

A Practical Guide to Doing
Business in

MALAWI



INVEST IN **MALAWI**

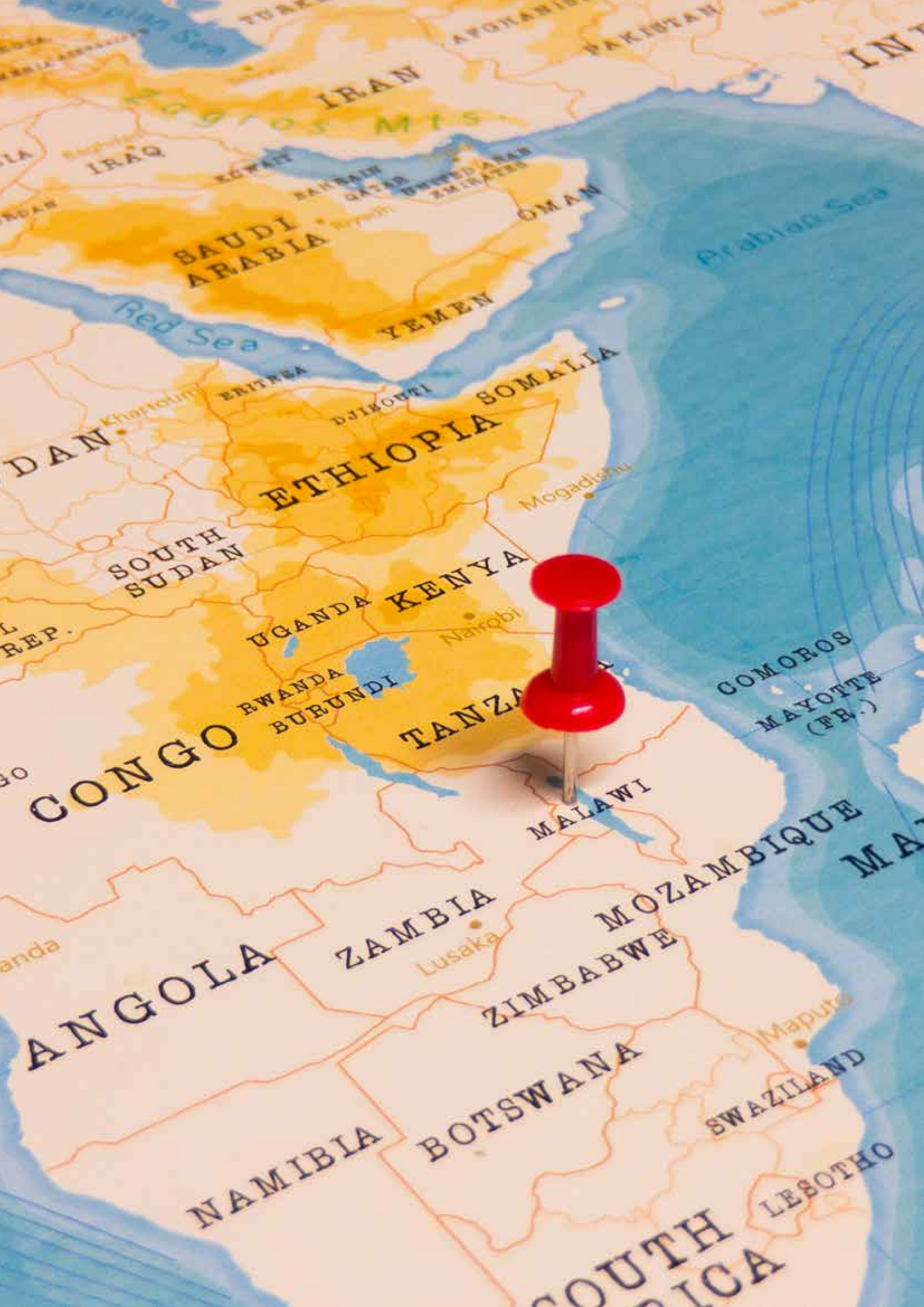
INVEST IN THE HEART OF AFRICA

PREFACE

This guide was prepared and financed by the COMESA Regional Investment Agency (RIA), with input from the Malawi Investment and Trade Centre. It aims to give business executives a brief overview of the investment climate, taxation, and other information pertaining to doing business in Malawi. Making decisions about foreign operations is complex and requires an intricate knowledge of a country's business climate. This information in this publication is updated to June 2022.

INVESTOR'S GUIDE TO MALAWI

In the preparation of this guide, every effort has been made to offer current, correct, and clear information. However, the information herein is only intended to be a general guideline. This publication is distributed with the understanding that COMESA RIA is not responsible for the result of any actions or decisions taken on the basis of the information contained in this document, nor for any errors or omissions it contains.



