

# **ZAMBIA REVENUE AUTHORITY**

## **TURNOVER TAX**

### **What is Turnover Tax?**

This is a tax that is charged on gross sales/turnover (i.e. earnings, income, revenue, takings, yield and proceeds) which is **below** the K200,000,000 threshold.

### **Who is liable to pay Turnover Tax?**

Any person carrying on any business with an annual turnover of K200,000,000 or less.

Any person whose business earnings are subject to withholding tax and it is not the final tax such as, rental income, commissions, interest earned by companies, royalties earned by residents, etc.

### **Who is not liable to pay Turnover Tax?**

Any person carrying on a business with an annual turnover of **more than** K200,000,000.

Any individual or partnership carrying on business of public service vehicle for the carriage of persons.

Partnerships carrying on any business irrespective of whether the annual turnover is K200,000,000 or less.

Partners' income from the partnership is also excluded from Turnover Tax. This is because it is the partnership that carries on business and not the partners. Partners are distinct from the firm (partnership) as stipulated by Section 4 of the Partnership Act of 1890.

Consultancy fees are not part of Turnover Tax as per Amendment to the Income Tax Act # 1 of 2005.

Any person whose turnover is K200,000,000 or below but is voluntary registered under VAT.

Any person who is involved in mining operations as provided under the Mines and Minerals Development Act.

Any person whose business earnings are subject to withholding tax and it is the final tax, such as:-

- Bank interest for individuals
- Dividends
- Interest on Government Bonds
- Interest earned on Treasury Bills for Charitable Institutions and other exempt persons.
- Management and Consultancy fees paid to non – residents.
- Payments made to non – resident contractors.
- Public Entertainment Fees paid to non - residents.
- Royalties paid to non – residents, etc.

**At what rate is Turnover Tax calculated?**

It is calculated at the rate of 3%

**How is Turnover Tax calculated?**

Turnover Tax is calculated on gross sales/turnover

**Are there any returns to be submitted for Turnover Tax?**

Yes. Turnover Tax Remittance Cards are to be submitted by the 14<sup>th</sup> of the month following the month in which the transactions occurred.

**When should payment for Turnover Tax be?**

Remittance for Turnover Tax is due by the 14<sup>th</sup> of the month following the month in which sales made.

**For how long are taxpayers expected to keep business records?**

Taxpayers will be required to keep all business records pertaining to turnover for a period of up to 6 years. They are also encouraged to keep other business records for purposes of determining their tax liabilities in case they exceed the turnover threshold of K200 million.

**Does a taxpayer who is under Turnover Tax have to submit provisional tax returns?**

No. Provisional tax returns are for taxpayers whose gross sales/turnover is above K200 million.

**PROCEDURES**

**Registration**

Taxpayers will be required to notify the Commissioner General within 30 days of commencement of business. They will be registered and given a Taxpayer Identification Number (TPIN), Individual or Company Income Tax account number and a Pay As You Earn (PAYE) number where applicable.

**New Taxpayer**

A new taxpayer will be required to register as stated above and they will use their estimated turnover on the registration form for Income Tax (ITF/ 75IND) or Company registration form (ITF/75 CO) to determine whether they will pay Turnover Tax or Income Tax.

**Existing Taxpayers**

Existing taxpayers whose annual business turnover is K200,000,000 or less, are not required to re register for turnover tax. A notification will be sent by the Commissioner General.

**Cessation of business**

If a taxpayer closes down his business due to any reasons, such as business failure, bankruptcy, winding up, etc, they will be sent a notification by the Commissioner General immediately of such cessation.

Where a taxpayer whose turnover is below the threshold discovers that his annual turnover will exceed K200,000,000 during the course of the year, he will notify the Commissioner General immediately. However, he **shall continue to pay** Turnover Tax till the end of that particular charge year and shall be assessed under the Income Tax System.

When a taxpayer who has been paying Provisional Income Tax discovers that his annual turnover will not exceed K200,000,000 during the year, he shall notify the Commissioner General immediately. However, he **shall continue to pay** Provisional Income Tax till the end of that particular charge year and shall be assessed under the Income Tax System. At the end of the year, the taxpayer will be required to submit a Turnover Tax Return and a set of accounts with supporting documents covering the whole year.

**Any change from Turnover Tax to Income Tax and vice versa shall take effect only at the beginning of a charge year. No change will be effected during the course of the charge year.**