Syllabus and study guide

Taxation Lesotho (E1 LSO)



December 2027

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

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1. Overall aim of the syllabus

The overall aim of the syllabus is to develop and enable the application of technical knowledge and skills relating to the Lesotho tax system as applicable to individuals and companies.

2. Introduction to the syllabus

The syllabus for E1 Taxation (E1 LSO) starts by introducing candidates to the functions and systems applicable to Lesotho tax, including sources of tax law and practice and the system for self-assessment.

The syllabus then moves on to provide the core knowledge of the major technical areas of Lesotho taxation as they affect the activities of individuals and businesses, beginning with income tax. The syllabus covers the taxation of income from employment, self-employment, property, investments and trusts and estates of deceased persons, including the availability of exemptions and reliefs.

The next technical area covered by the syllabus is corporation tax, in particular the income which is chargeable to corporation tax, how the corporation tax liability is calculated and exemptions and reliefs available to companies.

The syllabus then moves on to cover the taxation of chargeable gains, including the computation of gains and losses and the available exemptions and reliefs.

Next the syllabus addresses fringe benefits tax (FBT), its scope and the computation of FBT liabilities.

Lastly, the syllabus covers the scope, administration and calculation of value added tax (VAT).

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3. Main capabilities

On successful completion of this course of study, candidates should be able to:

- Assess the operation and scope of the Lesotho tax system, the obligations of taxpayers and/or their agents and the implications of non-compliance
- Analyse and calculate the income tax liabilities of individuals
- Analyse and calculate the corporation tax liabilities of companies
- Analyse and calculate the chargeable gains and losses arising on companies and individuals
- Analyse and calculate the effect of fringe benefits tax
- Analyse and calculate the effects of value added tax (VAT) on incorporated and unincorporated businesses
- Assess the impact of relevant taxes which apply in a variety of business and personal contexts

4. Intellectual levels

The ACCA Qualification syllabus is designed to progressively broaden and deepen the technical knowledge, skills and professional values demonstrated by the candidate on their journey through the qualification.

The specific learning outcomes within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly these intellectual levels relate to the three levels of the ACCA Qualification: Knowledge, Expertise and Strategic Professional.

Each learning outcome included in the detailed study guide is given a 1, 2 or 3 superscript, denoting its intellectual level. This gives an indication of the intellectual depth at which a learning outcome could be assessed within the examination. However, while Level 1 broadly equates with the Knowledge level, Level 2 to the Expertise level and Level 3 to the Strategic Professional level of the ACCA Qualification, some lower-level skills can continue to be assessed as the candidate progresses through each level. This reflects that at each stage of study there will be the requirement to broaden, as well as deepen, capabilities.

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5. The syllabus

A The Lesotho tax system and its administration

1. Lesotho taxes
2. Principal sources of tax law and practice
3. The system for self-assessment, the making of returns, submission of information, claims and the procedures relating to enquiries, objections, appeals and disputes

B Income tax liabilities

1. The scope of income tax
2. Income from employment
3. Income from self-employment (unincorporated business)
4. Income from property, including investments
5. Income from trusts and estates of deceased persons
6. The comprehensive computation of chargeable income and income tax liability
7. The use of exemptions and reliefs in deferring and minimising income tax liabilities
8. The time limits including payments on account and penalties for non-compliance

C Corporation tax liabilities

1. The scope of corporation tax
2. Income chargeable to corporation tax
3. The comprehensive computation of corporation tax liabilities
4. The use of exemptions and reliefs in deferring corporation tax liabilities
5. The time limits including payments on accounts and penalties for non-compliance

D Chargeable gains

1. The scope of the taxation of chargeable gains
2. The computation of gains and losses
3. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets
4. The time limits including payments on account and penalties for non-compliance

E Fringe benefits tax

1. The scope of fringe benefits tax (FBT)
2. The computation of FBT liabilities
3. The time limits including payments on account and penalties for non-compliance

F Value added tax

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities
4. The treatment of imports and exports
5. Administration of VAT and penalties for non-compliance

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6. Detailed study guide

A The Lesotho tax system and its administration

1. Lesotho taxes

a) Explain the difference between direct and indirect taxation.[1]

b) Summarise the different types of tax.[1]

c) Recommend an appropriate ethical action or response to a given tax situation.[2]

