

PAY AS YOU EARN - WHAT IF I DON'T PAY?

1. INTRODUCTION

This leaflet briefly explains the debt enforcement procedures which are used by the Zambia Revenue Authority (ZRA), to ensure that Direct Taxes are paid on time.

2. What happens if you don't pay tax on time?

If you fail to pay on time, interest and penalties are imposed on taxes which are outstanding.

Instalment payments by agreement

If you are facing cash flow problems or other problems to pay your taxes on time, we may help. You may be required to indicate to us the installment period in which the taxes can be paid.

However, if by this arrangement you still fail to pay the taxes, we may, like other debt collectors take action to recover the taxes you owe.

3. We may take distress Action.

Distress action is a method of debt collection where a Distress Warrant is issued, and Distress action is taken by ZRA officers.

- Your premises may be visited.
- Your movable assets i.e. equipment, vehicles, etc may be removed either immediately or after a short period and later sold by public auction if tax is not paid within ten (10) days of the execution of the warrant.
- Money realized from the sale would be set against your tax debt and costs of levy. Any balance will be refunded to you.
- We may lodge a garnish order on your bank by appointing them as agents to pay directly to ZRA.
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4. You may also face Court Action.

Like other creditors, we may institute court proceedings to recover the tax.

5. Bankruptcy

This action applies to sole proprietors, partners and other unincorporated bodies. If taxes are not paid following the issue of a demand letter and a bankruptcy order is made by the court, this may mean that:

- Your business ceases
- Your bankruptcy is publicized
- Your affairs are supervised by the court
- Your assets are sold to pay costs and debts
- You are unable to obtain credit
- Your bank and building society accounts are frozen
- Your subsequent income is used to settle your debts

6. Winding Up Action

This action applies to incorporated companies and may be applied to other bodies e.g. unregistered companies.

If taxes are not paid following a demand letter and a Winding Up Order is made by the court:-

- your business will be wound up
- your company's affairs will be supervised by a liquidator appointed by the court on whether a fraud has been committed in the formation of the company or by an officer of the company since its formation or whether any officer of the company has failed to comply with any of the provisions of the Companies Act.

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7. We may also take Security Action

If we consider that a new or existing business represents a risk to the collection of taxes, we may charge the tax payable on the taxpayers land where applicable. Charge on land may include improvements made thereon.