



**ZAMBIA
REVENUE
AUTHORITY** | *Working
To Serve You
Efficiently*

- » Removes the K3,060 annual allowable pension contribution
- » Revises the penalties for the late submission of the turnover tax (TOT) return
- » Provides for penalties for failure to issue a tax invoice by a registered supplier
- » Revises the due date for the submission of the Value Added Tax return from 16th to 18th of the month
- » Introduces property transfer tax on transfer of intellectual property; and
- » Introduces property transfer tax on transfer of shares issued by a company incorporated outside the Republic

PRACTICE NOTE

No.1 /2018

Our Vision

“To be a world class organisation recognised as a beacon of excellence in revenue administration”

Our Mission

“To optimise and sustain revenue collection through integrated, efficient, cost effective and transparent systems, professionally managed to meet the expectations of all stakeholders.”

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1.0 FOREWORD

This **Practice Note** describes the various changes introduced by the:

1. Income Tax (Amendment) Act No. 16 of 2017.
2. Property Transfer Tax (Amendment) Act No. 11 of 2017.
3. Value Added Tax (Amendment) Act No. 12 of 2017.
4. Value Added Tax Act (Exemption) (Amendment) Order Statutory Instrument No. 83 of 2017.
5. Value Added Tax Act (Zero-Rating) (Amendment) Order Statutory Instrument No. 81 of 2017.
6. Value Added Tax (General) (Amendment) Regulations Statutory Instrument No. 82 of 2017.
7. Value Added Tax (General) (Amendment) Rules Gazette Notice No. 998 of 2017.
8. Customs and Excise (Amendment) Act No. 14 of 2017.
9. Insurance Premium Levy (Amendment) Act No. 15 of 2017.
10. Skills Development Levy Act No. 13 of 2017.

The commentary is for general guidance only and is not to be taken as an authority in any particular case. The information provided is not exhaustive and does not affect any person's right of appeal on any point concerning a person's liability to tax, nor does it preclude any discretionary treatment which may be allowed under the law.

Note that regarding Excise Duty, only matters relating to domestic Excise Duty have been included in this Practice Note.

Any enquiries regarding the content of this document may be made through the ZRA National Call Centre, your nearest Taxpayer Service Centre or any Domestic Taxes Office.



Kingsley Chanda
COMMISSIONER-GENERAL

PART I: SUMMARY OF AMENDMENTS
2.0 THE INCOME TAX ACT NO. 14 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Section	Subject
1	Title and commencement
2	Redefines the terms: <ul style="list-style-type: none"> (a) <i>incapacitated person</i>; (b) <i>management or consultancy fee</i>; and (c) <i>taxpayer identification number</i>.
4(3)(b)	Removes the condition of “central management and control” in determining residence of a person other than an individual and replaces it with the concept of “place of effective management”.
7(3)	Allows the Commissioner-General to appoint any person (besides a local authority or an institution) for purposes of collecting presumptive tax, turnover tax or tax on rental income, in addition to base tax.
37	Removes the K3,060 annual allowable pension contribution.
45B	Clarifies the institutions that are mandated to request for a Taxpayer Identification Number (TPIN) from any person dealing with them.
46(4)(c)	Introduces specific penalties for the late submission of turnover tax return.
46A(3)(a)	Introduces a due date for the filing of provisional returns regarding taxpayers who register after the mandatory due date.
54	Provides for mandatory furnishing of information on related companies and further prescribes penalties for non-compliance.
64	Increases the base tax to K365 from K150 per annum.
81	Prescribes the 14 th day of the month as the due date for payment of tax and submission of the return in respect of payments of dividends.
81A	Prescribes the 14 th day of the month as the due date for payment of tax and submission of the return in respect of payments to non-resident contractors.
82A	Clarifies the tax point for the deduction and remittance of withholding tax and further prescribes the 14 th day of the month as the due date for the payment of tax and submission of the return.
92A	Removes the provision on tax free zones.
Fifth Schedule Para 10(6)	Removes the 20% wear and tear allowance for soft drink manufacturers and introduces accelerated wear and tear allowance in respect of any new implement, plant or machinery for businesses in a priority sector.
Ninth Schedule Part I	Increases the presumptive tax rates on motor vehicles for the carriage of persons.
Charging Schedule Paragraph 5(e),(f)	Removes the tax incentives applicable to businesses approved by the Zambia Development Agency.

3.0 THE PROPERTY TRANSFER TAX ACT NO. 11 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Section	Subject
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- | | |
|---------|--|
| 1 | Title and Commencement |
| 2 | (a) Introduces the definitions of intellectual property and related company;
(b) Extends the definition of property to include shares issued by a company incorporated outside the Republic; and
(c) Redefines the term property to include intellectual property. |
| 4(1A) | Places the obligation to charge and remit property transfer tax on the related company incorporated in the Republic. |
| 4(2)(d) | Introduces property transfer tax in respect of intellectual property at the rate of 5%. |
| 5(2) | Restricts the use of the open market value to shares issued by a related company incorporated in the Republic. |
| 5(2A) | Prescribes the method of determining the realised value of a share issued by a related company incorporated outside the Republic. |
| 5(2B) | Places the obligation to account for tax on the Zambian company in the case where the companies were indirectly related before the transfer of shares. |
| 5(3) | Provides for the determination of the realised value of intellectual property. |
| 11(4) | Empowers the Commissioner-General to waive penalties and interest. |
| 12B | Provides for mandatory furnishing of information on related companies and further prescribes penalties for non-compliance. |

4.0 THE VALUE ADDED TAX (AMENDMENT) ACT NO. 12 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Section	Subject
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- | | |
|--------|---|
| 1 | Title and commencement |
| 7(3) | Makes it mandatory for a taxable supplier to issue a tax invoice in respect of the goods and services supplied. |
| 7(4) | Provides for penalties for failure by a taxable supplier to issue a tax invoice. |
| 16(2A) | Changes the due date for the submission of the Value Added Tax return from the 16 th to the 18 th of the month. |

16(2B) Introduces a due date for the submission of a withholding Value Added Tax return.

37(7),(8)& (9) Introduces penalties for availing incomplete records and failure to furnish records.

5.0 THE VALUE ADDED TAX ACT (EXEMPTION) (AMENDMENT) ORDER STATUTORY INSTRUMENT NO. 83 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Paragraph	Subject
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1	Title and Commencement
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(Group 16)	Exempts unprocessed and semi-processed tobacco from Value Added Tax.
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6.0 THE VALUE ADDED TAX ACT (ZERO-RATING) (AMENDMENT) ORDER STATUTORY INSTRUMENT NO. 81 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Paragraph	Subject
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1	Title and Commencement
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2	Excludes supplies procured using funds from loans contracted by the government from zero-rating.
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7.0 THE VALUE ADDED TAX (GENERAL) (AMENDMENT) REGULATIONS STATUTORY INSTRUMENT NO. 82 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Regulation	Subject
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1	Title and Commencement
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10B	Makes input tax relating to some specified supplies deductible.
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8.0 THE VALUE ADDED TAX (GENERAL) (AMENDMENT) RULES GAZETTE NOTICE NO. 998 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Rule	Subject
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4	Prohibits the allocation of non-serialised invoice numbers for Zambia.
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5	Introduces additional features which a tax credit note should contain.
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6B	Allows the Commissioner-General to exempt some categories of supplies from withholding Value Added Tax.
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15 Changes the due date from 21st to 18th January for submission of a schedule of Recommended Retail Prices by registered suppliers of Minimum Taxable Value goods.

18 Provides a time limit within which supporting documents for zero-rating exports and freight transport services should be availed to the Commissioner-General.

21 Provides conditions required for an importer to be granted VAT deferment.

9.0 THE CUSTOMS AND EXCISE (AMENDMENT) ACT NO. 14 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Section	Subject
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1	Title and Commencement
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188(5)	Revises the penalties for failure to furnish records for inspection in respect of excise duty.
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Second Schedule	Introduces: <ul style="list-style-type: none">(a) excise duty on Ethyl Alcohol and other spirituous products other than potable alcohol that already attracts excise duty.(b) excise duty on other tobacco products such as unmanufactured tobacco; – tobacco refuse.(c) the mixed rate system (specific and ad valorem rates) from the specific rate system on tobacco.(d) Kilograms as statistical unit of quantity for tobacco products other than cigars, cheroots, and cigarillos.(e) excise duty on cement at K40 per tonne (K2 per 50kg).
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10.0 THE INSURANCE PREMIUM LEVY (AMENDMENT) ACT NO. 15 OF 2017 – EFFECTIVE 1ST JANUARY 2018

Section	Subject
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1	Title and Commencement
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4(1)	Exempts reinsurance policies from the payment of insurance premium levy.
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11.0 THE SKILLS DEVELOPMENT LEVY (AMENDMENT) ACT NO. 13 OF 2017 – EFFECTIVE 27TH DECEMBER 2016

Section	Subject
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1	Title and commencement
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6(1)(c)	<i>Provides clarity on persons eligible for exemption from skills development levy.</i>
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PART II: COMMENTARY ON AMENDMENTS

12.0 THE INCOME TAX (AMENDMENT) ACT NO. 16 OF 2017

12.1 SECTION 1: TITLE AND COMMENCEMENT

This Act shall come into operation on 1st January 2018.