2. Principal sources of tax law and practice

a) Explain the overall structure of the Lesotho tax system.[1]

b) Explain how tax laws are enacted and enforced.[1]

c) Assess the interaction of the Lesotho tax system with that of other jurisdictions, in particular South Africa.[2]

d) Compare and contrast tax avoidance and tax evasion.[2]

3. The system for self-assessment, the making of returns, submission of information, claims and the procedures relating to enquiries, objections, appeals and disputes

a) Analyse the features of the self-assessment tax system and apply to individuals.[2]

b) Analyse the features of the self-assessment tax system and apply to companies.[2]

c) Apply the time limits to the filing of returns and the making of claims.[2]

d) Assess the tax system and apply the time limits for the payment of tax withheld at source.[2]

e) Summarise the information and records which taxpayers need to retain for tax purposes.[1]

f) Analyse the procedures relating to assessments, including deemed assessments, default and special assessments and amended assessments.[2]

g) Analyse the circumstances in which the Revenue Services Lesotho can enquire into a self-assessment tax return.[2]

h) Analyse the procedures for dealing with objections, appeals and disputes.[2]

B Income tax liabilities

1. The scope of income tax

a) Explain how the residence of an individual is determined.[1]

b) Apply the concept of Lesotho source income.[2]

c) Compare the tax treatment of residents and non-residents.[2]

2. Income from employment

a) Assess the factors that determine whether an engagement is treated as employment or self-employment.[2]

b) Assess employment income and analyse the basis of assessment.[2]

c) Calculate the employment income.[2]

d) Analyse the allowance deductions, including self-education expenses.[2]

e) Compare reimbursements and benefits which are part of chargeable income and those which are subject to fringe benefits tax.[2]

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f) Assess how a gift can be treated as part of employment income.[2]

g) Contrast different remuneration packages to evaluate the amount of chargeable income and tax liability.[2]

3. Income from self-employment (unincorporated businesses)

a) Calculate business income and analyse the basis of assessment.[2]

b) Analyse the expenditure which is allowable in calculating chargeable income.[2]

c) Analyse expenditure which is specifically disallowed.[2]

d) Analyse the relief which can be obtained for start-up costs.[2]

e) Analyse the relief which can be obtained for approved training expenditure.[2]

f) Change of method of accounting:

(i) Contrast the cash basis and the accruals basis of accounting.[2]
(ii) Analyse the factors which will influence the choice of method of accounting.[2]
(iii) Summarise the conditions which must be met for a change in the method of accounting to be valid.[1]
(iv) Calculate the chargeable income on a change in the method of accounting.[2]

g) Depreciation allowances:

(i) Explain what constitutes depreciable assets for depreciation allowance purposes.[1]
(ii) Contrast the single asset and pooling methods of depreciation.[2]
(iii) Assess and apply the circumstances in which each method can be used.[2]
(iv) Calculate depreciation allowances for all groups of depreciable assets using prescribed rates under both methods.[2]
(v) Assess and apply the treatment of small value depreciable assets.[2]
(vi) Calculate balancing adjustments arising on the disposal of depreciable assets.[2]
(vii) Assess and apply the circumstance under which the balance of the pool can be allowed as a deduction.[2]

h) Amortisation allowances:

(i) Assess what constitutes intangible assets.[2]
(ii) Calculate amortisation allowances for copyrights, patents and trademarks.[2]

i) Finance lease and hire purchase contracts:

(i) Assess and apply the tax implications of acquiring assets by way of a finance lease or hire purchase contract.[2]
(ii) Calculate the amount of allowable finance charges (interest) accruing under both forms of contract.[2]
(iii) Calculate the depreciation allowances applicable under both forms of contract.[2]

j) Long term contracts:

(i) Assess how income and deductions are accounted for both in the initial years and the final year of a contract.[2]
(ii) Calculate the relevant amount using the percentage of contract completed method.[2]
(iii) Analyse how and when an overall loss can be carried back to previous years.[2]

k) Relief for allowable losses:

(i) Analyse how allowable losses can be carried forward.[2]
(ii) Analyse how allowable losses can be claimed against taxpayer's total income.[2]
(iii) Assess and apply the treatment of relief for a loss arising on the disposal of a business asset.[2]

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l) Partnerships:

