

GOVERNMENT NOTICE NO. 39 OF 2014

**The Parliament of Lesotho
Statement of Objects and Reasons of the
Income Tax (Amendment) Bill, 2014**

**(Circulated by authority of the Honourable Minister of Finance
Leketekete Victor Ketso)**

The object of this Bill is to adjust personal income tax rates against the first and second thresholds of chargeable income. Lesotho's effective tax rate on personal income has remained one of the highest in Sub-Saharan Africa. This has burdened taxpayers and even encouraged tax avoidance and probably evasion in some instances. The adjustment is therefore intended to reduce the tax burden and encourage tax compliance. Furthermore, the adjustment of income tax rates will stimulate consumption emanating from increased incomes, and as such, Value Added Tax will increase.

The Bill again abolish the zero rate corporate tax on extra-SACU exports and imposes the standard 10% rate to all manufacturers. This is the fulfilment of Lesotho's obligations under international and regional agreements to remove very low tax rate as a step towards regional integration and to eliminate unfair competition that could arise from differentiated tax applicable to other domestic producers exporting within SACU.