

period of five years or ten years for mining operations and electricity generation (Section 30).

The loss incurred shall be deducted from only 50% of the income from the same source on which the loss was incurred. Where the loss incurred is more than 50% the income in that charge year, the excess shall be deducted from 50% of the income from the same source in the following charge year.

- (d) Capital allowances, Investment allowance and Development allowance (Section 33 and 34)
- (e) Approved fund deductions (Section 37)
- (f) Payments in respect of technical education (Section 38)
- (g) Subscriptions to professional bodies of knowledge relevant to the business (Section 39)
- (h) Donations to approved public benefit organizations (Section 41)
- (i) Revenue expenditure on Research (Section 43)
- (j) Deductions for bad and doubtful debt and deduction for employing a differently abled person (Section 43A and Section 43D)
- (k) A deduction shall be allowed in ascertaining the gains or profits of a business of any levy payable or paid for a charge year in accordance with the provisions of the skills development levy Act 2016

Any other deductions as prescribed by Section 44.

The sufficient condition is that except for capital allowances, all these expenditures must not be capital in nature.

Note: However, there are expenses that are not deductible for tax purposes which will need to be added back to the profits when arriving at taxable income.

Examples include:

- Expenses of entertainment in nature unless the business is in the entertainment industry
- Provision for depreciation
- Provision for doubtful debts
- Unrealised Exchange Losses
- any tax or penalty chargeable under this Act;
- any payment to a pension or superannuation fund or scheme or premium payable under any annuity contract, except such payments as are allowed under section thirty seven;

- the cost incurred by an individual in the maintenance of himself, his family or establishment, or which is a domestic or personal expense;
- provision for a contingent employee cost that is not paid out to the employee in the charge year
- any expenditure incurred in the provision of a gift to any person consisting of an article incorporating a conspicuous advertisement for the donor the cost of which to the donor, taken together with the cost to him of any other such articles given by him to that person in the same charge year, does not exceed one hundred Kwacha (K100.00)

#### TAX COMPUTATION EXAMPLE

<b>Gross sales from business:</b>	<b>K10,000,000.00</b>
<b>Cost of sales:</b>	<b>(K5,000,000.00)</b>
<b>Gross profit:</b>	<b>K5,000,000.00</b>
<b>Less expenses</b>	
<b>Salaries and Wages:</b>	<b>K1,000,000.00</b>
<b>Stationery:</b>	<b>K100,000.00</b>
<b>Staff entertainment</b>	<b>K100,000.00</b>
<b>Rents and utilities:</b>	<b>K150,000.00</b>
<b>Total expenses:</b>	<b>(K1,350,000)</b>
<b>Net profit:</b>	<b>K3,650,000</b>
<b>Add back disallowable expenses:</b>	
<b>Staff entertainment:</b>	<b>K100,000.00</b>
<b>Taxable income:</b>	<b>K3, 750,000.00</b>
<b>Tax K3,750,000@ 30% applicable rate:</b>	<b>K1,125,000</b>

**Note:** To give a summary, the computation of Income Tax is basically done by removing or subtracting allowable expenses for tax purposes from your revenue and subjecting the taxable income to applicable Income tax rate. Refer to the Charging Schedule in the income tax act for other specific tax rates

For more information contact:

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## AN INTRODUCTION TO INCOME TAX

## WHAT IS INCOME TAX?

Income tax is tax on profits made by Limited Companies, Partnerships and Self-Employed individuals as well as on emoluments earned by employees. All profit-making persons have an obligation to pay Income tax on their profits. Similarly, all individuals in employment have an obligation under the Income Tax Act to pay tax on their emoluments

## WHAT CONSTITUTES INCOME?

For tax purposes, Income constitutes the following:

- gains or profits from any business for whatever period of time carried on; e.g. (profits from business sales, construction, interest from financial services, management and consultancy fees etc.)
- emoluments; e.g. (salaries, wages, allowances etc.)
- annuities;
- dividends;
- interest, charges and discounts;
- royalties, premiums or any like consideration for the use or occupation of any property;
- income from the letting of property; and
- the income as further classified in the First Schedule.