12.2 SECTION 2: INTERPRETATION

12.2.1 Section 2(1) of the principal Act is amended by the deletion of the definition of “incapacitated person” and the substitution thereof of the following new definition:

“incapacitated person” means a child or a person who has a mental disability that inhibits that person from exercising independent legal capacity;

This amendment makes the following changes:

- Age of an individual recognised as a child has been changed from 21 to 18 years in accordance with the Constitution; and
- The words “unsound mind”, “lunatic”, “idiot”, or “insane person” have been deleted and replaced with the phrase “mental disability” to conform with the acceptable terms used in the Persons with Disabilities Act, 2012.

The Zambia Revenue Authority shall not enforce tax obligations on any child or person with a mental disability. These obligations include, but are not restricted to, tax registration, return filing, and tax payment. In accordance with Section 66, the responsibility to fulfil tax obligations will be undertaken by the taxpaying agents of such incapacitated person.

Prior to this amendment the definition had restricted a child to one who had not attained the age of 21 years. Under the Republican constitution, a child is defined as “a person who has attained, or is below, the age of eighteen years.” The amendment was to realign the definition in the Income Tax Act to that of the Constitution.

12.2.2 Section 2(1) of the principal Act is amended by the deletion of the definition of “management or consultancy fee” and the substitution thereof of the following new definition:

“management or consultancy fee” means payment in any form, other than an emolument, for or in respect of any-

- (a) Administrative, consultative, managerial, technical or other service of a like nature; or*
- (b) Creation, design, development, installation or maintenance of any information technology solution, programme, system, or their combination.*

This amendment redefines the term “management or consultancy fee” to clarify the services relating to information technology. This means that 'programme and system' in the definition relate to information technology in the same way as creation,

design, development, installation and maintenance of any information technology solution. A payment received by any person providing one of these services or a combination of these services qualifies as a management or consultancy fee.

- 12.2.3** Section 2(1) of the principal Act is amended by the deletion of the definition of “taxpayer identification number” and the substitution therefor of the following new definition:

“taxpayer identification number” means a number designated and issued by the Commissioner-General

- (a) to any corporate person or unincorporated body of persons; and*
- (b) to an individual who has attained the age of 18 years.*

This amendment removes specific reference to the National Registration Card number from the definition. The amendment also sets a minimum of 18 years as the age at which an individual could obtain a taxpayer identification number. A person in possession of a taxpayer identification number will be able to undertake transactions such as electricity connections deposit, bank account opening, and motor vehicle registration.

12.3 SECTION 4: RESIDENT

Section 4(3) of the principal Act is amended by the deletion of paragraph (b) and the substitution therefor of the following:

- (b) the place of effective management of the person's business or affairs is in the Republic for that year.*

The amendment removes the condition of central management and control as one of the factors used in determining the place of residence for persons other than individuals and replaces it with the concept of “place of effective management”. The concept of “place of effective management” (POEM concept) aligns domestic law with the provisions in some of the Double Taxation Agreements that Zambia has entered into and also with current international practice.

Where a person other than an individual is not incorporated or formed under the laws of Zambia, their determination of residence for tax purposes will be based on the POEM Concept. The place of effective management is largely determined by facts and the key guiding principle that will be considered in determining the POEM is the place where key management and commercial decisions that are necessary for the conduct of a company's business as a whole are made or where they are predominately made.

12.4 SECTION 7: OFFICERS AND DELEGATION OF FUNCTIONS

Section 7 of the principal Act is amended by the deletion of sub-section (3) and the substitution therefor of the following:

(3) The Commissioner-General may appoint a person to collect base tax, presumptive tax, turnover tax or tax on rental income assessed or payable under the provisions of this Act on such terms and conditions as the Minister may, by statutory instrument, prescribe.

This amendment allows the Commissioner-General to appoint other persons such as individuals, in addition to local authorities and other institutions, as agents for the collection of taxes.

The amendment further broadens the categories or types of taxes that may be collected through appointed agents under sub-section (3), where the Minister responsible for Finance prescribes the terms and conditions. In addition to base tax, persons may now be appointed to collect presumptive tax, turnover tax or tax on rental income.

12.5 SECTION 37: APPROVED FUND DEDUCTIONS

The principal Act is amended by the repeal of section 37 and the substitution thereof of the following:

37.(1) A deduction shall be allowed in ascertaining the gains or profits of an employer for a charge year of any amount paid during that charge year by the employer by way of contribution to an approved fund established for the benefit of employees, including an approved fund within the meaning of paragraph (c) of the definition of approved fund and a fund approved under paragraph 5 of the Fourth Schedule, if the fund to which the contribution is made continues to be an approved fund for that charge year.

(2) A deduction shall not be allowed under subsection (1) in respect of any contribution other than a contribution –

- (a) which is not a contribution in arrear; or*
- (b) which is a special lump sum contribution which is allowed to be deducted under and in accordance with subsection (3).*

(3) A contribution paid by an employer shall be a special lump sum contribution and shall be treated as a current contribution for a charge year or as current contributions for the charge years in such amount as the Commissioner-General may direct if paid-

- (a) in respect of a service rendered to the employer by an employee prior to the date of the employee becoming a member of the approved fund to which the contribution is paid in order that the employee may qualify for benefits under the approved fund in respect of that prior service; or*
- (b) for any other reason approved by the Commissioner-General.*

(3) The deduction to be allowed for a charge year in respect of current contributions to an approved fund other than a fund approved under

section 11 (1) of the former Act shall not exceed twenty per centum of the emoluments liable to tax received from the employer in that charge year by each employee in respect of whom the contributions are paid.

The amendment removes the K3,060 annual allowable pension contribution. This means that effective 1st January 2018, employees will no longer be entitled to the monthly relief of K255 when computing the chargeable emoluments. However, employers will continue to claim the cost of their own contributions to the approved fund as a deduction against their gains or profits.

Example 1: Allowable contributions before and after 1st January 2018

Mr. Edward's monthly gross emoluments before and after the tax changes were K3,500. Chargeable emoluments under PAYE will be computed as follows:

Table 1: Computation of chargeable emoluments

	December 2017	January 2018
Gross emoluments	3,500	3,500
Allow	255	nil
Chargeable emoluments	3,245	3,500

12.6 SECTION 45B: TAXPAYER IDENTIFICATION NUMBER REQUIRED FOR CERTAIN TRANSACTIONS.

Section 45B (1) of the principal Act is amended in column 1 by the deletion of the words “*financial institution*” and the substitution therefor of the words “*bank or financial institution*”.

The amendment provides clarity as to the institutions that are mandated to request for a Taxpayer Identification Number (TPIN) from any person dealing with them. The institutions in this case are banks and financial institutions as defined in the Banking and Financial Services Act. Below is a complete list of certain transactions for which furnishing of a TPIN is mandatory:

COLUMN 1	COLUMN 2
INSTITUTION	TYPE OF TRANSACTION
Commissioner of lands	Registration of titles
Registrar of motor vehicles	Registration and transfer of motor vehicles
Registration authority	Company, business name or other legal entity
Zambia Electricity Supply Corporation Limited	Payment of deposit for power connection
Bank or financial institution	Account opening and holding

12.7 SECTION 46: RETURNS GENERALLY

Section 46(4) of the principal Act is amended by the insertion of the following paragraph after paragraph (b):

- (a) *in the case of a turnover tax return, two hundred and fifty penalty units per month or part thereof.*

This amendment provides for specific penalties of 250 penalty units for late submission of a turnover tax return. The amendment further harmonises penalty units for both individuals and persons other than individuals. Prior to this amendment, the applicable penalties for the late submission of turnover tax returns were penalties for late submission of annual income tax returns.

NOTE:

Turnover tax returns for December 2017 will still be charged late submission penalties of 1,000 units for individuals and 2,000 units for companies because they relate to the 2017 charge year.

12.8 SECTION 46A: PROVISIONAL INCOME

Section 46A (3)(a) of the principal Act is amended by the insertion of the following sub-paragraph immediately after sub-paragraph (ii)

(iii) in the case where a person registers for income tax after the due date as specified under this sub-paragraph (i) and (ii), the return shall be due within 90 days of that registration.

This amendment creates certainty of when a provisional return is due for a person that registers for tax after the specified due date of 5th March for submission of manual returns and 31st March for submission of electronic returns of a given charge year. Such a return shall be due within 90 days of that registration.

12.9 SECTION 54: INFORMATION AS TO COMPANIES

The principal Act is amended by the repeal of section 54 and the substitution thereof of the following:

54(1) A resident company shall deliver to the Commissioner-General a copy of its memorandum and articles of association, and copies of all amendments thereto, and, if the Commissioner-General so determines, all the particulars relating to the company's affairs and shareholders that the Commissioner-General may in writing require.

(2) A company shall, within one month after another company has become related to it, lodge with the Commissioner-General a notice of that fact together with the particulars identifying the body corporate.

(3) If a company fails to comply with this section, the company, and each officer in default, commits an offence, and is liable, on conviction, to a penalty not exceeding ten thousand penalty units for each day that the failure continues.

