation must be paid to the Lesotho Sports and Recreation Commission for distribution to the beneficiary sporting association body, team, or individual athlete as stipulated by the donor in a letter of donation. The donation may be disallowed if it was indirectly meant to benefit you, members of your family, or your associates. Enter the amount paid from your employment income on this line and the amount paid from your pension income on line 2 of Part B.

Part B, Line 1

Pension information. A pension is a contract for an amount to be paid regularly to a person, usually following retirement from service. A pension includes periodic payments made to you from a superannuation fund or a retirement annuity. **Do not** include the following amounts on this return:

- A pension related to employment carried on in a foreign country if the pension income was taxed in the foreign country.
- War pensions and gratuities paid by the Lesotho Government on behalf of persons who retired before 11 March 1993.

On line 1a, show the name and TIN of your main pension payer for the assessment year. On line 1b, show the name and TIN of any previous or secondary pension payer for the assessment year. If you had more than two pension payers

for the assessment year, attach a list with the additional information.

Enter your gross pension income for each pension payer in the space in the right-hand column on line 1a or 1b. This amount should be shown in the taxable income box at the bottom right corner of Form P.16, Certificate of Total Emoluments and Tax Deducted Year End 31 March 2018. You should have received this form from the pension payer by 28 April 2018. Ask the payer for this form, if you did not receive it. Attach the second copy of Form P.16 to your tax return. Keep the first copy for your records. On line 1c, add the amounts shown on lines 1a and 1b, plus the amounts shown on the attached list if you had more than 2 pension payers.

Part B, Line 2

Donations paid to the Lesotho Sports and Recreation Commission. See the instructions for Part A, line 2g.

Part C, Line 3a

Threshold apportionment

Threshold apportionment

If you were a part-year resident or not engaged in an income-earning activity for the entire year, your chargeable income must be apportioned i.e. spread over a year. For example, if your only income was M50,000.00 which you earned over five months period, then the apportionment is calculated as follows;

- $50,000 / 12 = 10,000.00$ income per month. (i.e. income which would be earned per month if the 50,000 was earned over a year)

We know that the first M58 680.00 is taxed at 20% per annum meaning that $58,680./12 = 4,890.00$ per month is taxed at 20%. Any amount above this is taxed at 30%.

Thus tax payable per month would be;

- Tax on the first 4,890.of 10,000= (4,890.*20%)=978.00
- Tax on the excess = (10,000.-4,890)*30%=5,110.*30%=1,533
- Total tax=2,511
- Less tax credit=(6960./12)=580..
- Tax payable=1,931.

Therefore the tax payable for the 5 months should be $1,931.*5=9,655$.

Part C, Line 5

Personal tax credit. Enter M6 960.00 if you engaged in an income-earning activity for the entire year. If you engaged in an income-earning activity for only part of the year, you must apportion the credit based on the number of months you were so engaged. When determining the number of months, count the number of months you were employed or held an income-earning investment (such as a savings account or shares in a company). For example, if you had no income-earning investments, but you were employed for 8 months during the year, multiply M6, 960.00 by 8/12. The result is M4, 640. so you would enter M4, 640. on line 5.

Part C, Line 8

Tax due. The amount on line 8 is the amount you must pay when you file your return. You may file your return at any of the following locations:

- First National Bank (FNB), Nedbank, or Standard Lesotho Bank, or
- Tax Advice Centre, Finance House, Maseru, or
- Regional Tax Advice Centre, Leribe, or
- Regional Tax Advice Centre, Mophale's Hoek.

You may also send your return by post to the Commissioner Domestic Taxes, Lesotho Revenue Authority, PO Box 1085, Maseru 100.

You may pay by cash, cheque, or banker's draft if you bring your return to a bank or advice centre. If you send your return by post, you may pay by cheque or banker's draft made payable to "Commissioner Domestic Taxes."
Do not send cash.

Part C, Line 9

Tax overpaid. The amount on line 9 is the amount that will be refunded to you if you have ticked the box on line 9, have no outstanding tax liabilities, and have made no errors in completing your return. See the Part C, line 8 instructions to find out how to file your return.

Normally, your refund will be sent to you within 46 calendar days of filing your return.

Declaration of Taxpayer or Representative

Before you file your return, you must sign the declaration on page 2. If you give false information or conceal any part of your income, you can be prosecuted. If the Taxpayer is legally incapacitated, the return must be signed on behalf of the Taxpayer by the Taxpayer's representative.