Tax Incentives for Investors in the Kingdom of Swaziland

Introduction: The tax system in Swaziland provides a number of tax incentives to businesses operating in Swaziland. The purpose of these tax incentives is to remove the excess tax burden thereby encourlaging foreign direct investments amongst other advantages.

These tax incentives include the following:

1. Machinery initial allowance
In respect of machinery or plant brought by the taxpayer for the first time for use by the taxpayer in the process of manufacture (S14 (1) (e) (i)). This allowance;
- Is at the rate of 50% of the total cost of the machinery
- Does not include motor vehicles intended and adapted for use on roads.

2. Infrastructural initial allowance
In respect of infrastructural machinery, plant or facilities, including transmission equipment, lines and pipes brought into use by the taxpayer for the first time, used in the provision of infrastructural services (S14(1)(e)(ii)). This allowance is;
- At the rate of 50% of the cost incurred by the taxpayer,
- Infrastructural services include provision of electricity, water, sewer, rail facilities and telecommunication by a parastatal or statutory corporation whose main business is to provide such services.

3. Building Initial allowance
In respect of building other than hotel and improvements if such building is wholly/mainly used for the purpose of housing machinery or plant for the year of assessment during which the building is first used(S14(1) (e) (iii). An allowance is given;
- At the rate of 50% of the actual cost of the building
- Plus 4%annual allowance on cost remaining after initial allowance.

4. Immovable property allowance
In respect of a taxpayer other than one whose sole trade is in immovable property for an expenditure for the erection of any dwelling to be occupied solely by his staff for the purpose of his own business (S14(1)(g)). The allowance shall be;
- At the rate of 20% during the first year the expenditure is incurred
- And 10%for the next succeeding years
- The allowance shall not exceed E12 000.00 for the first year and E6 000 for the succeeding eight years.
- The expenditure does not include the cost of the land on which dwelling is erected
- The dwelling should exclusively be occupied by persons or households who are the taxpayer's employees (other employees engaged in managerial or supervisory capacity)
- The taxpayer must be engaged in business of manufacture.

5. Hotel Initial Allowance
In respect of capital expenditure in connection with the erection or beneficial improvement of a hotel during the year of assessment for the first use of the hotel or beneficial improvements on an existing one (S14 (1(h)), the allowance shall be;
- At the rate of 50% of the actual cost incurred
- Plus 4% annual allowance given for the succeeding years,
- Such allowance shall not exceed the expenditure

6. Capital expenditure (Mining operations)
The Income tax Order provides for the immediate deduction of the amounts from the income derived by a taxpayer from mining operations (S16);
- Shift sinking building, works or equipment including any renewals or replacement of equipment.
- Development, general administration and management (including any interest payable on loans utilized for mining purposes) prior to the commencement of production or during any period of non-production but excluding the cost of acquiring mineral rights.
- "Expenditure in shift sinking" includes the expenditure on sumps, pump chambers, stations and or bins. Accessory to a shaft.
- Building refers to office, storage houses and other related buildings located where the mining operations are taking place. Offices not located at the mining area and residential are excluded.
- If separate and distinct mining operations are carried in mines that are not connected, the allowance for capital expenditure shall be computed separately for each mine.
- The amount of capital expenditure determined in respect of any year of assessment in relation to any one mine shall not exceed the taxable income.

7. The Development Approval Order (DAO)
- An Order issued by the Minister of Finance with the consent of cabinet, upon application, for the granting of developmental tax concessions and exemption to the applicant.
- The Minister must be satisfied that;
- The new business is, in respect of which the application is made beneficial to the development of the economy.
- Before the commencement of the business there has been an application made in the prescribed manner
- The minister shall cause to be published by government gazette the name and address of the applicant granted the DAO.
- The Minister may at any time revoke the DAO and may cause such revocation to be publicized within 21days.
- The DAO shall be valid for a period of ten(10)years
- The applicant shall have a tax concession on corporate tax at the maximum rate of 10%
- Applicant shall also have an exemption from withholding tax on dividends during the 10 years
- The concession shall be applicable to an approved new investment, which in its nature must be a developmental enterprise in manufacturing, mining, international services and tourism sectors.

Conditions for granting the DAO
- The investment entity shall be a company registered and incorporated in Swaziland
- That the entity is compliant with all its tax obligations
- The company shall have been promoted by reputable promoters with demonstrable successful track record
- The DAO must not cause unnecessary competition or discriminate against existing enterprises
- There must be detailed project proposals in the prescribed for mat which will be used for subsequent evaluation of the project's compliance.

Revocation of the DAO
The DAO may be revoked for any of the following reasons;
- Failure to meet eligibility criteria,
- Failure to comply with tax obligations
- Failure to carry out the development specified in the DAO
- Substantial breach of the specified conditions.

8. Export Incentives for Small Handicraft and Cottage Industries.
- 133% of approved export promotion expenditure incurred by an approved company in the handicraft and cottage sector.(S14(1)(y)(1))
- 150% of approved export promotion expenditure incurred by an approved trading house.

9. Agricultural Capital Development Expenditure
In terms of this Capital development expenditure is allowed as an incentive for agriculture. There are however, limitations to the above ;(S16)
- C.D.E may not cause or increase a loss
- C .D.E which has not been allowed in the current year of assessment is carried forward to the next year of assessment to be set off against future profits.
- If a farmer ceases to carry farming operations he loses al the C.D.E which has accumulated during the previous year of assessment.
- C.D.E may be allowed on the listed farming implements;
- Dipping tanks
- Dams
- Irrigation Scheme
- Wells and boreholes
- Pumping machinery
- Erection of/ or additions or improvements to farm buildings, including dwellings for employees
- The establishment of orchards and vineyards
- Building of roads and bridges used in farming operations
- Carrying of electric power from the main transmission lines to farm apparatus

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