

PROPERTY TRANSFER TAX

Introduction

This leaflet briefly explains the procedure to be followed when transferring property and the tax to be paid, in accordance with the **Property Transfer Tax Act** Cap 340 of the Laws of Zambia.

1) What is property?

The term “property” means:

- any land in Zambia. This includes any building, structure or improvements made on the land at the time of transfer
- any share issued by a company incorporated in the Republic of Zambia
- any lease of property for periods exceeding five years
- but excludes movable assets such as motor vehicles, etc.

2) What is Property Transfer Tax (PTT)?

This is a tax charged when property is transferred from one person to another and is levied on the realisable Value of the property. The realizable value is in the case of land the open market value or contract price, (whichever is greater) and in the case of shares the nominal or open market value whichever is the greater of the property being sold. Property Transfer Tax is collected from the person who is selling the property, in this leaflet referred to as the vendor.

3) What is the realisable value?

This is the price at which property could be sold or transferred on the open market.

4) What is the rate of tax applicable?

The rate of Property Transfer Tax is at 5% of the realizable value.

5) When is PTT due?

PTT is paid within 14 days from the date of assessment. The assessment of the realisable value is made before the property can be transferred based on the declaration made by the vendor. The Commissioner General assesses the declared values for PTT purposes and issues a Tax Clearance Certificate upon full payment of tax due.

6) Which form is used to declare PTT?

The PTT Provisional Return which is provided by ZRA and is available at any of the Domestic Tax Offices and the ZRA website.

7) Who completes the Returns?

The seller (vendor) - the person transferring property should complete the PTT Return.

8) What documents should accompany the return?

On submission, the PTT Return should be accompanied by the following documents, which are provided by the vendor:

(i) Documents required for the transfer of land:

- Contract of sale (between the Seller and the Buyer)
- State consent to assign (obtained from the Ministry of Lands or City Council or Municipal Council)
- National Registration Card (NRC) for both the seller and the buyer,
- Certificate of incorporation in the case of a company
- Order of Appointment of Administrator in the case of transfer of deceased persons estates
- Power of Attorney for persons (vendor) domiciled outside Zambia
- Valuation report for property in excess of K500Million

(ii) Documents required for the transfer of shares:

- Share transfer Form 27
- Latest financial statement of the company in which the shares are held
- Shareholders' resolutions authorizing the sale (for non listed companies)

9) Are there any exemptions to Property Transfer Tax?

Section 6 of the PTT Act 1984 provides for the following exemptions:

- a) the government of the Republic of Zambia;
- b) any foreign government;
- c) any international organization, foundation or agency as the Minister of Finance may approve for the purpose;
- d) any charitable organization or trust registered as such under the Income Tax Act cap 323 of the laws of Zambia;
- e) any co-operative society registered under the Co-operative Societies Act;
- f) any local authority in the Republic of Zambia;
- g) registered trade unions under the Societies' Act;
- h) any club, society or association registered under section 41 of the Income Tax Act;
- i) any approved pension fund and medical aid society;
- j) any approved employees' savings scheme or fund;
- k) any political party registered as a statutory society under the societies act;
- l) sale or disposal of any stock or shares listed on the Lusaka Stock Exchange
- m) any transfer of property by a shareholder of a company incorporated under the Companies Act, if such transfer is the shareholder`s contribution towards the equity of that company

10) Who pays PTT, is it the buyer or the seller?

It is the seller who pays the PTT.

11) Can one apply for a refund of PTT long after payment of tax and issuance of tax clearance certificate, if the transaction is aborted?

Yes, however the following documents will be required to accompany the application for a refund in the event that the transaction is aborted:

- Original tax receipt
- Original tax clearance certificate
- Original PTT return
- Any proof that the transaction failed to take place, (e.g. confirmation from the registrar at the Ministry of Lands or Local Authority)
- A formal letter of sale

12) What if the PTT tax clearance certificate expires, can one apply for renewal of the same?

Yes. But the reasons for delay will have to be clearly established. However, for certificates that expire due to unreasonable delay, corresponding returns will be subjected to a reassessment of the realisable value.

13) What documents are required when applying for a renewal of a PTT tax clearance certificate?

- Copies of NRCs for both the seller and buyer (in the case of individuals), a certificate of incorporation (for limited companies) or a certificate of registration (for a Partnership)
- State / local authority consent
- Contract of sale / deed of gift or transfer
- Lawyer's stamp where a lawyer is representing both the seller and buyer
- Order of Appointment of Administrator / Court Order (for all deceased's estates)
- Valuation report for all transactions above K500 million

For transfer of shares:

- Share transfer Form 27
- Latest financial statement of the company in which the shares are held
- Shareholders' resolution

14) Is there any PTT to be paid if property is transferred to a member of the family as a gift?

Where property is transferred to a member of the “**immediate family**”, the realized value will be the actual price, if any, received by the transferor. If there is no realized value passing, no PTT will be paid.

The term “**immediate family**” under the PTT Act Cap 340 means:

A spouse, child, duly adopted child or step-child

15) Can one object to an assessment or determination of PTT?

Yes, an assessment or determination of PTT may be objected /appealed against by any affected person. If the grounds of objection / appeal are not satisfactory, the

assessment will be upheld. A valuation report (from an approved valuator) may be required for this purpose.

However, if a taxpayer is still not satisfied with the review, he may appeal to the **Revenue Appeals Tribunal (RAT)**.

16) Does one need a Taxpayer Identification Number before PTT is paid?

Yes, the person selling / transferring the property needs to register for TPIN.

17) What documents are issued by the Commissioner General upon completion of the PTT application?

The Commissioner General issues two documents namely, a tax receipt and a Tax Clearance Certificate which are subsequently lodged by the vendor to either the Commissioner of Lands in the case of Lands or the Registrar of Companies in the case of Shares.