The amendment provides for mandatory furnishing of information on related companies within 30 days of becoming related and further prescribes penalties for

non-compliance. Note that the sanctions will apply to both the company and the individual officers in default. In accordance with Section 69 of the Income Tax Act, the individual officer liable may be a director, company secretary or any individual concerned or appearing to be concerned in the management of the company's business.

For the purposes of Section 54(2), a related company should submit the following information to the Office of the Director, Design and Monitoring, Domestic Taxes:

- The name of the new company and place of incorporation
- Worldwide shareholding structure
- Changes in the direct and indirect shareholding
- The nature of the business for the new related company

NOTE:

The following may be considered as related companies:

- (a) companies connected directly or indirectly through shareholding, equity or partnership;
- (b) any joint venture owned or operated jointly with or an unrelated company;
- (c) connected companies; or
- (d) companies connected through management and control.

12.10 SECTION 64: ESTIMATED ASSESSMENTS

The principal Act is amended by the deletion of section 64 and the substitution therefor of the following:

64. (1) An assessment may be made by the Commissioner-General in any amount according to the best of the Commissioner-General's judgement in respect of any person -

- (a) who has not delivered a return as required by this Act, or on whose behalf a return has not been so delivered;*
- (b) whose return does not satisfy the Commissioner-General;*
- (c) who the Commissioner-General has reasons to believe is about to leave the Republic;*
- (d) where the Commissioner-General has reason to believe that the company is to be wound up or liquidated.*

(2) Where the Commissioner-General does not have sufficient information on which to estimate an assessment under subsection(1), the Commissioner-General may when establishing the amount of tax which is due and payable resulting from any subsequent assessment which the Commissioner-General may determine for the same charge year –

- (a) assess a base tax of three hundred and sixty-five Kwacha in any charge year; and*
- (b) allow a credit for the amount of any base tax which has been paid in a charge year.*

This amendment increases the base tax to K365 from K150 per annum. Note that base tax can be paid daily, weekly, monthly or in any other manner that the Commissioner-General may require. In the case where there is available information about the business, the taxpayer will be required to account for turnover tax or any relevant tax type. The Commissioner-General may appoint agents for the collection of base tax in accordance with Section 7.

12.11 SECTION 81: DEDUCTION OF TAX FROM DIVIDENDS

12.11.1 Section 81 of the principal Act is amended by the deletion in sub-section (1) of the words “*as if the payment were subject to Part VI (which relates to Pay As You Earn)*” and the substitution thereof of the words “*as prescribed in sub-section (1A)*”;

12.11.2 Section 81 of the principal Act is amended by insertion of the following subsection immediately after subsection (1):

(1A) A person to whom subsection (1) applies, shall submit a return and make a payment of tax within fourteen days of the end of the month in which the payment is due.

This amendment provides a clear and specific due date for withholding tax on dividends without making any reference to Part VI relating to Pay As You Earn.

The amendment prescribes that where a payment of dividends is made and withholding tax deducted, the due date for the remittance of tax and submission of the return shall be the 14th day of the following month. Previously there was cross-reference to Part VI relating to Pay As You Earn which implied that the due date for payment of tax and submission of the return was the 10th day of the month.

12.12 SECTION 81A: DEDUCTION OF TAX FROM PAYMENTS TO NON-RESIDENT CONTRACTORS

12.12.1 Section 81A of the principal Act is amended by the deletion in sub-section (1) of the words “*as if it were a payment subject to Part VI of the Act*” and the substitution thereof of the words “*as prescribed in sub-section (1A)*” and

12.12.2 Section 81A of the principal Act is amended by the insertion of the following subsection immediately after sub-section (1):

(1A) A person or partnership to whom sub-section (1) applies shall submit a return and make a payment of the tax, within fourteen days of the end of the month in which the payment is due.

This amendment provides a clear and specific due date for withholding tax on payments made to non-resident contractors without making any reference to Part VI relating to Pay As You Earn.

The amendment prescribes that where a payment is made to a non-resident contractor and withholding tax deducted, the due date for the remittance of tax and

submission of the return shall be the 14th day of the following month. Previously there was cross-reference to Part VI relating to Pay As You Earn which implied that the due date for payment of tax and submission of the return was the 10th day of the month.

12.13 SECTION 82A: DEDUCTION OF TAX FROM CERTAIN PAYMENTS

12.13.1 *Section 82A of the principal Act is amended by the deletion of sub-section (2) and the substitution therefor of the following:*

- (2) A person or partnership to whom subsection (1) applies shall be deemed to have made a payment at the earliest of the following:*
 - (a) the time when payment is made;*
 - (b) the time when income accrues to a person;*
 - (c) the time when income is in any way due to a person or held to that person's order or on their behalf except that-*
 - (i) this section shall not apply to interest payable on a bill of exchange drawn for one hundred and eighty days or less;*
 - (ii) the payment of an amount in excess of the original issue price for a treasury bill sold at a discount from face value shall be deemed for the purposes of this section to be payment of interest when the treasury bill is presented for redemption or rediscount;*
 - (iii) the Commissioner-General may determine that the provisions of subsection (1) (a), (b), (c) or (d) do not apply in a particular case and shall, in writing, notify the person or partnership concerned that the provisions of subsection (1)(a), (b), (c) or (d) as applicable, do not apply to that person or partnership to the extent and to the period specified in the notification;*
 - (iv) in the case of paragraph (b) of subsection (1), the direction to be issued under paragraph (c) shall only be for interest arising from a property linked unit of a property loan stock company; and*

This amendment provides clarity on the tax point for withholding tax on certain payments. It is a requirement under Section 82A to deduct tax from payment of management or consultant fees, interest and royalties, rent, commissions, public entertainment fees, winnings, and branch profits. As a consequence of this amendment, the earliest of the following conditions shall be used to determine the time when withholding tax should be remitted to Zambia Revenue Authority:

- (i) the time when payment is made;*
- (ii) the time when income accrues to a person;*
- (iii) the time when income is in any way due to a person or held to that person's order or on their behalf.*

12.13.2 *Section 82A of the principal Act is amended by the insertion of the following sub-section immediately after sub-section (2):*

(2A) A person or partnership to whom sub-section (1) applies shall submit a return and make a payment of the tax within fourteen days of the end of the month in which the payment is due.

This amendment provides a clear and specific due date for withholding tax on certain payments without making any reference to Part VI relating to Pay As You Earn.

The amendment prescribes that where certain payments are made and withholding tax deducted, the due date for the remittance of tax and submission of the return shall be the 14th day of the following month. Previously there was cross-reference to Part VI relating to Pay As You Earn which implied that the due date for payment of tax and submission of the return was the 10th day of the month.

Example 2: Withholding tax on payment of rent

Mr. Ray enters into a lease agreement with his landlord to occupy a residential property. The agreement states that rent shall be paid monthly at a rate of K3,500.

The effective date of the agreement is 1st March 2018 when the property is ready for occupation. However, Mr. Ray has prepared money and is ready to pay the landlord on 1st January 2018 for six months in advance.

Solution:

Mr. Ray is required to deduct 10% withholding tax on the six months rental payment and remit to Zambia Revenue Authority by the 14th day of February 2018. Withholding tax due is:

$$6 \times K3,500 = K21,000$$

WHT @ 10% = K2,100 to be remitted by 14th February 2018.

The withholding tax of K2,100 will be made by 14th February 2018 because this follows the month of January when payment has been made. The date of payment is the earliest of the three conditions.

Example 3: Withholding tax on rent

Mr. Ray enters into a lease agreement with his landlord to occupy a residential property. The agreement states that rent shall be paid monthly at a rate of K3,500.

The effective date of the agreement is 1st March 2018 when the property is ready for occupation. However, Mr. Ray does not have any money at the moment and is only ready to pay the landlord on 1st September 2018.

Solution:

The Zambia Revenue Authority will demand the payment of tax from Mr. Ray at the rate of 10% on the March rental payment as follows:

$1 \times K3,500 = K3,500$

WHT @ 10% = K350 to be remitted by 14th April 2018.

The withholding tax of K350 will be due by 14th April 2018 since it would have accrued despite the rent payment not being made.

12.14 SECTION 92A: REDUCTION IN TAX FOR TAX FREE ZONES

The principal Act is amended by the repeal of section 92A.

This amendment removes the provision that empowered the Minister responsible for Finance to exempt from or reduce the payment of taxes for investors in some sectors operating in an area declared as a Tax Free Zone.

12.15 FIFTH SCHEDULE: CAPITAL ALLOWANCES FOR BUILDINGS, IMPLEMENTS, MACHINERY AND PLANT AND PREMIUMS

12.15.1 The Fifth Schedule to the principal Act is amended in paragraph 10 by the deletion of subparagraph (6) and the substitution thereof of the following:

(6) Despite the other provisions of this Act, a person operating a business in a priority sector declared under the Zambia Development Agency Act, 2006 may claim on a straight line basis, wear and tear at an accelerated rate, not exceeding 100 percent in respect of any new implement, plant or machinery acquired and used by the business for the purposes of that business.

This amendment removes the 20% wear and tear allowance for manufacturers of soft drinks because they are catered for under Paragraph 10 (5) of the Fifth Schedule with a higher wear and tear allowance of 50%.