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01

**GENERAL COUNTRY
INFORMATION**

01. GENERAL COUNTRY INFORMATION

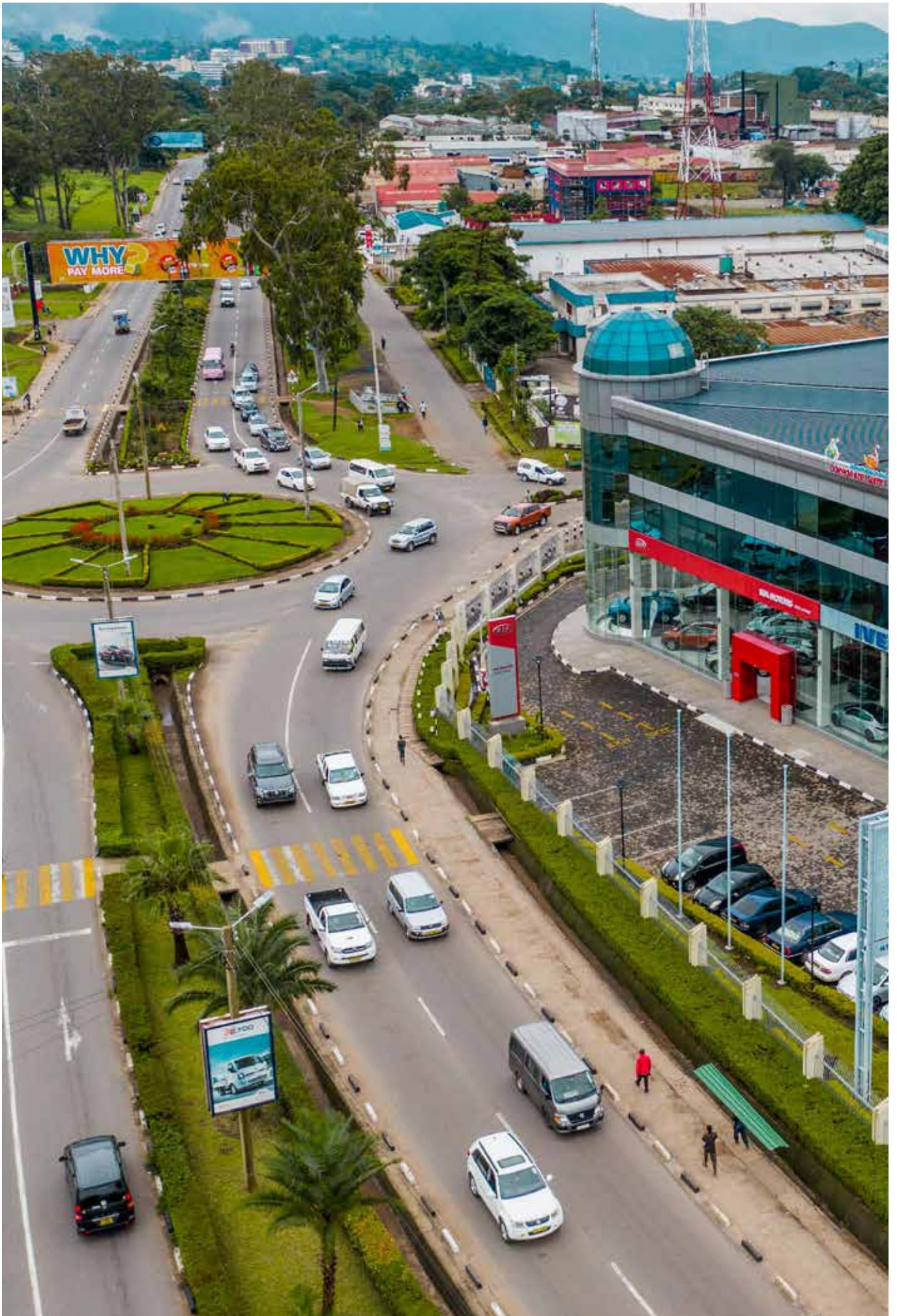
Parameter	Malawi
Official name	Republic of Malawi
Form of State	Multiparty Democracy
Area	118,500 square kilometres
Population	17,563,749 (2018)
Official Language	English
National Language	Chichewa
Religion	Christianity, Islam
Time Zone	GMT+2
Currency	MW Kwacha
Total GDP	US\$12.2 Billion (2020)
Real GDP Per Capita	US\$394 (2020)
GDP growth	3.9% (2021)
Total Export Volumes	US\$914.8 million
Total Import Volumes	US\$2497.7 million

Malawi, known as the 'Warm Heart of Africa', is located in south-eastern Africa, bordering Mozambique to the east and south-west, Tanzania to the north and north-east, and Zambia to the west and north-west. The country has a rich and vibrant cultural history and a strong tradition of democracy. It became an independent state in 1964 and a republic two years later.

The country has enjoyed more than 50 years of peaceful independence. It is a thriving democracy, having successfully transitioned from a one-party to a multiparty state in 1993, with subsequent democratic elections held in 1994, 1999, 2004, 2009, 2014, 2019 and presidential re-run elections in 2020.

GEOGRAPHICAL LANDSCAPE

Malawi is predominantly flat, endowed with spectacular highlands and extensive lakes. It occupies a narrow, curved strip of land along the East African Rift Valley covering 118,500km². The country has Africa's third largest body of fresh water, Lake Malawi, which is home to hundreds of species of fish. Three-quarters of the land area is made up of plateaus of different altitudes. The high plateaus are cooler and wetter than the hot and humid Rift Valley region.







02

**LEGAL AND JUDICIAL
SYSTEM**

02. LEGAL AND JUDICIAL SYSTEM

The 1994 Constitution's Bill of Human Rights protects the independence of the judiciary. The Constitution defines the judiciary as being a hierarchical system of courts. The highest court is the Supreme Court of Appeal, which operates together with a High Court and a number of magistrates' courts. The Judiciary of Malawi interprets and applies the country's laws to ensure equal justice under law and provides a mechanism for dispute resolution. The Malawian judiciary has frequently demonstrated its independence in recent years.

SUPREME COURT OF APPEAL

The Supreme Court of Appeal is the superior court of record and has such jurisdiction and powers as conferred on it by the Constitution or any other law. It is the highest appellate court and can hear appeals from the High Court and Tribunals, as may be prescribed by an Act of Parliament. Under the current constitutional arrangement, no court can be established that is higher than the Supreme Court of Appeal.

The Justices of the Supreme Court of Appeal comprise the Chief Justice and no fewer than three Justices, as may be prescribed by an Act of Parliament.

THE HIGH COURT

The High Court has unlimited original jurisdiction to hear and determine civil or criminal proceedings under the law. It can review any law and any action and decision of the Government for conformity with the Constitution unless otherwise provided by the Constitution. Under the current constitutional arrangement, no court, other than the Supreme Court, can be established of superior or concurrent jurisdiction with the High Court.

Judges of the High Court are appointed by the President of the Republic of Malawi on the recommendation of the Judicial Service Commission. Upon appointment, judges are posted to various divisions of the High Court, which are the Civil Division, Commercial Division 1, Criminal Division 2, Family and Probate Division, and Revenue Division.

SUBORDINATE COURTS

a. Industrial Relations Court

This court has jurisdiction over employment issues. Cases before it are heard informally, and with some restrictions on legal representation by a panel consisting of a chairperson and one representative each from employer/s and employee/s.

b. Magistrates' courts and local or traditional courts.

These have defined criminal and civil jurisdiction depending on their level, but are not mandated to deal with cases of treason, murder or manslaughter.

JUDGES

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Simeonites the
the Canaanites
tally destroyed
Joshua 1:1



03

ECONOMY



03. ECONOMY

Malawi's economy remains relatively stable despite the global economic slowdown brought about by the Covid-19 pandemic in early 2020. In 2021, however, the economy was estimated to have grown by 3.0 percent, up from 0.8 percent in 2020. This growth was attained in spite of the continued negative impact of the Covid-19 pandemic over the period and into 2022. The economy is being boosted by significant investments in the energy sector, agriculture and infrastructure.

In 2020, growth was mostly driven by the following sectors: mining and quarrying, the hospitality and food services sector, transportation, wholesale and retail business, health, agriculture, electricity, water and gas and manufacturing. Other key sectors of the economy include agriculture, agro-processing, energy, ICT, tourism and services.

Agriculture still dominates Malawi's economy, and it contributes almost a third of the country's GDP. The sector employs most of the paid workforce and supports more than 60 percent of the population. The main export and most cultivated crop is tobacco, which accounts for 55 percent of total exports. Other revenue-generating crops include tea, coffee, sugarcane, cotton, sorghum, potatoes and corn/maize.