(i) Analyse and calculate how a partnership is assessed to tax.[2]
(ii) Assess and apply the residence of a partnership.[2]
(iii) Calculate chargeable income for both resident and non-resident partners.[2]
(iv) Calculate chargeable income for individual partners following a change in the constitution or the dissolution of a partnership.[2]
(v) Analyse the extent to which a partner's distributive share of a partnership loss is allowed.[2]
(iii) Calculate the adjusted cost base of a partner's interest in a partnership.[2]

4. Income from property, including investments

a) Calculate property income.[2]

b) Assess the treatment of rental income derived from a property letting business.[2]

c) Analyse the relief available for rental losses.[2]

d) Assess and apply the treatment of interest income.[2]

e) Assess and apply the relief available for the first M500 of interest derived from a nominated savings account.[2]

f) Assess and apply the treatment of dividend income.[2]

g) Assess and apply the treatment of royalty and natural resource income.[2]

h) Assess the treatment of gains and losses on the disposal of investment assets as part of property income.[2]

5. Income from trusts and estates of deceased persons

a) Explain the principle of taxation for trusts.[1]

b) Assess and apply the treatment of grantor and qualified beneficiary trusts.[2]

c) Assess and apply the treatment of taxation of beneficiaries.[2]

d) Calculate chargeable trust income for beneficiaries.[2]

e) Assess and apply the treatment of taxation of trustees.[2]

f) Calculate chargeable trust income for trustees.[2]

g) Analyse the circumstances in which the trustee is subject to tax on foreign source chargeable trust income.[2]

h) Assess and apply the principle of taxation of estates of deceased persons.[2]

i) Assess and apply the treatment of chargeable trust income arising before the death of the taxpayer.[2]

j) Assess and apply the treatment of chargeable trust income arising after the death of the taxpayer.[2]

k) Assess the extent to which the trustee is liable for liabilities of the deceased arising prior to death.[2]

6. The comprehensive computation of chargeable income and income tax liability

a) Prepare a basic income tax computation involving different types of income.[2]

b) Assess the entitlement of different categories of taxpayer to personal tax credit.[2]

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c) Calculate the amount of income tax payable by different categories of taxpayer at the appropriate rates.[2]

7. The use of exemptions and reliefs in deferring and minimising income tax liabilities

a) Assess and calculate the relief given for contributions to both employer and self-provided superannuation funds.[2]

b) Assess and calculate the relief available for contributions to a non-resident superannuation fund.[2]

c) Apply the limitation on total deductions available to employees and employers and where contributions are made to more than one fund.[2]

d) Analyse the circumstances in which lump sum payments made by a complying superannuation fund can be exempt.[2]

e) Assess and apply the types of income which are exempt.[2]

f) Assess and apply the treatment of gifts and donations.[2]

g) Assess and apply the reliefs provided by the Income Tax Act in the appropriate circumstances.[2]

h) Withholding taxes:

(i) Compare situations in which the tax withheld constitutes the final tax and when it does not.[2]
(ii) Calculate the credit available in cases where the tax withheld does not constitute the final tax.[2]
(iii) Calculate the tax payable by an electing non-resident.[2]

i) Foreign tax credit:

(i) Analyse how relief can be obtained for foreign tax paid on foreign income.[2]

(ii) Calculate the foreign tax credit available.[2]

j) Assess and apply the circumstances in which the minimum chargeable income provisions will be applied.[2]

8. The time limits including payments on account and penalties for non-compliance

a) Apply the due dates for the payment of tax under the self-assessment system and calculate payments on account and balancing payments/repayments for individuals.[2]

b) Assess the obligation to withhold tax at source under PAYE system.[2]

c) Assess the obligation to withhold tax at source from different categories of property income paid to non-residents and to residents.[2]

d) Assess and calculate the additional tax (interest) payable in the case of a failure to pay or withhold tax.[2]

e) Assess the other administrative penalties which can be charged.[2]

C Corporation tax liabilities

1. The scope of corporation tax

a) Assess the residence of a company.[2]

b) Explain the conditions which must be met to obtain approval of a substituted accounting period.[1]

c) Assess the companies and/or income eligible to be taxed at the reduced manufacturing rate.[2]

2. Income chargeable to corporation tax

a) Analyse the expenditure which is allowable in calculating business income.[2]