The amendment further introduces a wear and tear allowance at an accelerated rate on a straight line basis not exceeding 100% subject to the following conditions:

- the implement, plant or machinery should be new (not previously used by any party) and acquired by qualifying businesses approved by Zambia Development Agency on or after 1st January 2018; and
- the implement, plant or machinery should be used by the business for the purposes of that business.

12.15.2 The Fifth Schedule to the principal Act is amended in paragraph 10 by the insertion of the following new subparagraph, immediately after subparagraph (6):

(7) Where a business under paragraph (6) uses an accelerated rate, that business shall not use another rate without the consent of the Commissioner-General.

The amendment provides that election to use the accelerated wear and tear allowances shall not be rescinded without the consent of the Commissioner-General.

12.16 NINTH SCHEDULE PART I: TAX ON MOTOR VEHICLES FOR THE CARRIAGE OF PERSONS

The Ninth Schedule to the principal Act is amended by the deletion of Part I and the substitution thereof of the following:

Presumptive Tax

Part I	Type of vehicle (sitting capacity)	Amount of tax per vehicle (per annum)
	64 seater and above	K10,800
	50-63 seater	K9,000
	36-49 seater	K7,200
	22-35 seater	K5,400
	18-21 seater	K3,600
	12-17 seater	K1,800
	Below 12 seater (including taxis)	K900

This amendment increases the presumptive tax amounts on motor vehicles for the carriage of persons by 50% effective 1st January 2018.

See Table 2 below, showing the comparison of the 2017 and 2018 charge years.

Table 2: Comparison of Presumptive Tax Amounts

Type of vehicle (sitting capacity)	Amount of tax per vehicle per annum (2017)	Amount of tax per vehicle per annum (2018)
64 seater and above	K7,200	K10,800
50-63 seater	K6,000	K9,000
36-49	K4,800	K7,200
22-35	K3,600	K5,400
18-21	K2,400	K3,600
12-17	K1,200	K1,800
Below 12 seater (including taxis)	K600	K900

NOTE:

- (i) The presumptive tax regime is a simplified scheme that is only available to individuals and partnerships carrying on business of public passenger transport. Therefore, transport businesses operated by incorporated entities, associations

- or trusts are required to pay tax under the normal income tax regime.
- (ii) Operators are advised to pay presumptive tax regularly, preferably on weekly or monthly basis to avoid accumulating tax arrears.
- (iii) The Commissioner-General may appoint agents for the collection of presumptive tax.

12.17 CHARGING SCHEDULE

RATES OF TAX

12.17.1 Paragraph 5(e) and (f)

Paragraph 5 of the Charging Schedule to the principal Act is amended by the deletion of subparagraphs (e) and (f) and the renumbering of subparagraph (g) as subparagraph (e).

This amendment removes income tax incentives on corporate tax and on dividends that were applicable to a business enterprise that met the following criteria:

- (i) approved by Zambia Development Agency;
- (ii) carrying on the business of electricity generation or manufacturing; and
- (iii) operating either in a rural area, Multi Facility Economic Zone (MFEZ) or Industrial Park.

This means that a business involved in electricity generation or manufacturing activities in a rural area, Multi Facility Economic Zone (MFEZ) or Industrial Park and registers with the Zambia Development Agency with effect from 1st January 2018 will not be entitled to the five-year 0% tax incentive.

NOTE:

Businesses that are already granted the incentives are not affected by this change since they accessed the incentives at a time when the law provided for the respective incentives.

13.0 THE PROPERTY TRANSFER TAX (AMENDMENT) ACT NO. 11 OF 2017.

13.1 SECTION 1: TITLE AND COMMENCEMENT

This Act comes into operation on 1st January 2018.

13.2 SECTION 2: INTERPRETATION

13.2.1 *Section 2 of the principal Act has been amended to introduce the following definition:*

“intellectual property” includes a patent, trade mark, copyright or industrial design;

This amendment introduces a definition of intellectual property. The definition includes intangibles such as patent, trade mark, copyright or industrial design. Since the terms patent, trade mark, copyright or industrial design are not defined in the Property Transfer Tax Act, the following or similar definitions may be used as a guide:

A patent is defined in the Patents Act No. 40 of 2016 as an invention which meets specified requirements under the Patents Act. To qualify as a patent, the invention should be new, involve an inventive step, and be capable of industrial application.

The Trade Marks Act Chapter 401 defines a trademark as, *except in relation to a certification trade mark, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person, and means, in relation to a certification trade mark, a mark registered or deemed to have been registered under section forty-two.*

A design in the Industrial Designs Act No. 22 of 2016 is defined as an industrial design taking the form of features of shape, configuration, pattern, ornament or composition of lines or colours applied to any article, whether in two dimensional or in three dimensional or in both forms, by any industrial process or means, which in the finished article appeal to, and are judged solely by the eye, and are not related to functionality; but does not include any mode or principle of construction or anything which is in substance a mere mechanical device.

13.2.2 *Section 2 of the principal Act has been amended to introduce the following definition:*

“related company” includes –

- (a) companies connected directly or indirectly through shareholding or equity;*
- (b) any joint venture owned or operated jointly with or an unrelated company;*
- (c) connected companies; or*
- (d) companies connected through management and control.*

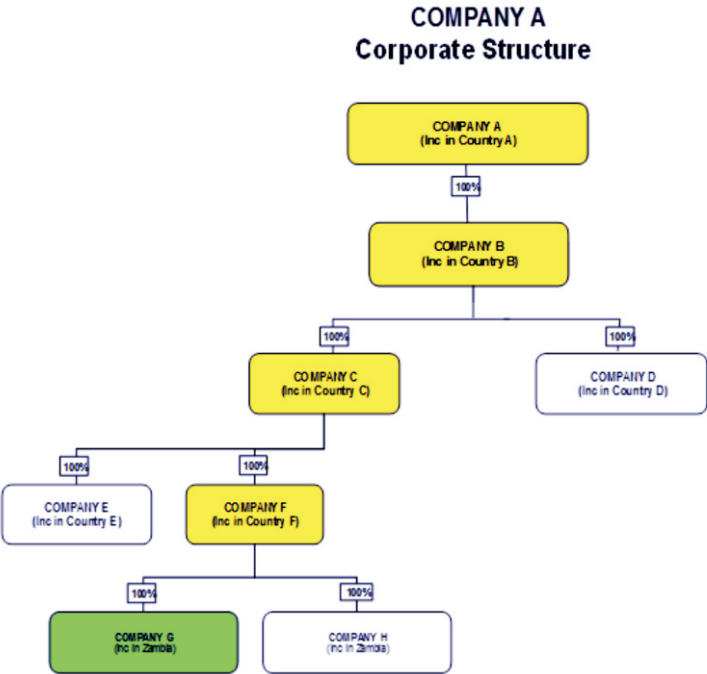
This amendment introduces a definition of related company.

13.2.3 Section 2 of the principal Act has been amended to expand the definition of property in respect of a share as follows:

- (b) *a share issued by a company incorporated in the Republic or a share issued by a company incorporated outside the Republic where the company directly or indirectly owns at least ten percent of the shares in a company incorporated in the Republic.*

This amendment extends the definition of property to include a share issued by a company incorporated outside the Republic and that such company directly or indirectly owns at least 10% of shares in a Zambian incorporated company. Prior to this amendment, the definition of property only included shares of a company incorporated in the Republic.

The corporate structure below illustrates shares that should fall within the scope of taxation in Zambia as a consequence of this amendment:



NOTE:

- (i) Shares issued by Company A, Company B, Company C and Company F fall within the scope of taxation as the direct or indirect shareholding in Company G (Zambian company) is at least 10%.
- (ii) Shares issued by Company D and Company E do not fall within the scope of taxation as these companies do not have a direct or indirect shareholding in Company G (Zambian company).

- 13.2.4** Section 2 of the principal Act has been amended to expand the definition of property to include:

(d) intellectual property

This amendment redefines the term property to include intellectual property.

13.3 SECTION 4: PROPERTY TRANSFER TAX

- 13.3.1** Section 4 of the principal Act is amended by the insertion of the following new section immediately after 4(1):

4(1A) in the case of the transfer of a share issued by a company incorporated outside the Republic where that company directly or indirectly owns at least ten percent of a company incorporated in Zambia, tax shall be charged and collected from the Zambian incorporated company;

This amendment places the obligation to charge and remit property transfer tax on the related company that has been incorporated in the Republic of Zambia. This is notwithstanding that the Zambian incorporated company is not the one carrying out the actual transfer of the shares. Where transfer of shares outside the Republic occurs, the Zambian incorporated company is required to undertake a self-assessment by filing provisional returns of property transfer tax and paying the assessed tax thereon.

- 13.3.2** Section 4 of the principal Act is amended by the insertion of the following new paragraph immediately after paragraph (c):

(d) five percent of the realised value in respect of intellectual property.

This amendment introduces a 5% rate of tax on the transfer of intellectual property. *This means that when property such as a patent, trade mark, copyright or industrial design is transferred, property transfer tax is required to be paid. However, in the case where intellectual property does not change ownership, property transfer tax will not be applicable because there is no transfer of property that has taken place.*

13.4 SECTION 5: REALISED VALUE

- 13.4.1** Section 5 of the principal Act is amended by the deletion of subsection (2) and the substitution therefor of the following:

(2) Where the property to be valued is a share issued by a company incorporated in the Republic, the realised value shall be the price at which it could, at the time of its transfer, reasonably have been sold on the open market as determined by the Commissioner-General, or its nominal value, whichever is the greater;

This amendment provides clarity on the realised value for a share issued by a company incorporated in the Republic. The realised value for a share issued by a company incorporated in the Republic shall be the price at which it could, at the time

of its transfer, reasonably have been sold on the open market as determined by the Commissioner-General, or its nominal value, whichever is the greater.