04

LICENSING AND PERMITS

04. LICENSING AND PERMITS

The Malawi Investment and Trade Centre (MITC) operates a One Stop Service Centre (OSSC) for investment registration in Malawi. The OSSC signals the commitment by the Government of Malawi to serve all investors in a coordinated and uniform manner. It has dedicated and experienced specialists to assist investors to get all the necessary information on the investment process, business registration, available tax incentives, immigration permits and land acquisition for investment. It is also designed to reduce cost of doing business by ensuring speedy processing of investment applications for all investors.

REGISTRATION OF INVESTORS

STEP 1: OBTAIN A CERTIFICATE OF INCORPORATION FROM THE REGISTRAR OF COMPANIES.

Prospective investors are required to incorporate a company in Malawi with the Registrar of Companies before proceeding further with any investment-related activities. The Registrar issues a Certificate of Incorporation once a company is registered.

LOCAL COMPANY

A local company is defined as a company incorporated under the Malawi Companies Act. This is a local company that is formed or becomes a body corporate under the Companies Act (Cap 46:03) of the laws of Malawi.

To register a company, the following must be submitted to the Registrar of Companies:

1. Memorandum of Association with at least two subscribers (shareholders/members)
2. Articles of Association which should show the following information:
 - Full name, residential and postal addresses and the occupation of first directors and the company secretary
 - Location and postal address of the company's registered office
 - Proof that they have been signed by or on behalf of directors

FOREIGN COMPANY

An External or Foreign Company is defined as a body corporate formed outside Malawi that establishes or maintains an established place of business in Malawi. 'Established place of business' means fixed place of business except an Agency, unless the Agent has general authority to negotiate and conclude contracts on behalf of that body corporate or maintains a stock of its goods in order to fulfil orders on its behalf.

Registration requirements for a foreign company are:

- Power of Attorney for an agent to register a company on its behalf
- A duly authenticated (notarized) copy of the Memorandum and Articles of Association
- A notarized Certificate of Incorporation issued by the registration authority in the country of origin/incorporation
- Notarized shareholder resolution authorising the opening of a branch or subsidiary in Malawi
- Authenticated copies of passport copies of shareholders
- List of directors resident in Malawi

STEP 2: OBTAIN INVESTMENT CERTIFICATE FROM MALAWI INVESTMENT AND TRADE CENTRE

Once the incorporation of the company has been finalized, investors are required to obtain an investment certificate from the Malawi Investment and Trade Centre (MITC). The minimum investment capital to apply for an investment certificate is US\$50,000. The process is as follows:

- Complete an investment application form
- Provide a detailed Business Proposal /Plan or duly completed Business Plan Template
- Provide a copy of a Memorandum of Association
- Provide a Certificate of Incorporation
- Provide a copy of the personal information page of the project shareholders' passport(s)

The application fee for the certificate is US\$200 and issuance fee is US\$800.

STEP 3: OBTAIN SECTOR PERMITS AND LICENCES

Once the Investment Certificate is approved, the MITC assists investors to get any additional licences and permits that they may need in order to start their operations. These include Business Residence Permits, Temporary Employment Permits, Tourism Licences, Communications Licences, and Energy Licences, among others. Below is a list of some sector-specific licenses and permits that businesses need to acquire:

- The Department of Environmental Affairs issues an Environmental and Social Impact Assessment certificate;
- A hospitality business must register with the Tourism and Hotels Board to apply for a Tourism Development Certificate;
- An agriculture seed production investment entity must register with Seed Services Unit of the Department of Agricultural

Research Services (DARS) under the Ministry of Agriculture, Irrigation and Water Development;

- A medical/clinical entity must register with Medical Council of Malawi while a pharmacy entity has to register with the Pharmacy, Medicines and Poisons Board;
- An education business entity must register with the Ministry of Education or National Council for Higher Education to invest in or establish a tertiary education institution;
- A telecommunications entity must register with the Malawi Communications Regulatory Authority;
- A transport business entity must register with Ministry of Transport and Public Works as follows: a road transport business must register with the Road Traffic Directorate, an air transport business must register with the Department of Civil Aviation, and a marine services company must register with Department of Marine Services;
- A construction business entity must register with National Construction Industry Council;
- An energy related investment must register with the Malawi Energy Regulatory Authority;
- A company wanting to invest in irrigation must contact the Department of Irrigation in the Ministry of Agriculture, Irrigation Water and Development and the National Water Resources Authority for water-related investments;
- An investment in the cannabis sector requires registration with and licences to be issued by the Cannabis Regulatory Authority.





05

**POPULATION/
DEMOGRAPHICS**

05. POPULATION/DEMOGRAPHICS

Malawi's population stood at 17,563,749 million in 2018 and it is expected to double by 2038. Of the country's total population, 44 percent reside in Southern Region, 43 percent in the Central Region and 13 percent in the Northern Region, according to the National Statistics Office.

The country's population density stood at 186 persons per square kilometre in 2018. The urban population has increased from about 850,000 in 1987 to 1.4 million in 1998 and 2.0 million in 2008. By 2018, it was 2.8 million. The youth comprise the majority of the population, accounting for 49 percent of the total. This is reflected in the age and sex pyramid below.