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b) Assess and apply the relief which can be obtained for start-up costs.[2]

c) Assess and apply the relief which can be obtained for approved training expenditure.[2]

d) Calculate depreciation allowances (as for income tax).[2]

e) Calculate amortisation allowances (as for income tax).[2]

f) Calculate deductible amounts in respect of finance leases and hire purchase contracts (as for income tax).[2]

g) Calculate the chargeable income arising from long term contracts (as for income tax).[2]

h) Transfer pricing:

(i) Analyse the circumstance in which the transfer pricing rules will be applied.[2]
(ii) Assess and apply the arm's length principle in relevant transactions.[2]

i) Analyse the expenditure which is allowable in calculating property income.[2]

j) Losses:

(i) Assess and apply how allowable losses can be utilised in the year of loss and carried forward.[2]
(ii) Assess the restrictions which can apply to the use of losses where there are changes in ownership and control.[2]

k) Assess and apply the circumstances in which the Commissioner may disallow a deduction for interest paid.[2]

l) Calculate the income chargeable to corporation tax.[2]

m) Branches
(i) Contrast the treatment of a branch and a subsidiary.[2]
(ii) Assess and apply the tax treatment for a branch in Lesotho of a non-resident company.[2]
(iii) Calculate the chargeable income for a branch of a non-resident company.[2]

3. The comprehensive computation of corporation tax liabilities

a) Calculate the corporation tax liability in relation to both qualifying and non-qualifying income at appropriate rates.[2]

b) Explain and calculate the tax credit available for foreign tax paid on foreign income.[2]

c) Advance corporation tax (ACT):

(i) Analyse the transactions with members which will give rise to a deemed dividend.[2]
(ii) Calculate the ACT payable in respect of both actual and deemed dividends.[2]
(iii) Assess and apply how ACT paid can be utilised.[2]

d) Branches:

(i) Apply the term 'repatriated profits' in relation to a Lesotho branch of a non-resident company.[2]
(ii) Calculate the repatriated profits and the additional tax liability payable on those profits of a Lesotho branch of a non-resident company.[2]

4. The use of exemptions and reliefs in deferring corporation tax liabilities

a) Assess and calculate the relief given for contributions to employer superannuation funds.[2]

b) Apply the limit on total deductions available to employees and employers.[2]

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5. The time limits including payments on account and penalties for non-compliance

a) Calculate instalment payments and final payment for companies.[2]

b) Assess the obligation to withhold tax at source when making payments to both residents (including contractors) and non-residents.[2]

c) Assess and calculate the additional tax (interest) payable in the case of a failure to pay or withhold tax.[2]

d) Assess the other administrative penalties which can be charged.[2]

D Chargeable gains

1. The scope of the taxation of chargeable gains

a) Explain the scope of the taxation of chargeable gains.[1]

b) Explain which assets are exempt.[1]

c) Assess and apply the circumstances in which market value will be used as either the transfer value or the cost of an asset.[2]

2. The computation of gains and losses

a) Calculate chargeable gains for both individuals and companies.[2]

b) Compare and contrast the tax treatment of investment assets, business assets and other assets.[2]

c) Calculate the cost base of different types of assets. [2]

d) Assess and apply indexation to the adjusted cost base of an asset.[2]

e) Assess and apply the conditions under which neither a gain nor a loss is recognised in determining chargeable income.[2]

f) Calculate the chargeable gain where there is a disposal of only part of an asset.[2]

g) Analyse the treatment where an asset is damaged, lost or destroyed and the implications of receiving insurance proceeds and reinvesting such proceeds.[2]

h) Assess and apply the treatment of losses on the disposal of investment assets.[2]

i) Assess and apply the treatment of losses on the disposal of assets other than investment assets.[2]

j) Analyse the treatment of losses on the disposal of an asset directly or indirectly to an associate taxpayer.[2]

k) Assess and apply the implications of carrying forward losses on the disposal on investment assets and other assets.[2]

3. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

a) Assess and apply rollover relief available to companies.[2]

b) Assess and apply the incorporation relief available on the transfer of an asset to a company in exchange for membership interest.[2]

c) Assess and apply the relief available to an individual on the transfer of an asset to a partnership in exchange for a partnership share.[2]

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4. The time limits including payments on account and penalties for non-compliance

a) Apply the due dates for the payment of tax under the self-assessment system and calculate payments on account and balancing payments/repayments for individuals and companies.[2]

b) Assess the other administrative penalties which can be charged.[2]