In determining the open market value of the shares, the net asset value method is preferred.

13.4.2 Section 5 of the principal Act is amended by the insertion of the following new subsection immediately after subsection (2):

(2A) Where the property to be valued is a share issued by a company incorporated outside the Republic that directly or indirectly owns at least ten percent of a company incorporated in Zambia, the realised value shall be the proportion that the value of the Zambian entity bears to the value of the transferred shares.

This amendment prescribes the method to be used in determining the realised value of shares issued outside the Republic by a related company that directly or indirectly owns at least 10% of a company incorporated in Zambia. The following formula shall be used:

$$R = [(X/Y) * Z]$$

Where:

R is the realised value

X is the value of investment in the Zambian entity

Y is the value of the foreign entity

Z is the value of transferred shares

NOTE:

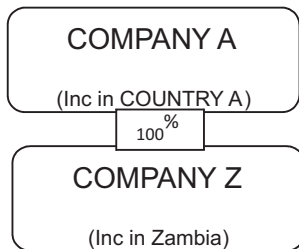
- (i) The Zambia Revenue Authority will compute the value of shares in the Zambian entity on a net asset value basis. Where the foreign entity holds a portion of shares in the Zambian entity, only the proportion owned by that entity will be considered in computing X.
- (ii) The value of the foreign entity, Y, will be provided by the Zambian incorporated company because it is the one that is liable to property transfer tax. This value should be computed on a net asset value basis.
- (iii) The value of transferred shares, Z, will be provided by the Zambian incorporated company because it is the one that is liable to property transfer tax. The actual transaction value will be considered as the value of transferred shares.
- (iv) Only one currency should be used in reporting the transaction and subsequent filing in of the provisional property transfer tax returns. This means that the value for X, Y and Z should be reported in the same currency. Where more than one currency has been used, appropriate conversion should be done.

The stages to follow when determining the realised value are:

- (i) Stage 1 – Determine whether the shareholding in the Zambian incorporated company meets the prescribed threshold.
- (ii) Stage 2 – Apply the formula above.

Example 4: Direct shareholding for a wholly owned company

A Zambian incorporated entity, Company Z, is wholly owned by Company A which is incorporated in Country A as illustrated below:



The net asset value of Company A is 200million while Company Z is valued at 100million. During the year 50million worth of shares in Company A were transferred.

Solution:

Stage 1: Since Company A owns 100% of Company Z, the shares in Company A are liable to tax whenever shares are transferred.

Stage 2: The realised value shall be determined as follows –

$$R = [(X/Y) * Z]$$

Where:

R is the realised value

X = 100million

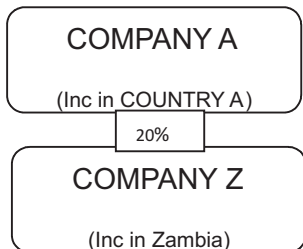
Y = 200million

Z = 50million

Therefore $R = [(100/200) * 50] = 25\text{million}$.

Example 5: Direct shareholding less than 100%

Using example 4 above, where the shareholding is now 20% the illustration and calculations will be as shown below:



Solution:

Stage 1: Since Company A owns at least 10% of Company Z, the shares in Company A are liable to tax whenever shares are transferred.

Stage 2: The realised value shall be determined as follows –

$$R = [(X/Y) * Z]$$

Where:

R is the realised value

X = 20% of the value of the Zambian company = 20million

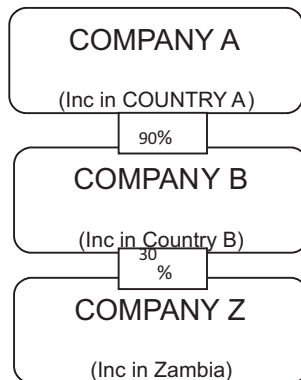
Y = 200million

Z = 50million

Therefore $R = [(20/200) * 50] = 5\text{million}$.

Example 6: Indirect shareholding

A Zambian incorporated entity, Company Z, is 30% directly owned by Company B and indirectly owned by the parent company A. Company A owns 90% shares of Company B as illustrated below:



The net asset value of Company A is 200million while Company Z is valued at 100million. During the year 50million worth of shares in Company A were transferred.

Solution:

Stage 1: Compute the effective shareholding of Company A in Company Z as follows:
 $90\% \times 30\% = 27\%$.

Since the effective shareholding of Company A in Company Z is at least 10% the shares in Company A are liable to tax whenever shares are transferred.

Stage 2: The realised value shall be determined as follows:

$$R = [(X/Y) * Z]$$

Where:

R is the realised value

X = 27% of the value of the Zambian company = 27million

Y = 200million

Z = 50million

Therefore $R = [(27/200) \times 50] = 6.75\text{million}$.

- 13.4.3** Section 5 of the principal Act is amended by the insertion of the following new subsection immediately after subsection (2):

(2B) For the purposes of this Act, a share, that is registered outside the Republic and that is transferred by a related company is deemed to have been a transfer by a company incorporated in Zambia if before the transaction, the company incorporated in Zambia was indirectly owned by a related company.

This amendment places the obligation to account for tax on the Zambian company in the case where the companies were indirectly related before the transfer of shares.

- 13.4.4** Section 5 of the principal Act is amended by the insertion of the following new subsection immediately after subsection (2):

(2C) The Commissioner-General, in determining the realised value for shares, may make adjustments in accordance with the provisions of sections 97A, 97AA, 97C and paragraph 22A of the Fifth Schedule to the Income Tax Act.

This amendment clarifies that the anti-avoidance measures contained in sections 97A, 97AA, 97C and paragraph 22A of the Fifth Schedule to the Income Tax Act will apply in the determination of the realised value in respect of shares issued by a related company incorporated outside the Republic.

- 13.4.5** Section 5 of the principal Act is amended by the deletion of sub-section (3) and the substitution thereof of the following:

(3) Where the property to be valued is intellectual property or a mining right or an interest in a mining right, the realised value of the intellectual property or mining right or interest shall be the actual price of the intellectual property or mining right or interest or as determined by the Commissioner-General, whichever is higher.

This amendment provides for the determination of the realised value of intellectual property as the higher of the actual price and the amount determined by the Commissioner-General.

13.5 SECTION 11: PAYMENT OF TAX AND PENALTY FOR LATE PAYMENT

Section 11 of the principal Act is amended by the insertion of the following subsection immediately after subsection (3):

(4) The Commissioner-General may remit the whole or part of any penalty and interest due under this Section.

The amendment empowers the Commissioner-General to waive penalties and interest that may be charged on property transfer tax transactions. Prior to this amendment, the Act did not provide for the waiver of penalties and interest.

NOTE:

Penalties and interest chargeable on property transfer tax assessments issued prior to 2018 will not be eligible for remission.

13.6 SECTION 12B: DISCLOSURE OF INFORMATION

The principal Act is amended by the insertion of the following section immediately after section 12A:

12B (1) A company shall, within one month after another company has become related to it, lodge with the Commissioner-General a notice of that fact together with particulars identifying that company.

(2) If a company fails to comply with this section, the company, and each officer in default, commits an offence and is liable, on conviction to a penalty not exceeding ten thousand penalty units for each day that the failure continues.

The amendment provides for mandatory furnishing of information on related companies within 30 days and further prescribes daily penalties for non-compliance. Note that the sanctions will apply to both the company and the individual officers in default. In accordance with Section 69 of the Income Tax Act, the individual officer liable may be a director, company secretary or any individual concerned or appearing to be concerned in the management of the company's business.

For the purposes of this section, a related company should submit the following information in a prescribed format to the Office of the Director, Design and Monitoring, Domestic Taxes:

- The name of the new company and place of incorporation
- Worldwide shareholding structure
- Changes in the direct and indirect shareholding
- The nature of the business for the new related company.

14.0 THE VALUE ADDED TAX (AMENDMENT) ACT NO. 12 OF 2017

14.1 SECTION 1: TITLE AND COMMENCEMENT

This Act comes into operation on 1st January, 2018.

14.2 SECTION 7: TAXABLE SUPPLIES

Section 7 of the principal Act is amended by the insertion of the following subsection immediately after subsection (2):

(3) A taxable supplier under subsection (1) shall issue a tax invoice in respect of goods and services supplied.

(4) A taxable supplier who fails to issue a tax invoice under subsection (3) in the form and manner prescribed by the Commissioner-General from an approved computer package, a preprinted tax invoice book or a Fiscalised Cash Register, commits an offence and is liable, on conviction, to a penalty not exceeding three hundred thousand penalty units or to imprisonment for a term not exceeding three years or to both.

This amendment makes it mandatory for a taxable supplier to issue a tax invoice in an approved format in respect of the goods and services supplied and provides for penalties for failure by a taxable supplier to issue a tax invoice. In addition, the amendment increases the penalty for non-compliance to 300,000 penalty units or a custodial sentence of 3 years imprisonment or both.