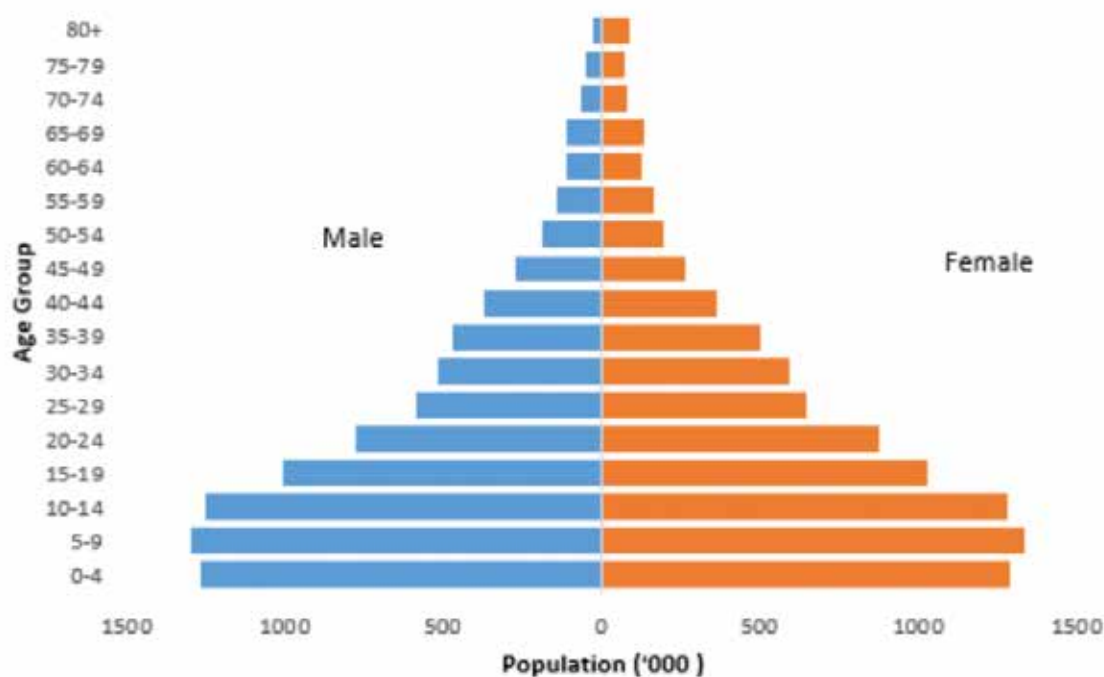
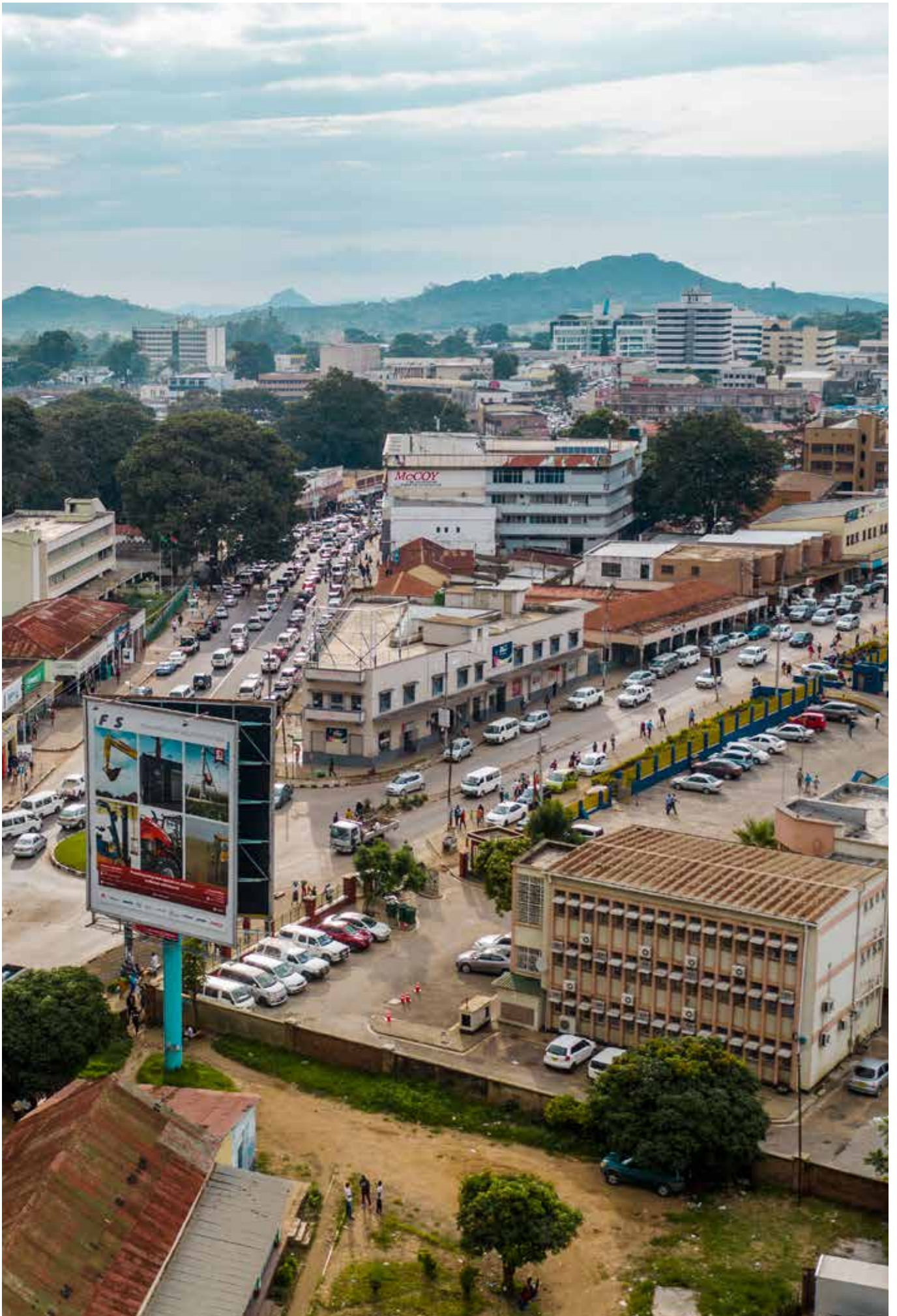


Figure 1: Population pyramid of Malawi - 2018





06
EDUCATION



06. EDUCATION

The education sector comprises five sub-sectors: Basic Education, which consists of Early Childhood Development, Complementary Basic Education, Adult Literacy and Primary Education; Secondary Education; Teacher Education, and Tertiary Education (Universities, Technical and Vocational Education).

a. Primary education

After eight years in Primary Education, a learner gets the Malawi Primary School Leaving Certificate of Education (PSLCE).

b. Secondary education

Admission to four years of secondary education depends on successful performance at the PSLCE level.

EXAMINATION SYSTEM

Examinations for primary and secondary levels are administered by the Malawi National Examinations Board (MANEB).

a. Tertiary /Higher education

After successful completion of the Malawi School Certificate of Education (MSCE), learners may join various types of tertiary education institutions, such as teacher training colleges, Technical, Industrial, Vocational and Entrepreneurship Training (TVET) institutions and private or public universities.

b. Non-Formal education

The non-formal education consists of Early Child Development and Adult Education (under the Ministry of Gender); Out of School Youth and Functional Literacy (under the Ministry of Youth and Sports) and Complementary Basic Education (under the Ministry of Education).

HUMAN CAPITAL

Malawi's population and its labour force are increasing rapidly. The country has a relatively well-educated workforce with entrepreneurial skills. It also has a large pool of highly educated, and skilled labour, trained within the country and in institutions around the world. Malawi's education system has prioritised formal academic education and TVET training. The country has made deliberate efforts to construct community technical colleges aimed at increasing access to quality and market-relevant skills.







07

INFRASTRUCTURE AND UTILITIES

07. INFRASTRUCTURE AND UTILITIES

INFRASTRUCTURE INVESTMENT

Over the years Malawi has invested substantially in its infrastructure outlay in order to improve the ease of doing business. This includes development of the energy sector through the development of Independent Power Producers and increasing power generation capacity, as well as the development of the water supply system and road network infrastructure.

