



# A Brief Guide to Frequently Asked questions



at the border to Customs Officials.

- (c) There is a general concession granted to non-Zambians coming to take up residence/work on condition such people are in position of a work permit of at least a year's duration. These too are granted tax relief on all their personal and household effects including one motor vehicle per family.

There are two categories of tax relief which were announced and being implemented by ZRA. (A) The first category is a general suspension /removal/reduction of customs duty on selected items which can be enjoyed by any person /entity importing the goods. These are listed in The Statutory Instrument No.13 of 2003 as updated by statutory Instrument No.08 of 2006. (b) The other category is a tax relief, which may be granted to approved companies involved in the assembly of motor vehicles and cycles, and other building components as approved by the Minister of Finance. Carbon Emission Surtax generally being referred to as carbon tax is a newly introduced tax on some motor vehicles and motorcycles which is being charged at time of importation and thereafter annually.

This tax also known as CES on Ascyuda is charged according to the engine capacity of the motor vehicle, 1500cc and less @ K50,000.00, between 1501 and 2000cc @ K100,000.00, between 2001 and 3000cc @ K150,000.00, 3000cc and above @ K200,000.00, while for motor cycles it is at K50,000.00

- 24. In the 2006 budget speech, the Hon Minister of Finance had announced that duty on building materials and motor vehicle parts has been abolished. What are these goods and who gets this tax relief?**

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- 25 What is carbon tax?**

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- 26. What is Import VAT deferment and who enjoys the facility?**

Import VAT deferment is a situation where the actual Import VAT Tax on selected goods though computed is actually not collected at the time of importation. Only individuals and companies who are registered with the Zambia Revenue Authority for Taxpayer Identification and Local VAT can enjoy this facility. Proper declaration of goods in accordance with import classification is cardinal

- 27. When is a person or company required to register for VAT?**

A person or company is required to register for statutory VAT registration when they are making taxable supplies and the annual turnover exceeds K200 million. They can also register on Voluntary basis if their turnover is below K200 million.

- 28. Is someone dealing in exempt supplies eligible for VAT registration?**

Suppliers dealing in exempt supplies are not required to register for VAT because they can neither charge VAT on the sales they make nor claim the VAT incurred on their purchases.

- 29. What is the difference between exempt supplies and zero-rated supplies?**

Zero rated supplies are taxable at Zero percent and suppliers providing these supplies can register for VAT and claim input tax incurred Exempt supplies have no VAT on them

- 30. The due date for submission of VAT returns is the 21st day of the month following the one to which the return relates; can suppliers submit their returns before this date?**

Suppliers have 21 days to submit returns after the end of a tax period, and hence do not have to wait until the 21st.

- 31. What is the period allowed for claiming of input vat?**

An invoice is valid for one year from the tax invoice date.

- 32. What is reverse charge?**

Reverse charge is the transfer of liability to account for, and pay VAT on imported services from the person making the supply (None resident supplier) to the person receiving the supply (Local recipient). However, reverse charge will only apply where the non-resident supplier has not appointed a tax agent.

- 33. Who can obtain a VAT exemption certificate?**

The VAT ACT does not exempt any persons / organizations from paying VAT. However the Act provides relief by way of zero-rating of supplies made to accredited diplomatic missions and aid agencies using the local purchase orders respectively. Charities also have relief by way of zero-rating of eligible building materials.

- 34. What are the features of a valid Tax Invoice?**

Among other features, the words "Tax invoice" must be prominent on the invoice. Registered supplier's name, address and VAT registration number, date, pre-printed serial number and rate of VAT must also be clear on the face of the invoice.

- 35. When should a supplier de-register for VAT?**

Suppliers are required to de-register for VAT when their supplies fall below the registration threshold and when they stop making taxable supplies.

## For further Information Contact us

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**1. How much does one have to pay on change of ownership for motor vehicles?**

There is NO income tax charged on change of ownership for motor vehicles.

**2. In the case of property (i.e. land, houses, etc) being given to someone, is there any property transfer tax to be paid?**

Under the Property Transfer Tax Act, no tax is due if property is given to a member of the immediate family. Under the PTT Act "immediate family" means spouse, child, duly adopted child or stepchild.

**3. What is the rate of Property transfer tax?** The rate is 3%.

**4. Who pays Property Transfer Tax, is it the buyer or the Seller?** The seller.

**5. What are the requirements for TPIN, Income tax and PAYE registration?**

- a) Individuals will need to attach a copy of their National Registration Card, latest bank statements, a copy of the certificate of registration of business names their business to the respective application forms.
- b) Partnerships and partners will have to attach a copy of their partnership agreement, certificate of registration of business name to the respective application forms.
- c) A copy of the certificate of incorporation and articles of association for a limited company attached to the respective application forms.
- d) A copy of the certificate of registration and constitution or trust deed for other organisations e.g. Charitable organisations.