Prior to this amendment, the requirement to issue a tax invoice was provided in the subsidiary legislation. The penalty under the subsidiary legislation was 5,000 penalty units.

NOTE:

- (i) Failure to issue an invoice from an approved computer package, a pre-printed tax invoice book or a Fiscalised Cash Register amounts to an offence.
- (ii) The sanction is dependent on the failure to issue an invoice and not the quantum of invoices not issued.
- (iii) 300,000 penalty units is equivalent to K90,000.

14.3 SECTION 16: TAX RETURNS

14.3.1 Section 16 of the principal Act is amended in subsection 2A by the deletion of the word “sixteen” and substitution therefor of the word “eighteen”;

This amendment changes the due date for a Value Added Tax (VAT) return submitted electronically to the 18th day from the 16th day of the month following the end of the prescribed accounting period.

Consequently the return filing due date for Insurance Premium Levy return has also been changed to the 18th day of the month following the end of prescribed period while the due date for payment of the Levy is still on the 14th day of the month following the end of the prescribed accounting period. However, taxpayers are advised and encouraged to submit the Premium Levy Return at the same time as they make the payment on the 14th day of the following month, in order to avoid making payments without an accompanying return.

NOTE:

For a return for the period ending 31st December 2017 the submission due date shall be 16th January 2018 while the return for January 2018 will be due on 18th February 2018. This is because the return for December 2017 belongs to the 2017 accounting year.

- 14.3.2** Section 16 of the principal Act is amended by the insertion of the following new subsection immediately after subsection 2A:

2B. A Value Added Tax withholding agent shall lodge a return relating to Value Added Tax withheld in the form and manner prescribed by the Commissioner-General within sixteen days following the end of the prescribed accounting period to which it relates or within such other time as the Commissioner-General may determine by notice.

This amendment introduces a specific due date for the submission of a return relating to Value Added Tax withheld by an agent as the 16th day of the month following the end of the prescribed accounting period.

Following this amendment, where the Value Added Tax withholding agent fails to submit the return within the time allowed, the agent shall be liable to 1,000 penalty units or ½% of the tax payable, whichever is greater, for each day the return is late as per Section 17 of the Value Added Tax Act.

14.4 SECTION 37: FURNISHING OF INFORMATION AND PRODUCTION OF DOCUMENTS

Section 37 of the principal Act is amended by the insertion of the following subsections immediately after subsection 6:

(7) A person commits an offence if that person –

(a) avails incomplete records or fails to avail the records for inspection as required under this section; or

(b) fails to provide information requested by an authorised officer within the time stipulated by that officer.

(8) A person convicted of an offence under subsection (7) is liable, to a penalty of twenty thousand penalty units.

(9) Without prejudice to subsection (7), a person who fails to avail the requested records under this section is liable to pay a fee of two thousand fee units for each day that the records are not provided.

This amendment introduces penalties for the following offences:

- (i) Availing incomplete records; or
- (ii) Failure to provide records for inspection; or
- (iii) Failure to provide information requested within the time stipulated by an officer.

The penalty for the offences above is 20,000 penalty units upon conviction. The amendment further provides an additional penalty of 2,000 fee units a day for failure to avail records.

15.0 THE VALUE ADDED TAX ACT (EXEMPTION) (AMENDMENT) ORDER STATUTORY INSTRUMENT NO. 83 OF 2017

15.1 TITLE AND COMMENCEMENT

This Order comes into effect on 1st January, 2018.

15.2 Group 16 – FOOD AND AGRICULTURE

15.2.1 The Schedule to the principal Order is amended in item 16 by the insertion of the following paragraph immediately after paragraph (f):

(g) unprocessed and semi-processed tobacco.

This amendment provides for the exemption of unprocessed and semi-processed tobacco from Value Added Tax.

Unprocessed tobacco is tobacco that is in the field up to the point where the leaves are removed from the plants.

Semi-processed tobacco is tobacco that has been cured and may or may not be graded provided the mid-rib and the lamina are still attached.

The separation of the lamina from the mid-rib and any process in between up to the stage of cutrag constitute tobacco processing.

The last stage that goes beyond cutrag constitutes tobacco manufacturing. Manufactured tobacco is tobacco that is ready for consumption by the end user.

Following this amendment, farmers that are exclusively growing tobacco will not be eligible for VAT registration.

Furthermore, suppliers dealing solely in unprocessed and semi-processed tobacco are required to make an application for de-registration and to submit a final return (VAT 99/100). Suppliers dealing in unprocessed and semi-processed tobacco who make other taxable supplies will be treated as partially exempt suppliers and if the turnover relating to taxable supplies is above the registration threshold, such suppliers will not be required to de-register.

Partially exempt suppliers whose taxable turnover is below the statutory threshold have an option to apply for voluntary VAT registration.

16.0 THE VALUE ADDED TAX ACT (ZERO-RATING) (AMENDMENT) ORDER STATUTORY INSTRUMENT NO. 81 OF 2017

16.1 TITLE AND COMMENCEMENT

This Order comes into effect on 1st January, 2018.

16.2 ORDER 2: INTERPRETATION

Order 2 of the principal Order is amended by the deletion of the definition “donor funding” and substitution therefor of the following:

“donor funding” means funding provided by a donor but does not include funding provided in the form of a loan to the Government of the Republic of Zambia.

This amendment excludes from the Zero-rating Order, supplies procured using funds from loans contracted by the government for development purposes (developmental credit).

Prior to this amendment, supplies purchased using finances acquired from loans from developmental support institutions as well as loans from commercial lending institutions contracted by the Government for developmental purposes, were eligible for VAT zero-rating.

NOTE:

Supplies made in relation to financing agreements entered into prior to 2018 will continue to be eligible for VAT zero-rating to the extent of the financing.

17.0 THE VALUE ADDED TAX (GENERAL) (AMENDMENT) REGULATIONS, STATUTORY INSTRUMENT NO. 82 OF 2017

17.1 TITLE AND COMMENCEMENT

These Regulations come into operation on 1st January, 2018.

17.2 REGULATION 10B: INPUT TAX NOT ALLOWED ON SPECIFIED SUPPLIES

The principal Regulations are amended by the revocation of Regulation 10B.

The amendment makes input tax relating to the following items deductible:

- (i) domestic refrigeration equipment;*
- (ii) air conditioners;*
- (iii) mobile phones;*
- (iv) motor vehicle parts;*
- (v) television sets;*
- (vi) digital satellites;*
- (vii) decoders;*
- (viii) video players; and*
- (ix) window blinds and curtains;*

However, where any of the items above are purchased for non-business use, the corresponding input tax will still not be deductible.

18.0 THE VALUE ADDED TAX (GENERAL) (AMENDMENT) RULES GAZETTE NOTICE NO. 998 OF 2017

18.1 TITLE AND COMMENCEMENT

These Rules shall come into operation on 1st January 2018.

The Gazette Notice No. 86 of 1997 (Commissioner-General's VAT Rules) has been repealed and replaced by 2017 Rules. The effective date of the Rules is 01st January 2018.

18.2 RULE 4: ISSUE OF TAX INVOICE

Rule 4 of the principal Rules is amended by the insertion of a proviso in sub-rule (4) as follows:

Provided, in the case of related businesses, that the computer package does not share the allocation of consecutive invoice numbers with transactions in respect of which the goods or services are supplied in another country and do not fall within the scope of Chapter 331 of the Laws of Zambia.

This amendment prohibits the allocation of non-serialised invoice numbers for Zambia.

18.3 RULE 5: TAX CREDIT NOTES

Rule 5 of the principal Rules is amended in sub-rule (2) by the introduction of the following additional features:

- (i) *the words "credit note" displayed in a prominent place;*
- (ii) *the registered supplier's name and address;*
- (iii) *taxpayer identification number;*
- (iv) *a description sufficient to identify the goods or services supplied which includes the quantity of the goods or the extent of the service supplied, the tax exclusive amount charged for each description of goods or services supplied and the rate or rates of tax.*

The credit notes not meeting the mandatory requirements specified in Rule 5 (2) shall not be accepted as evidence for tax claims or other tax adjustments.

18.4 RULE 6B: ACCOUNTING FOR VAT WITHHELD BY APPOINTED AGENTS

Rule 6B of the principal Rules is amended by the insertion of the following sub-rule:

(6) Notwithstanding the provisions in sub-rule (1), the Commissioner-General may prescribe goods to be exempted from the provisions of this Rule.

This amendment allows the Commissioner-General to exempt some categories of supplies from withholding VAT. A taxable supplier may make an application to the Commissioner-General in order to be considered for an exemption under this sub-rule.

18.5 RULE 15: DOCUMENTS IN SUPPORT OF A VAT RETURN

Rule 15 is amended in sub-rule (4) by the deletion of 4 (a) and the substitution thereof of the following:

(a) once for each calendar year by 18th January of that year

This amendment changes the due date for submission of a schedule of Recommended Retail Prices by registered suppliers of Minimum Taxable Value goods. The due date has been changed from 21st January to 18th January and should be submitted in a format required by the Commissioner-General.