WATER

Water in Malawi is affordable and is supplied by five major water boards: the Blantyre Water Board, Southern Region Water Board, Lilongwe Water Board, Central Region Water Board and Northern Region Water Board.

ELECTRICITY SUPPLY

The Electricity Supply Corporation of Malawi (ESCOM) provides power to the major business users as well as households.

TELECOMMUNICATIONS

The Malawi telecommunications sector offers businesses efficient services, including reliable cellular and internet services and other modern communication technologies.

TRANSPORTATION

Malawi is investing substantially in its transport infrastructure. The transport network, which comprises 15,451 kilometres of roads, handles more than 70 percent of internal freight traffic and 99 percent of passenger traffic. The Government is also expanding the country's two international airports to accommodate more flights, while there is significant investment in rail transport to facilitate transportation of goods along the Nacala Corridor.







08

TAXATION

08. TAXATION

According to the Malawi tax laws (promulgated under the Taxation Act and VAT Act), owners of businesses, both individuals and companies, are required to register for tax with the Malawi Revenue Authority (MRA), regardless of the size, nature or location of the business.

To register, investors must provide to the Malawi Revenue Authority the following documents: business registration certificate and valid identity document for individuals, and Articles of Association and Certificate of Incorporation for a limited company.

Tax registration is free and can be done at any MRA office. The MRA will issue a Taxpayer Identification Number (TIN), which must be used for any correspondence with the Authority.

CATEGORIES OF TAXES IN MALAWI

There are two main categories of taxes in Malawi: customs and excise taxes and domestic taxes.

Customs & Excise Taxes are taxes imposed at a rate that is a percentage of the Cost, Insurance and Freight (CIF) value of imported goods. In Malawi, Customs & Excise Taxes comprise the following:

- Import Duty
- Import Excise
- Import Value Added Taxes (VAT) and
- Export Duty

Domestic Taxes are taxes collected from income generated within the geographical confines of the country. These include the following: -

- Income Tax
- Value Added Tax
- Fringe Benefit Tax
- Non-Resident Tax
- Withholding Tax on Dividends
- Domestic Excises
- PAYE
- Capital

The following are the specific key tax regimes in Malawi.

Type	Rate
Corporate income tax	Standard rate of 30%. Investment income from pension funds is also subject to tax
Foreign branch tax	35%
Personal income tax	The first MWK 30,000 (about US\$40) of income is tax free. Thereafter, income is taxed at 15% up to a certain level and it escalates to 30% for higher income brackets
Value-added tax	16.5%. Banking and life insurance services are exempt from VAT
Dividends withholding tax	10%, unless reduced under an applicable tax treaty
Interest withholding tax	20% applies to residents; 15% applies to interest payments made to non-residents, unless reduced under an applicable tax treaty
Royalties withholding tax	20% applies to residents; 15% applies to interest payments made to non-residents, unless reduced under an applicable tax treaty

CORPORATE TAX

The tax is set out below: Investment income of pension funds is subject to the corporate tax rate

CORPORATE TAX

Category	Tax rate (%)
Standard rate	30
Priority sector	25

PERSONAL INCOME TAX

Pay As You Earn (PAYE) is collected, as Income Tax on employees' earnings.

The procedures for administration of PAYE are as follows:

- Deduction is made by the employer when the payments are made. PAYE can be deducted and remitted by an investor weekly, fortnightly or monthly.
- For income tax purposes, the accounts must be submitted to the Authority at the end of the accounting period. The date of submission is 180 days or six months from the end of the accounting period. The accounting period or business year is decided by the taxpayer.

Currently, the applicable rates for PAYE on a monthly basis are as follows.

PERSONAL INCOME TAX

Tax Band (Chargeable Income)	Rate
The first K100,000 (US\$40.9)	0%
The next K900,000 (US\$ 6.8)	25%
The excess of K2,000,000 (US\$34)	30%
The excess of K3,000,000	35%
The excess of K6,000,000	40%

VALUE ADDED TAXES

VAT is collected by registered businesses at all points in the chain of production and distribution, including from manufacturers, wholesalers, retailers, and service providers. It is also charged on imported goods and services.

The following are the guidelines on VAT eligibility and the registration and remittance process:

- The 16.5 percent VAT is payable by an investor whose goods or services qualify for tax and whose business turnover is estimated to be or exceeds K25 million (about US\$31,250) per year.
- An investor must register for VAT at any domestic tax office. They will receive a registration certificate which must be displayed permanently at the main place of business.
- A registered company that sells goods that are subject to tax must charge VAT and remit this to the MRA by the 25th day of the month, immediately following the month to which the tax relates.

DOMESTIC EXCISE TAX

There are two components of Excise Tax. There is an Import Excise Tax, which is levied on certain imports and is administered by the Customs Division, as well as Domestic Excise, which is levied on certain locally manufactured products and services and is administered by the Domestic Taxes Division.

Details of the tax registration process, remittance and prevailing excise tax rates are as follows:

- An investor engaged in manufacturing of goods is required by law to complete entry of premises EX37 forms in triplicate, which must be accompanied by plans of the premises and plant.
- The MRA Commissioner General issues a licence to a manufacturer if satisfied that the investor meets the conditions set by the Customs and Excise Act.
- Domestic Excise Tax is payable by the 20th of the following month.
- The amount of Domestic Excise Tax to be paid is determined by multiplying the cost of production of each product by its rate as outlined under column 10 of the Customs and Excise Tariff Order.

The following are the prevailing domestic excise tax rates:

DOMESTIC EXCISE TAX

Commodity /item	Rate
Spirits	250 percent of the cost of production
Opaque beer	30 percent of the cost of production
Clear beer	90 percent of the cost of production
Bottled water	10 percent of the cost of production
Airtime	10 percent of sales
Gaming	10 percent of sales
Audio tapes	20 percent of the cost of production
Cigarettes	US\$30 per 1,000 cigarettes

TURNOVER TAX

Turnover Tax is levied on gross income from businesses. This includes gross receipts, gross earnings, revenues, takings, yields and proceeds.

Turnover tax is levied at 2 percent of the gross receipts for businesses with an annual turnover exceeding MK6.0 million. In Malawi, the turnover tax is applicable to all categories of income except rental income, management fees, professional fees or training fees, income of incorporated companies and any income that is subject to a final Withholding Tax.

The Turnover Tax return should be submitted to the MRA on or before the 20th day of the month following the end of the tax period. For example, a return for the month of May 2022 should be submitted to the MRA on or before 20th June 2022.

FRINGE BENEFIT TAX

The Fringe Benefit Tax (FBT) is tax paid on the taxable value of fringe benefits being provided by an employer to an employee.

The rate for FBT is 30 percent and all employers except where the Government is liable to pay it.