(As amended by Acts No. 23 of 1968, 12 of 1982 and 14 of 1987)

## WHO SHOULD REGISTER FOR INCOME TAX?

- Individuals and limited companies whose yearly gross income or turnover is above K5,000,000.
- However, there are other business forms, for example management and consultancies, approved Public Benefit Organizations, partnerships which shall register for income tax regardless of their annual turnover.

## HOW DOES ONE REGISTER FOR INCOME TAX?

Eligible businesses should register for income tax through the website portal on [www.zra.org.zm](http://www.zra.org.zm). Once logged in, the following steps should be followed:

- Click on registrations
- Click on tax type amendment
- Respond Yes to the question Are you adding business activities?
- Enter the auxiliary business activity and date of commencement as well as necessary business assets
- Enter the estimated annual turnover (K5,000,000 and above)

- Click Submit (a reference number will be generated subject to approval).

## WHAT IS THE APPLICABLE TAX RATE FOR INCOME TAX?

The applicable income tax rates differ from sector to sector and range from zero (0%) to thirty-five (35%). For further and specific information refer to the tax rates table in the practice note of 2025.

## WHAT TYPES OF RETURNS ARE SUBMITTED UNDER INCOME TAX?

There are two types of income tax returns. These are provisional return and annual income tax return.

### Provisional return

Under this tax regime (company tax or self-employed businesses) taxpayers are required to submit a provisional return based on the estimates or projections of their annual income of a given charge year and these are computed in accordance with the applicable tax rates for that charge year.

### Annual return

The annual tax return is also submitted under this tax regime. This is a self-assessed statement of business income whose information is obtained from the business financial statements for that charge year.

## WHEN IS THE PROVISIONAL TAX RETURN DUE AND PAYMENTS PAYABLE?

The Provisional return is due on or before the 31st March of the current charge year.

Provisional Tax is due and payable on the following dates in the charge year:

- 1st instalment – 31st March, payable by 10th April
- 2nd instalment – 30th June, payable by 10th July
- 3rd instalment – 30th September, payable by 10th October
- 4th instalment – 31st December, payable by 10th January

## CAN A PROVISIONAL RETURN OR ANNUAL RETURN BE AMENDED?

Yes. If during the charge year, it is found that the previously submitted provisional income return is likely to be significantly inaccurate due to changed circumstances, the return can be amended. The affected persons must submit a revised provisional income return, and any changes to the estimated

tax payable will be adjusted in the next instalment following the submission of the revised return.

## WHAT ARE THE APPLICABLE PENALTIES FOR LATE SUBMISSION OF RETURNS?

Where a person or business fails to submit a return on or before the date provided for, there shall be charged a penalty of 1,000 penalty units (K400) per month or part thereof in the case of an individual and 2000 penalty units(K800) per month or part thereof in the case of a company. (A penalty unit is equal to K0.40 or 40 Ngwee)

## ARE THERE PENALTIES FOR UNDERSTATING INCOME RECEIVED?

If at the time of filing the annual income tax return pursuant to section forty-six, it is discovered that the provisional income has been understated to the extent that the tax on the return has been underpaid by at least one-third, then such person shall be liable to a penalty calculated at the rate of twenty-five per cent of the tax which has been underpaid.

## WHEN ARE THE ANNUAL RETURNS DUE AND PAYMENT PAYABLE?

Annual Income Tax returns and payments are to be submitted and paid by 21st June following the year under review.

Note: A return should be accompanied by Form ITF56A or ITF56B which is found on the last page of the return. This is a certificate that indicates that the accounts include all the transactions of a business and present a true and fair view of the gains or profits from such business for the period submitted.

## TAXATION OF BUSINESS PROFITS

Part IV (Sections 29 to 44) of the Income Tax Act provides guidance on what items of expenditure are allowed to be deducted in ascertaining the taxable business profits. Generally, the Income Tax Act allows as a deduction the following: -

- (a) Expenditure incurred wholly and exclusively for the purposes of the business (Section 29)
- (b) Revenue and not capital expenditure (Section 29)
- (c) Losses brought forward from the same income source, provided that a loss can only be carried forward for a