18.6 RULE 18: PROOF OF EXPORT

18.6.1 Rule 18 of the principal Rules is amended by the insertion of a proviso in sub-rule (1) as follows:

Provided that the Commissioner-General shall not accept any documents or proof of export submitted after twelve months from the date of submission of the return.

This amendment provides a time limit within which documents in support of an export shall be made available to the Commissioner-General. Therefore, a supplier making a claim that the sales are zero-rated on account of the supplies having been exported shall ensure they are in possession of all required export documentation according to Rule 18. Where such documentation is non-existent and the Commissioner General did not issue a letter of waiver for some requirements, the exporter has twelve months in which to find the missing documents; otherwise the exporter must declare output tax on exports with insufficient documentation.

NOTE:

Suppliers that have already submitted returns and are yet to furnish supporting documentation pursuant to Rule 18 are not affected by this amendment. Therefore, the provisions of Rule 18 that were in force at the time of submission shall apply.

18.6.2 Rule 18 of the principal Rules is amended by the insertion of the following in sub-rule (5):

--within a period of twelve months from the date of exportation, importation or transiting--.

This amendment provides a time limit within which documents in support of zero-rated freight transport services shall be made available to the Commissioner-

General. Therefore, a supplier making a claim that the freight transport services are zero-rated on account of the services being directly linked to the exportation from, importation into or transiting of goods through Zambia shall ensure they are in possession of all required documentation according to Rule 18. Where such documentation is non-existent and the Commissioner General did not issue a letter of waiver for some requirements, the taxpayer has twelve months in which to find the missing documents; otherwise the taxpayer must declare output tax on the transactions with insufficient documentation.

NOTE:

Suppliers that have already submitted returns and are yet to furnish supporting documentation pursuant to Rule 18 are not affected by this amendment. Therefore, the provisions of Rule 18 that were in force at the time of submission shall apply.

18.7 RULE 21: IMPORT VAT DEFERMENT SCHEME

The principal Rules are amended by the deletion of Rule 21 and the substitution therefor of the following new Rule 21:-

21.(1) A registered supplier may, subject to such conditions as the Commissioner General may require and in such circumstances as may be allowed, be permitted to account for tax by deferring the payment of tax on approved goods listed under the Third Schedule hereto, at importation provided that the supplier:

- a) is registered for Value Added Tax and all relevant tax types;*
- b) uses the goods solely for making taxable supplies and not for re-sale;*
- c) is tax compliant; and*
- d) forgoes the equivalent tax deduction or credit under section eighteen of the Act*

(2) Where a supplier has deferred import VAT and does not use the imported item as per provision under sub-rule 1(b), that supplier shall be assessed the portion of such deferred import VAT and charged interest accordingly.

(3) Where a partially-exempt supplier has deferred import VAT, such supplier will be assessed the portion of such deferred import VAT as relating to exempt supplies and charged the interest accordingly.

(4) All VAT deferment applications approved in the course of a given accounting year shall expire by the end of that accounting year

This amendment provides for conditions that are required before an importer can be granted VAT deferment. To be eligible for VAT deferment, the following should be fulfilled:

- (i) the importer must be registered for Value Added Tax and all relevant tax types such as income tax, PAYE, withholding tax;
- (ii) the imported goods should only be used for making taxable supplies. The re-selling of the goods is not allowed. The Zambia Revenue Authority will raise assessments on the deferred VAT and charge interest accordingly where goods have been used as stock for re-sale;
- (iii) the importer should be tax compliant;
- (iv) no equivalent tax deduction or credit shall be granted;
- (v) the validity period of the scheme will not exceed the accounting period and will expire by the end of the accounting year.

19.0 THE CUSTOMS AND EXCISE (AMENDMENT) ACT NO. 14 OF 2017

19.1 SECTION 1: TITLE AND COMMENCEMENT

This Act comes into operation on 1st January, 2018.

19.2 SECTION 188: PERSONS CARRYING ON BUSINESS TO KEEP PROPER BOOKS

Section 188 of the principal Act is amended by the insertion of the following new subsections:

(5) A person commits an offence if that person-

- (a) avails incomplete records or fails to avail the records for inspection as required under this section; or*
- (b) fails to provide information requested by an authorised officer within the time stipulated by that officer.*

(5A) A person convicted of an offence under subsection (5) is liable, to a penalty of twenty thousand penalty units or to imprisonment for a period not exceeding three months or to both.

(5B) Without prejudice to subsections (5A), a person who fails to avail the requested records under the section is liable to pay a fee of two thousand fee units for each day that the records are not provided.

This amendment revises penalties for the following offences:

- (i) Availing incomplete records; or
- (ii) Failure to provide records for inspection; or
- (iii) Failure to provide information requested within the time stipulated by an officer.

The penalty for the offences above is 20,000 penalty units upon conviction. The amendment further provides an additional penalty of 2,000 fee units a day for failure to avail records.

19.3 SECOND SCHEDULE: EXCISE TARIFF

The Second Schedule to the principal Act is amended by introduction of:

- (a) excise duty on Ethyl Alcohol and other spirituous products other than potable alcohol that already attract excise duty.
- (b) excise duty on other tobacco products such as unprocessed tobacco; – tobacco refuse
- (c) the mixed rate system (specific and ad valorem rates) from the specific rate system on tobacco.
- (d) Kilograms as statistical unit of quantity for tobacco products other than **cigars, cheroots, and cigarillos.**
- (e) excise duty on cement.

Table 3: Excise Tariff

Heading No.	Description of Goods	Harmonised Commodity Description and Coding System Heading No.	Statistical Unit of Quantity	Duty Rate
3	(1) Undenatured Ethyl Alcohol of alcoholic strength by volume of 80% or greater. Ethyl Alcohol and other spirits denatured, of any alcoholic strength	2207.10.00	Litre	125%
	(2) Methylated Spirits (that is spirit that has been rendered unpotable in the manner approved by the Commissioner)	2207.20.10	Litre	125%
	(3) Other Ethyl alcohol and other spirits, denatured of any strength: other	2207.20.90	Litre	125%
4	(1) Unmanufactured tobacco; Tobacco refuse	24.01	Kg	145% or K240 per kg whichever is greater
	(2) Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	24.02	Mille	145% or K240 per mille whichever is greater
	(a) Water pipe tobacco specified in subheading Note 1 to this Chapter	2403.11.00	Kg	145% or K240 per kg whichever is greater
	(b) Cutrag	2403.19.10	Kg	145% or K240 per kg whichever is greater
	(c) Other	2403.19.90	Kg	145% or K240 per kg whichever is greater
	(d) "Homogenised" or "reconstituted" tobacco	2403.91.00	Kg	145% or K240 per kg whichever is greater
	(e) Other	2403.99.00	Kg	145% or K240 per kg whichever is greater
5	Portland cement, aluminous cement ("ciment fondu").	25.23	Tonne	K40/tonne

This amendment introduces excise duty:

- (i) mixed rate of 145% or K240.00 whichever is greater per statistical quantity for tobacco from specific rate of K240.00 per mille. For locally produced cigarettes by a licensed Excise manufacturer, a quarter of the substantive rate applies.
- (ii) at a rate of **K40/Tonne** (Statistical unit of quantity is **Tonne**) on Portland cement, Aluminous cement ("ciment fondu"), slag cement, Supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers.

The Excise Duty will be charged and collected on all local sales of cement before computing VAT. It shall not apply on exports. All manufacturers of cement in the Republic are required to charge and collect Excise Duty on cement sales as follows:

Example 7: Taxable value for cement

The taxable value is the price that is charged for goods and services onto which VAT at 16% is added. For cement, which now attracts Excise Duty, it is the net selling price plus Excise Duty.

Below is an illustration of the taxable value on cement where **Item 1** represents a pocket of cement before Excise Duty was applicable and **Item 2** after Excise Duty introduction of **K40/Tonne**.

	Item 1 (before excise) (per 0.05 Tonne)	Item 2 (after excise) (per 0.05 Tonne)
Net Selling Price	K65.00	K65.00
Excise Duty [at K40/Tonne]	nil	K2.00
Taxable Value	K65.00	K67.00
VAT	K10.40	K10.72
Total Selling Price	K75.40	K77.72

The introduction of Excise duty on cement, other tobacco products and Ethyl Alcohol other than potable alcohol that is already excisable and other spirituous products entails that all manufacturers of these products will be required to be registered and licensed with Zambia Revenue Authority as Excise manufacturers effective 1st January 2018. The first return for January 2018 will be due by 15th February 2018 accounting for all sales in January 2018. The statistical quantity for declarations is as indicated in table 3 (Excise Tariff) above.

NOTE:

A Mille is a unit of measurement representing 1,000 sticks of cigarette.

20.0 THE INSURANCE PREMIUM LEVY (AMENDMENT) ACT NO. 15 OF 2017

20.1 TITLE AND COMMENCEMENT

This Act comes into operation on 1st January, 2018.

20.2 SECTION 4: CHARGE OF LEVY

Section 4(1) of the principal Act is amended by the insertion immediately after the word “*brokers*” of the words “*except reinsurance*”.

The amended Section 4(1) will read as follows:

4(1) A three percent levy shall be charged, levied, collected and paid, on insurance premiums in respect of insurance policies for all classes of insurance business carried on by insurers, insurance agents or brokers except reinsurance.