To register, an employer needs to complete Form FBT 1 and Form FBT 2 for remittance. Registration should be done 14 days after an employee is granted a fringe benefit.

CUSTOMS DUTIES

Customs duty refers to tax payable on imported goods and is levied at 30 percent of the import value. However, goods may enjoy preferential rates of duty when they are imported from a country or countries that are signatories to a bilateral, regional or global trade agreement with Malawi, if the terms of the agreement provide for this.

The preferential duty rates will not apply where the conditions or terms of the agreement are not met in full, such as when an importer is not able to produce a valid Certificate of Origin.

The following are the procedures for paying customs duty, goods declaration by investors and any other importers into Malawi:

- Investors are required to Complete Form 47 to declare all the goods imported and their value;
- The goods are examined by customs officials to confirm the declaration and determine the taxes payable;
- MRA determines the customs values using genuine invoices of the imported goods. The invoice value may include cost, insurance and freight (CIF) and other charges as required by WTO Valuation Agreement 1994. The MRA converts the invoice value into Malawi Kwacha using official exchange rates provided by the Reserve Bank of Malawi on a weekly basis; and

Imported goods whose value is more than K100,000 (about US120\$) are required to be cleared through a customs clearing

agent using Form 12.

WITHHOLDING TAX

Withholding Tax is an advance payment of income tax that is deducted from specified payments. It is deducted by the payee.

Any individual, partnership, trust, association, company, club, statutory body, council, Government ministry or department or any religious organization that makes payments to any other party is eligible to register with the MRA to pay Withholding Tax.

The tax is deducted using specified rates, according to the 14th Schedule of the Taxation Act, as follows:

WITHHOLDING TAX

Nature of payment	Rate
Royalties	0%
Rent	25%
Food supplies to traders and institutions	30%
Other supplies to traders and institutions	35%
Commission	40%
Carriage and haulage	10%
Contractors/subcontractors	4%
Public entertainment	20%
Casual labour exceeding K35,000 (about US\$40)	20%
Services	20%
Bank interest exceeding K10, 000 (US\$13.6)	20%
Fees	10%
Tobacco sales	3%

TAX INCENTIVES

A wide range of tax incentives is available to prospective investors. Attracting new investment is a priority for Malawi in its efforts to promote development, enhance output, boost foreign exchange, and expand employment opportunities. These tax incentives aim to assist businesses to grow and expand their operations, thereby contributing to the overall socio-economic development of the country.

Below are some of the incentives that investors can access:

GENERAL CUSTOMS & EXCISE TAX INCENTIVES

- Import duty and import VAT exemption on the importation of most machinery.
- Import duty and import VAT exemption on importation of special purpose motor vehicles other than those principally designed for the transport of persons or goods.
- No duty on imported solar products. Examples of such products include solar batteries and solar energy lamps. However, VAT remains payable at 16.5 percent.

GENERAL DOMESTIC TAXES

- Losses are carried forward up to six years for businesses
- Initial and annual allowances at various rates are granted besides the depreciation (annual) allowances.
- Commercial buildings with a construction cost of MK100 million or above are subject to an annual allowance of 2.5 percent.
- A claim of 50 percent allowance of social contributions paid directly into the building of a public hospital or school, or the sponsoring of youth sporting development activities.

A SUMMARY OF SPECIFIC INCENTIVES

Agriculture	Manufacturing	Energy	Tourism	Construction	Mining	Exports
Import duty and VAT free on importation of livestock intended for breeding	For projects that qualify for Industrial Rebate Scheme, import and excise duty exemption of raw materials for designated manufacturing industries, but VAT is payable at 16.5%	Duty free importation but VAT payable at 16.5% on electricity generation and solar equipment	No import duty, import excise or VAT on the import of specialized equipment	Duty and VAT-free importation of crane lorries, concrete mixer lorries, mobile drilling derricks and track laying tractors.	Duty free and VAT free on importation of specialized goods for use in mining	25% export allowance for non-traditional exports
	Import and VAT free entry for raw materials used in the manufacture of fertilizer, medicaments and pharmaceuticals					
Import duty, import excise and VAT free importation of irrigation equipment	Pre-business expenses of up to 18 months are allowable expenses					25% international transport allowance for non-traditional exports
Exemption of duty, import excise and VAT on importation of equipment for horticultural production	Losses are carried forward for six years to encourage investment in profitable business ventures					Exports are VAT zero-rated
Import duty, import excise and import VAT free on importation of equipment for fishing industry	Capital allowances for various capital items for the manufacturing sector.					
Duty Free and VAT free importation of agricultural goods and equipment used for farming						
Some capital expenses are treated as acceptable expenses						

NON-FISCAL INCENTIVES

Details of all incentives, both fiscal and non-fiscal are available from the Malawi Investment and Trade Centre, which operates a One Stop Service Centre (OSSC) for investment registration in Malawi. The OSSC deals with issues such as company registration and incorporation, application for business permits, identification of land for investment, registration for domestic taxes and procedures on how to access tax incentives for investors.





09

HUMAN RESOURCES

09. HUMAN RESOURCES

Employment in Malawi is guided by four laws:

a. The Labour Relations Act, 1996: The Act promotes sound labour relations through the protection and promotion of freedom of association, the encouragement of effective collective bargaining and the promotion of orderly and expeditious dispute settlement.

b. The Employment Act, 2000: This Act establishes, reinforces, and regulates minimum standards of employment with the purpose of ensuring the equity necessary for enhancing industrial peace and accelerating economic growth and social justice. For instance, it requires employers to set out employees' normal working hours in the employment contract and define overtime hours for employees.

c. The Workers' Compensation Act, 2000: The Act provides compensation for injuries suffered or diseases contracted by workers in the course of their employment or for death resulting from such injuries or diseases. It also provides for the establishment and administration of a Workers' Compensation Fund.

