
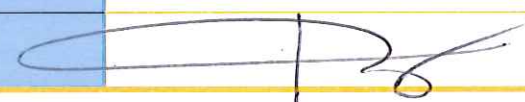




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PRACTICE NOTE NO DT-IT/010-12

WITHHOLDING TAX ON INTEREST PAYABLE TO ALL RESIDENT PERSONS IN TERMS OF SECTION 32C OF THE INCOME TAX ORDER 1975 AS AMENDED

In exercise of the powers conferred by section 68*bis* of the Income Tax Order 1975, as amended, the Commissioner General hereby issues the following notice.

CITATION AND COMMENCEMENT

This notice may be cited as Practice Note **No. DT-IT/010-12** on withholding tax on interest paid payable, or accrued to or in favour of all resident persons other than a company and exempt organization as defined in section 2 of the Income Tax Order, by any financial institution, unit trust company, building society, mutual loan association or cooperative society, and shall come into effect on 1st July 2012.

SECTION

Section 32C of the Income Tax Order as Amended.

PURPOSE

The intention of this directive is to put into effect Section 32C as regards the withholding tax on interest at the rate of 10% on the gross amount of interest paid, payable or accrued to or in favour of any resident person.

DEFINITION

Any word or term used in this Practice Note shall, unless specified otherwise have the same meaning as defined in the Act.

THE LAW

INCOME TAX

1. Withholding Tax

Persons from whom tax shall be withheld:

Any person who receives or accrues interest or dividend from every:-

- Deposits in a financial institution including a building society, Swaziland Development and Savings Bank.
- Deposits in a unit trust company
- Subscription shares in a building society carrying on business in Swaziland (Registered under the Building Societies Act)
- Shares from a mutual loan association
- Shares from a Cooperative society
- Permanent Shares or Fixed period shares in a Building Society

2. Rate of Withholding Tax

The rate of tax applicable is 10% of the gross amount payable to the resident person other than a company or exempt organization as defined in section 2 of the Income Tax Order.

3. Obligations of the Persons making the payment of interest or dividend

Every financial institution, unit trust, building society, banks, co-operative society, mutual institutions making any payment of interest to which S32C applies should:-

- Withhold 10% from the interest or dividends accruing or received by a resident person other than companies and organization exempt as defined in Section 2 of the Income Tax Order, to whom interest is payable regardless of the amount .

- Remit such tax to the Commissioner General within 15 days from the date of the end of the month in which the interest was payable.
- Maintain a record for a period of five years (S35bis) in relation to each year of assessment showing:-
 - The amount of interest or dividend paid to each resident person
 - The amount of tax withheld from such person
- Issue a certificate indicating the gross interest income, from which the tax was withheld and the tax so withheld.

Failure to do any of the above will result in the person being held personally liable to pay the Commissioner the amount of tax due , in addition to a penalty for which he may be liable under section 40bis or section 66.

4. Obligations of the resident person from whom tax has been withheld

The tax withheld under Section 32C shall be on account of the tax liability on the interest payable, received or accrued to the resident person. The resident person is therefore under a legal obligation to deliver a return declaring such interest for the assessment of the tax at the end of the year of assessment under section 33 or any other obligation imposed by the Order. The maximum amount of the exemption will be at E20 000.00(Twenty Thousand Emalangeni). On assessment, where the Commissioner General is satisfied that the interest received does not exceed the exemption threshold the necessary adjustment shall be made accordingly.

5. Deemed Interest

Interest received or accruing to a resident from offshore investments shall be deemed to be interest received from a Swazi source for the purpose of year end declarations by a Swaziland resident.

ISSUED BY THE COMMISSIONER GENERAL, SWAZILAND REVENUE AUTHORITY



DUMISANI MASILELA

COMMISSIONER GENERAL