E Fringe benefits tax

1. The scope of fringe benefits tax (FBT)

a) Explain the scope of FBT.[1]

2. The computation of FBT liabilities

a) Calculate the taxable value of the different categories of fringe benefit.[2]

b) Calculate the FBT liability.[2]

3. The time limits including payments on account and penalties for non-compliance

a) Analyse how FBT is accounted for and administered.[2]

b) Assess the other administrative penalties which can be charged.[2]

F Value added tax

1. The scope of value added tax (VAT)

a) Explain the scope of VAT.[1]

b) Summarise the principal zero-rated and exempt supplies.[1]

c) Summarise the principal non-standard rated supplies.[1]

2. The VAT registration requirements

a) Assess the circumstances in which a person must register or deregister for VAT.[2]

b) Assess the advantages of voluntary VAT registration.[2]

c) Assess the circumstance in which preregistration input VAT can be recovered.[2]

3. The computation of VAT liabilities

a) Calculate the input tax, output tax and net VAT payable for a given return period.[2]

b) Assess and apply the tax point when goods or services are supplied.[2]

c) Assess and apply the principles regarding the valuation of supplies.[2]

d) Analyse and apply the circumstances in which input VAT is non-deductible.[2]

e) Calculate the relief which is available for impairment losses on trade debts.[2]

4. The treatment of imports and exports

a) Analyse the treatment of imports and exports.[2]

5. Administration of VAT and penalties for non-compliance

a) Analyse how VAT is accounted for and administered.[2]

b) Analyse the cash accounting scheme and when it will be advantageous to use the scheme.[2]

c) Analyse the invoice accounting scheme and when it will be advantageous to use the scheme.[2]

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d) Explain and calculate the additional tax (interest) payable in the case of a failure to pay or withhold tax.[2]

e) Assess the other administrative penalties which can be charged.[2]

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7. Reading list

Income Tax Act, 1993 (as amended), Lesotho

Income Tax Act, 1993 Explanatory Memorandum Lesotho

Income Tax Regulations Lesotho

Value Added Tax Act, 2001 Lesotho

Value Added Tax Regulations, 2001 Lesotho

Revenue Appeals Tribunal Act, 2005

The Lesotho-South Africa Double Taxation Agreement

8. Approach to examining the syllabus

The syllabus for E1 Taxation (E1 LSO) is assessed by a three-hour computer-based examination.

The examination will consist of two sections:

Section A will contain 15 two-mark objective test questions (OTs).

Section B will contain six constructed response questions (CRs). Four of the CR questions will be worth 10 marks each and two of the CR questions will be worth 15 marks each. The two 15-mark questions will focus on income tax liabilities (syllabus area B) and corporation tax (syllabus area C).

All other questions can cover any areas of the syllabus.

Tax rates, allowances and information on certain reliefs will be given in the examination.

9. Guide to ACCA examination structure and delivery mode

The structure of examinations varies, depending on the level of the qualification.

The Expertise examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

All Expertise examinations are assessed by three-hour computer-based examinations.

The pass mark for all Expertise examinations is 50%.

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10. Guide to ACCA examination assessment

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For specified financial accounting, audit and tax examinations, except if indicated otherwise, ACCA will publish examinable documents once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions. For most examinations (not tax), regulation issued, or legislation passed on or before 31 August annually, will be assessed from 1 September of the following year to 31 August of the year after. Please refer to the examinable documents for the examination (where relevant) for further information.

Regulations issued or legislation passed in accordance with the above dates may be examinable if the effective date is in the future, unless explicitly stated otherwise in the syllabus and study guide or examinable documents. The terms 'issued' or 'passed' relate to when regulation or legislation has been formally approved.

The term 'effective' relates to when regulation or legislation must be applied to entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list, where applicable.

For E1 LSO, generally examinations in June and December will be based on legislation passed by the previous 30 September. Note: Exceptionally, the examination in June 2027 will be based on legislation passed by 30 September 2025 and only the examination in December 2027 will be based on legislation passed by 30 September 2026.

11. Learning hours and education recognition

The ACCA Qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA candidates find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognised and valued by governments and regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognised on the educational frameworks in several countries. Please refer to your national education framework regulator for further information about recognition.

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