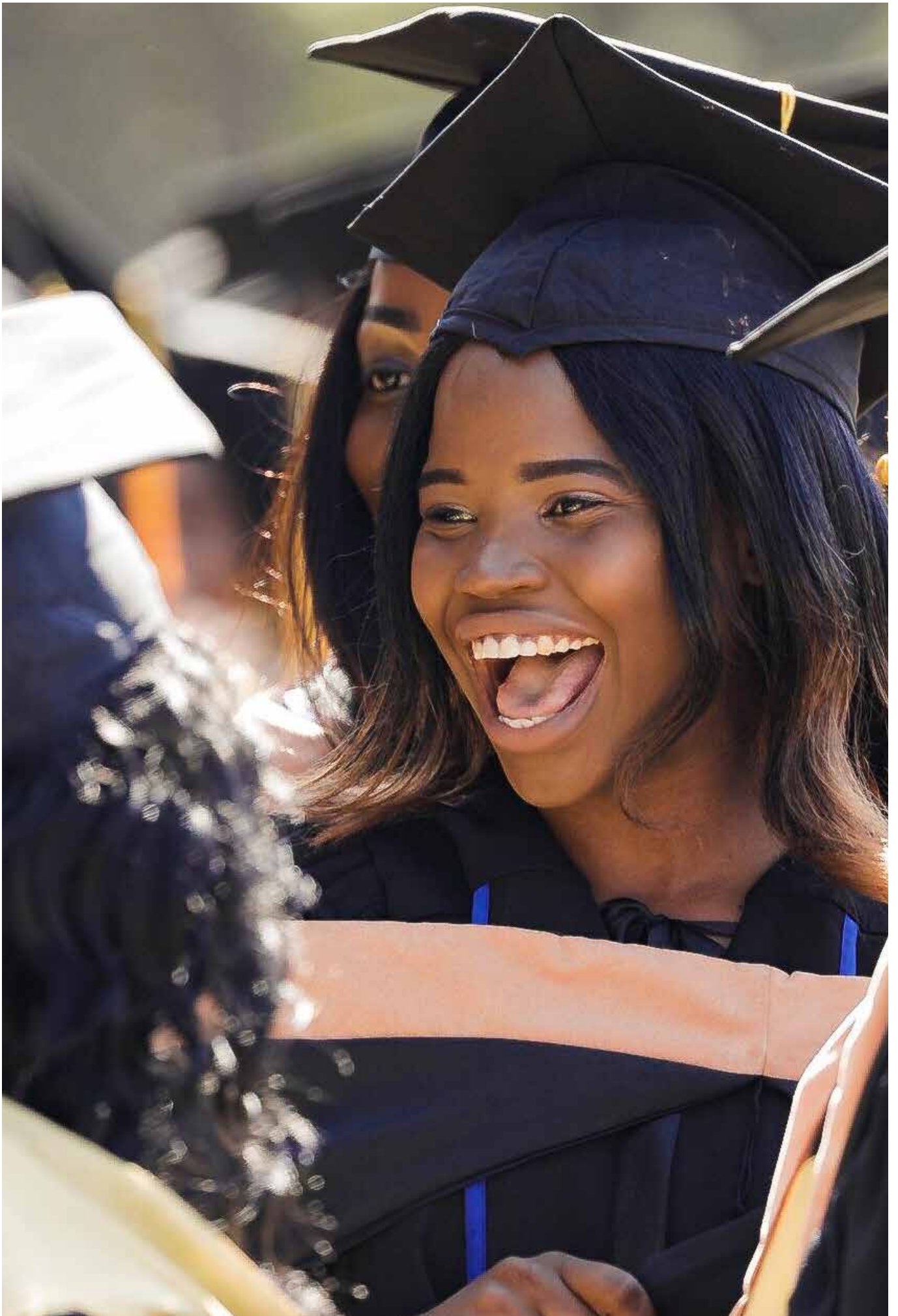
d. The Occupational Safety, Health and Welfare Act, 1997: This makes provision for the regulation of the conditions of employment in workplaces as regards the safety, health and welfare of employees, for the inspection of certain plant and machinery, and the prevention and regulation of accidents involving employees in the workplace.

FOREIGN WORKERS - EMPLOYMENT PERMITS

All investors and non-Malawian workers are required to obtain permits from the office of the Director General for Malawi Immigration and Citizenship Services under the Ministry of Homeland Security.

Shareholders of a company that are non-Malawians, are required to obtain a Business Residence Permit which is valid for five years. The fee for the permit is US\$7,600.00. Expatriates are required to obtain an Employment Permit which is valid for two years. The fee for the permit is US\$2,100.

It should be noted that once investors have acquired an investment certificate from the Malawi Investment and Trade Centre, the Immigration Specialist under the One Stop Service Centre can facilitate the permit acquisition process on behalf of the investors. Alternatively, they can apply directly to the Department of Immigration. This is dependent on the nature of business the investors will be undertaking in the country.







10

TRADE

10. TRADE

Malawi continues to participate actively in bilateral, regional and multilateral trade agreements with the aim of benefiting from wider market access and integrating into the global economy.

BILATERAL TRADE AGREEMENTS

Malawi has an asymmetrical bilateral trade arrangement with South Africa and symmetrical bilateral trade agreements with Zimbabwe and Mozambique, which facilitate the duty free quota for Malawian products to these markets. A Customs Agreement with Botswana is essentially non-operational as the business community prefers to use the preferences offered under the Southern African Development Community (SADC) Free Trade Area. rather than this agreement.

REGIONAL TRADE AGREEMENTS

Malawi is a member of the Common Market for Eastern and Southern Africa (COMESA) Free Trade Area and the SADC Free Trade Area. It is also a member of the Tripartite Free Trade Area (FTA) covering three Regional Economic Communities – COMESA, SADC and the East African Community. The Tripartite Free Trade Area encompasses 26 Member/Partner States from the three trade blocs. It is the largest trade bloc on the continent and a key part of the African Continental Free Trade Area.

MULTILATERAL TRADE AGREEMENTS

Malawi continues to actively participate in the multilateral trade arrangements under the World Trade Organization framework. This assists the country to safeguard its interests by focusing on trade-related development issues such as market access in agricultural and industrial products, preserving existing trade preferences and benefits offered by its membership of the Least Developed Countries (LDCs) programme, and reduced non-tariff barriers to trade. Malawi is the second African LDC to have ratified the WTO Trade Facilitation Agreement.

UNILATERAL PREFERENTIAL TRADE ARRANGEMENTS

Malawi enjoys preferential market access to the European Union (EU) under the Everything but Arms (EBA) initiative, which is part of the EU Generalized System of Preferences (GSP). Through this initiative, LDCs enjoy duty and quota-free access to the EU for all imports, with the exception of armaments. The country has enjoyed preferential duty and quota free market access to the United States under the African Growth and Opportunity Act (AGOA) since 2000. It also benefits from a duty free agreement with the Peoples Republic of China and India's Duty Free Tariff Preference Scheme, which are offered to LDCs, in addition to the EBA preferences.







11

AREAS OF OPPORTUNITY/ SECTORS

11. AREAS OF OPPORTUNITY/SECTORS

In line with the government's strategy to diversify the economy away from agriculture, policy is geared to providing incentives for private sector investment. Investment opportunities are available to a wide range of sectors including the agriculture, agro-processing, manufacturing, energy, mining, ICT and tourism sectors. The Malawi Investment and Trade Centre has detailed information for investors interested in the country.

