

Our Ref: **TX/C 36**

19 March 2026

Dear Valued Supplier,

**RE:UPDATED WITHHOLDING TAX REQUIREMENTS UNDER SECTION 59A OF THE INCOME TAX ORDER**

The Royal Eswatini Sugar Corporation Limited (RES) has updated its procurement and tax-compliance procedures to align with the requirements issued by the Eswatini Revenue Service (ERS). As part of this process, we reviewed our historical withholding-tax practices and identified several inconsistencies between past treatment and current legislative requirements under Section 59A of the Income Tax Order, 1975 (as amended).

This is a formal notice for the updated withholding-tax rules which are now applicable **to all service work performed on RES sites or anywhere within Eswatini for the benefit of RES**, with immediate effect.

**1. Service Contracts Performed in Eswatini**

Where a contract involves services performed in Eswatini, and 50% or more of the contract relates to labour, technical work, or consulting, the entire invoice will now be treated as a service contract for withholding-tax purposes.

This means

- a. Withholding tax will be applied to the full invoice amount, not only to labour or site-based portions.
- b. Any fees linked to the service, such as call-out charges, standby fees, mobilisation, administration, or penalties, will be included in the taxable amount.
- c. Goods that are incidental to the service (for example materials, consumables, or tools supplied as part of performing the service) will also form part of the taxable base unless those goods were formally declared at the port of entry and VAT was appropriately levied by the customs authority.
- d. The determining factor is the substance of the contract, not the wording or labels used on the invoice.

**2. Contracts Using Both Local and Foreign Labour**

Where RES pays the full contract amount directly to a foreign supplier, withholding tax will normally apply to the entire amount, even if some of the work is carried out by locally engaged labour under that supplier.

However, withholding tax will not apply in cases where

- a. The foreign service provider is registered with the ERS for PAYE, deducts PAYE from its employees, remits this PAYE to the Receiver of Revenue, and operates as a permanent establishment in Eswatini; and
- b. The supplier provides documentary proof of this compliance.

In such cases, no withholding tax will be levied because the foreign supplier is already meeting its Eswatini tax obligations.

In all other cases, withholding tax applies unless RES separately contracts and pays the local component directly under a valid local invoice and tax registration.

### 3. Reimbursement of Costs

Reimbursements paid to a non-resident, such as flights, accommodation, meals, transport, or similar expenses, are treated as part of the total contract consideration and must be taxed accordingly.

To avoid withholding tax on these expenses:

- a. RES must pay the third-party provider directly, and
- b. The invoice must be made out in the name of RES.

Where reimbursement claims are submitted through the contractor or without supporting third-party proof, withholding tax will apply.

### 4. Double Tax Agreement (DTA) Relief

We encourage all foreign suppliers to check whether their country of residence has a Double Tax Agreement with Eswatini and, if applicable, to apply directly to the ERS for a reduced withholding-tax rate.

Suppliers who qualify for a reduced withholding-tax rate under a Double Tax Agreement may only access this benefit once RES receives the official ERS approval or certificate confirming the reduced rate.

### 5. Effective Date

These updates apply **immediately** to:

- a. all new service contracts,
- b. ongoing service work, and
- c. all future invoices submitted to RES.

Please review your invoicing and contract arrangements to ensure they align with these requirements.

### 6. Support and Enquiries

If you have questions or require clarification, please contact:

**Ms. Nqobile Bhembe**

**Tax Specialist**

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