**6. What is tax clearance? Does everyone who is in business have to apply for one?**

- a) Section 81 B of the Income Tax Act defines a tax clearance certificate as a certificate issued by the Commissioner General, valid for such period as may be specified, in it stating that the person or partnership to whom or to which it is issued should have fulfilled all obligations imposed upon him or it by this act and by any other act for which the Commissioner General is responsible or has made arrangements satisfactory to the commissioner General for doing so.
- b) Any person or partnership, trading as a supplier of goods or services is required to apply for a tax clearance certificate

**7. What are the implications of not having a tax clearance certificate?**

If a person who is eligible to obtain a tax clearance certificate carries on trading without a tax clearance certificate they may be liable to a penalty or imprisonment upon conviction or to both.

**8. Can one transact with someone who does not have a tax clearance certificate?**

A person may transact with another person who is not in possession of a valid tax clearance certificate only if the value of each transaction is equal to or less than K1, 500,000 for agricultural products or K200,000 for any other goods or services, failure to which it is an offence and liable as explained

in item 7 above.

**9. Is WHT the final tax if rental income is the only source of income?**

Withholding tax is not the final tax even if rental income is the only source of income.

**10. Why are consultancy fees and Partnership income not part of presumptive tax?**

The Income Tax Act under section 64A excludes consultancy fees and partnership is excluded from presumptive tax because it is not a 'person' under this Act.

**11. What is the treatment of ex-gratia payments under PAYE?**

No tax liability arises on ex-gratia payments made by an employer (or their spouse, child or dependant of a deceased employee) to his employee under PAYE

**12. What is the rate of WHT on interest?**

- The rate of withholding tax on interest is as follows:-
- a) Individuals Interest from savings or deposit account or treasury bills - the first K750, 000 per charge year is exempt and the balance is taxed at 25% and that is the final tax.
  - b) Interest earned from GRZ bonds is taxed at 15% and is final.
  - c) Other Persons:-
    - (i) Interest from treasury bills earned by charitable organisations -15% and is final tax
    - (ii) Interest earned by companies is taxed at 15% and is NOT the final tax.
    - (iii) For large-scale mining entities - interest earned is taxed at 0%.

**13. Can one be exempt from remitting WHT on rent even when the turnover from rental income is above K200,000,000?**

No exemption is available unless the Commissioner-General has granted the PAYEE exemption

**14. Does one pay PAYE on dismissal?**

Yes, PAYE is applicable even in instances of dismissal on the benefits earned. Withholding tax is not the final tax even if rental income is the only source of income. The Income Tax Act under section 64A excludes consultancy fees and partnership is excluded from presumptive tax because it is not a 'person' under this Act.

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**15. What is the rate of WHT on Consultancy fees?**

The rate is 15%.

**16. Do you pay any tax if you purchase a car from within the country?**

No income tax is due on purchasing a vehicle within the country.

**17. How do you calculate tax on gratuity?**

Refer to the latest Practice Note on the ZRA website, an example is given.

**18. What is the penalty for late payment of PAYE?**

The late payment penalty is 5% of the amount of tax due.

**19. What are the penalties for late submission of returns and late payment of tax?**

Individuals 1000 penalty units per month late or part thereof. Companies 2000 penalty units per month late or part thereof. 1 penalty unit is equivalent to K180, 000

**20. What are the interest rates that go with these penalties?**

The interest rate is Bank of Zambia rate plus 2%.

**21. How Does ZRA Customs determine the value of imported goods for tax purposes?**

Value for Import Taxes are determined in accordance with section 85 of the Customs & Excise Act which defines such value as the cost of the item/s inclusive of insurance premium and transport changes incurred up to the point of entry into the republic. This is usually referred to as CIF X Border or VDP in Short.

**22. How is Import Tax calculated?**

- A) Customs Duty is normally calculated as percentage of value as in 1 or as a fixed amount as specified by the law (Customs & Excise Tariff)
- (B) Excise Duty where applicable is calculated as percentage of combined sum of CIF/VDP and the computed customs Duty as in (a).
- (C) Import VAT is computed as a percentage of combined sum of CIF/VDP, customs duty and excise duty. Currently the single rate is 17.5% on all imports.  
There maybe two reasons why people may not be charged import taxes on their goods.

**Q. Certain people do not pay import taxes as they enter the country, what selection criterion is used to exempt these people?**

There may be two reasons why people may not be import taxes on their goods.

- (a) There is a general tax concession which is granted to a person who is coming back to take up residence after being abroad for a period of two years or more normally referred to as returning residents. These may enjoy tax relief on all their personal and household effects including one motor vehicle per family.
- (b) There is a concession granted to a person who goes out and comes back carrying on him or her any non-merchandise items not exceeding US\$500.00 meant for personal/family consumption. This concession is subject to that person making a full disclosure of the items being carried on him/her