AGRICULTURE AND AGRO-PROCESSING

Malawi's agriculture sector continues to drive the economy, contributing around 30 percent to the Gross Domestic Product. The country has over 3.5 million hectares of arable land and rich fertile soils that support production of a wide range of crops such as tobacco (which accounts for 60 percent of export revenues), maize (a staple food in Malawi), cassava, coffee, soya beans, tea, sugar cane, beans, sweet potatoes, macadamia nuts, horticultural products and fruits. More than 80 percent of the labour force is employed in the agriculture sector.

There are many investment opportunities in agriculture for commercial production and the introduction of smarter farming methods, technology and skills. The sector is still dominated by subsistence farming, low productivity, lack of modern farming methods, a reliance on unprocessed traditional crops, poor resilience to drought, limited access to funds, and poor infrastructure.

Potential areas of investment in Malawi's agriculture sector include:

- Large-scale farming
- Agro-processing
- Agriculture financing services
- Agriculture infrastructural development including irrigation
- Technology advancement

The Government has designated the agriculture and agro-processing sectors as priority industries. This means all investors in this sector enjoy zero-rated corporate tax for a period of up to 10 years.

MANUFACTURING

Malawi's manufacturing sector is currently dominated by agro-processing (food and beverages, tea and sugar), chemical industries, pharmaceuticals, cement and light electronic manufacturing. The sector contributes about 12 percent to GDP and is estimated to be growing by an average of 4.2 percent per annum. Most manufactured consumer goods in Malawi are imported while exports are largely unprocessed or semi-processed. The imported goods include clothing and footwear, cement, fertilizer, plastics and food products. There is need to diversify the country's exports to include value-added non-agricultural commodities.

The Government realizes that a growing and outward-oriented manufacturing sector can significantly contribute to Malawi's job creation and export diversification. It has therefore introduced incentives for the sector including:

- A tax loss carryforward for six years;
- 100 percent capital allowance on new and unused plant and machinery and industrial building, and
- A 40 percent capital allowance on used plant and machinery and industrial building.

Key opportunities for investment include: textiles and garments manufacturing, farm input production, fertilizer manufacturing, bicycle assembly and supply of building materials.

TOURISM

Malawi, also known as the Warm Heart of Africa, boasts beautiful landscapes, a variety of wildlife and a rich and diverse culture. These provide opportunities for investment in the tourism sector. From the tip of Lake Malawi to the Peak of Mulanje Mountain and in the towns and cities, tourists and business people are to be found in the country all year round. In order to realize the tourism potential, the government of Malawi is formulating a Tourism Investment Master Plan to ensure that the sector is well planned and monitored.

Malawi appeared in travel guide Lonely Planet's Top 10 Best in Travel List for 2022 for the second time, alongside countries such as Norway, Mauritius, Egypt, Nepal and Oman. The country is inviting new investments and creating new opportunities in the tourism sector. These include: ecotourism; construction of hotels, lodges and cottages; conference facilities and water-based sports facilities.

As the Government has identified the tourism sector as a key driver for sustainable economic growth, it offers attractive investment incentives in the sector. Among these are the exemption of various import excise duties in respect of construction and operations.

MINING

Mining contributes only 3 percent to GDP but it is still an under-explored sector. An airborne geophysical survey conducted in 2015 revealed an abundance of mineral deposits including rare earth minerals, bauxite, uranium, graphite, vermiculite, coal, gemstones, alluvial gold, monazite, limestone, phosphate, pyrite, glass sands, dimension stone and titanium heavy bearing mineral sands. Coal and lime deposits are being exploited already while gemstones are being extracted by small-scale miners.

In order to cultivate and sustain a conducive environment for investments in the sector, the Government of Malawi reviewed and endorsed the Mines and Minerals Act in 2018 and the mining and fiscal regime was reviewed in 2016. The Government has granted exemptions on duty and VAT for the import of mining equipment by mining investors. In order to access the incentives, an investor is required to obtain a mining licence from the Ministry of Mining. The Department of Geological Survey has also established a geo-data management platform to provide information to investors and other stakeholders.

ENERGY

The demand for energy in Malawi continues to grow as the country continues to industrialise and the population grows. This is expected to grow owing to expanding manufacturing, mining and agricultural activities in the medium to long term. According to the Power Demand Forecast of the Integrated Resource Plan (IRP) of 2017, Malawi's demand will reach 2,500 megawatts by 2035.

Several initiatives have been undertaken in the energy sector to improve power supply. For example, the Millennium Challenge Corporation has invested US\$350.7 million into improving the capacity, efficiency and stability of the national electricity grid, and the capacity and sustainability of the Nkula A hydro plant. The Government has also completed the construction of the Kapichira Hydropower plant in order to enhance power generation capacity.

Currently most industrial activities depend on hydropower, which contributes about 76 percent of generation capacity. Cognisant of climatic shocks and high operational costs associated with hydro power, the Government of Malawi is promoting a balanced mix of renewable energy sources at industry and household level.

The presence of year-round sunlight and strong winds makes the country attractive for investment in solar or wind energy projects. In addition, geological reports indicate the presence of gas, coal and geothermal resources that can also be used to generate electricity. The availability of waste is yet another opportunity.

Government has classified power generation among the priority industries under which investors can access tax holidays of up to 10 years. The Government has also opened up the power sector to allow for the participation of Independent Power Producers to enhance power generation, and it has put in place an IPP Framework to guide investments.





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THE LEGAL FRAMEWORK FOR INVESTMENT

12. THE LEGAL FRAMEWORK FOR INVESTMENT

Malawi's investment framework is primarily governed by the Investment and Export Promotion Act of 2012, which also established the Malawi Investment and Trade Centre (MITC). The MITC is Malawi's primary institution mandated to attract investment into Malawi and to promote exports to international markets. The legal framework provides the following policy statements on investments:

- Any foreign investor can invest in any sector of the economy unless declared otherwise by the responsible Minister, such as investment in petty trading.
- A foreign investor can own land under leasehold arrangements in Malawi.
- A foreign investor can make international payments on their loans and interest without any restrictions. Unrestricted payments are also allowed on management contracts, royalty payments, franchise payments etc. The condition is that the investment capital must be registered with the Central Bank upon registration of the investment in Malawi.
- A foreign investor in Malawi can wholly remit their profits and dividends as long as their investment is registered with the Central Bank of Malawi.
- A foreign investor can disinvest 100 percent from Malawi.
- It is not mandatory for foreign investors to venture into partnerships, and they may retain 100 percent ownership of their investments.

Furthermore, the Constitution of Malawi protects foreign investors by guaranteeing that no foreign assets shall be nationalised by the state. There are other specific laws such as the Employment Act, Cannabis Act, Employment Act, Business Licensing Act, Mining Act, Electricity Act and Lands Act that govern and support investments. The Government continues to review investment laws and undertake business reforms in order to facilitate business growth.

13. CONTACTS

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