The amendment excludes reinsurance business from the charge of insurance premium levy. Prior to the amendment, reinsurance business was liable to the charge of levy. Reinsurance policies that came into effect prior to 2018 but expiring after 1st January 2018 are liable to the charge of levy while those written prior to 2018 but with the effective date of the cover in 2018 will not be liable to the levy.

21.0 THE SKILLS DEVELOPMENT LEVY (AMENDMENT) ACT NO. 13 OF 2017

21.1 TITLE AND COMMENCEMENT

This Act is deemed to have come into effect on 27th December, 2016.

This amendment provides for the retrospective application of the amendment.

21.2 SECTION 6: EXEMPTIONS

Section 6(1)(c) of the principal Act is amended by the insertion of the word “income” immediately after the word “from”.

The amended Section 6(1)(c) will read as follows:

6(1)(c) A public benefit organisation approved as such under the Income Tax Act, exclusively established for the purpose of providing a public benefit or an organisation exempted from income taxation under any other written law.

This amendment clarifies that only persons that are exempt from income tax are eligible for exemption from skills development levy.

PART III: OTHER MATTERS

22.0 TAXATION OF BENEFITS

(i) Payment of Employees' Bills (benefits convertible into money's worth)

Where an employer discharges the liability of an employee by paying his or her private bills or expenses such as rent, electricity, telephones, water bills, school fees, or school association fees, club membership fees and similar payments, the employer is required to add such payments to the employee's emoluments and deduct tax under PAYE. Such expenses will be an allowable deduction in the hands of the employer.

(ii) Benefits that cannot be converted into Cash

Benefits which cannot be converted into money or money's worth are not taxable on employees. However, no deduction in respect of the cost of providing the benefit may be claimed by the employer [section 44(L) of the Income Tax Act].

- (a) In the case of residential accommodation provided to an employee by the employer in a house owned or leased by the employer, the cost to be disallowed in the employer's tax computation is 30% of the taxable income paid to the employee.

Payments for utilities such as electricity, telephones, water bills, security and similar payments are not included in the meaning of free residential accommodation.

NOTE:

Leasing in this part is in respect of amounts which cannot be converted into money's worth. Any other lease which is convertible into money's worth is taxable under PAYE.

- (b) In the case of the provision of motor vehicles to employees on a personal-to-holder basis, the benefit to be disallowed in the employer's tax computation is as follows:

(i) Luxury Cars

- 2800cc and above - K40,000.00 per annum

(ii) Other Cars

- 1800cc and below 2800cc - K30,000.00 per annum
- Below 1800cc - K18,000.00 per annum

A personal-to-holder vehicle means a vehicle provided to an employee for both business and personal use and usually involves payment by the employer of all the expenses associated with running and maintenance of the vehicle.

(iii) **Cash Benefits paid in the form of Allowances.**

All cash benefits paid in the form of allowances are taxable on the employee under PAYE.

Examples of such cash benefits are:

- Education allowance;
- Housing allowance;
- Transport/fuel allowance;
- Domestic Utility allowances e.g. for electricity, telephone and water;
- Commuted car allowance;
- Settling in allowance;
- Allowances paid in recognition of an employee's professional qualifications etc.

22.1 EMOLUMENTS THAT ARE NOT SUBJECT TO PAYE

The following emoluments are exempt or otherwise not chargeable to income tax and, consequently, need not be included in the taxable emoluments.

(i) Ex-Gratia Payments:

A voluntary, non-contractual, non-obligatory payment made by an employer to the spouse, child or dependant of a deceased employee is exempt (Paragraph 7 (t) of the 2nd Schedule to the Income Tax Act).

NOTE:

Ex-gratia payments which are made to a former employee are NOT exempt.

(ii) Medical Expenses:

Medical expenses paid or incurred by an employer on behalf of an employee or refunds of actual medical expenses incurred by an employee are exempt (Statutory Instrument No. 104 of 1996).

(iii) Funeral Expenses:

Funeral expenses paid or incurred by an employer on behalf of an employee are exempt (Statutory Instrument No. 104 of 1996).

(iv) Sitting Allowances for Councillors:

Payments by Local Authorities to Councillors as Sitting Allowances are exempt (Paragraph 7(s) of the 2nd Schedule to the Income Tax Act).

(v) Labour Day Awards

Labour Day awards paid to employees either in cash or in kind are non-taxable.

23.0 TAX TREATMENT OF CERTAIN EXPENSES

23.1 TAX TREATMENT OF EXPENSES INCURRED ON ENTERTAINMENT, HOSPITALITY AND GIFTS

Expenses incurred on entertainment, hospitality and gifts are not allowable, subject to the following exceptions:

- a) where the business is one whose purpose is to provide entertainment or hospitality, e.g. hotels, restaurants, cinemas and theatres, the cost of providing those services is allowable;
- b) where entertainment is provided free of charge with the purpose of obtaining publicity from the general public, e.g. free seats for critics at a cinema;
- c) where an employer provides entertainment such as Christmas Party for employees or hospitality for employees in form of meals, accommodation etc. on business trips;
- d) where a person gives gifts which bear an advertisement for the donor, e.g. calendars, pens, key holders, diaries, and other such like items, as long as the cost of the gift(s) to any one person does not exceed K100 in a charge year. The cost of gifts in excess of K100 to the same person is disallowable.

NOTE: i) Employees receiving entertainment allowances will be taxed under PAYE and the amount would be disallowable to the employer.

- ii) Where an employer defrays entertainment expenses directly, the cost will be disallowable to the employer but there will be no charge on the employee unless the normal rules regarding benefits apply.

23.2 TAX TREATMENT OF CANTEEN EXPENSES, REFRESHMENTS AND FOOD RATIONS

Where the employer incurs expenditure on the provision of refreshments, canteen meals, food rations or any other meals (except on business trips) to employees, the benefit arises in the hands of the employees. As the benefit cannot be converted into money's worth, it is not taxable on the employee.

Under the provisions of Section 44(l) of the Income Tax Act, the whole expenditure on refreshments, canteen meals, etc. is disallowable on the employer.

However, where an employer is obliged to provide meals to employees either under any other law or circumstances peculiar to the employer, the cost may be deductible. In both cases, an application in writing may be sent to the Office of the Director, Design and Monitoring, Domestic Taxes.

Where the provision of such food is a legal obligation, the full cost of providing the food ration may be an allowable deduction.

24.0 PAYMENTS ON CESSATION OF EMPLOYMENT

The following payments may be made on cessation of employment by way of dismissal, resignation, end of contract term, redundancy/retranchment, retirement or death:

- (a) Pension
- (b) Refund of employee's pension contributions
- (c) Withdrawal of employer's pension contributions
- (d) Gratuity
- (e) Redundancy pay
- (f) Severance pay or compensation for loss of office
- (g) Salary in lieu of notice
- (h) Repatriation allowance
- (i) Service bonuses eligible for payment only at the end of employment
- (j) Monthly salary
- (k) Commutation of accrued leave days
- (l) Accrued service bonuses

Following the amendment to the Constitution, with effect from 5th January 2016, the payments below are exempt from tax as they fall within the definition of pension benefit:

- (a) Pension;
- (b) Refund of employee's pension contributions;
- (c) Withdrawal of employer's pension contributions;
- (d) Gratuity;
- (e) Redundancy pay;
- (f) Severance pay or compensation for loss of office;
- (g) Salary in lieu of notice;
- (h) Repatriation allowance; and
- (i) Service bonuses eligible for payment only at the end of employment.

On the other hand, the following payments are taxable under the applicable PAYE bands:

- (j) Monthly salary;
- (k) Commutation of accrued leave days; and
- (l) Accrued service bonuses.

The monthly salary, commutation of accrued leave days and accrued service bonuses are taxable because they are emoluments that have been earned during the course of one's employment. Note that accrued service bonus is one which is linked to performance and is taxable in the period in which it accrues.

24.1 TAX TREATMENT OF PAYMENTS MADE ON MEDICAL DISCHARGE

Where the employer, on advice from a registered medical practitioner or medical institution, determines that an employee is permanently incapable of discharging his/her duties through infirmity of mind or body, the employer may terminate the services of such an employee.

A payment made to an employee on termination of employment on medical grounds is exempt from tax.

25.0 TAX TREATMENT OF ADVANCE AGAINST GRATUITY, PENSIONS AND EMPLOYEE PENSION WITHDRAWALS BY AN INDIVIDUAL CONTINUING IN EMPLOYMENT

Payments in the form of advances against gratuity, pensions and employee pension withdrawals are exempt from tax because they constitute pension benefits.

26.0 TAX TREATMENT OF SETTLING IN ALLOWANCES

Settling in allowances, by whatever name called, paid to new employees and employees on transfer constitute an individual's income and should be subjected to tax under the PAYE Scheme.

27.0 TAXATION OF RENTAL INCOME

Rental income received by any person is subject to withholding tax at the rate of 10% and it is a final tax. However, landlords may obtain approval from the Commissioner-General to receive rentals without the deduction of withholding tax subject to the conditions that the Commissioner-General may prescribe.

NOTE:

The obligation to withhold tax will not apply to boarding house owners and operators of car park facilities. These are allowed to pay tax under the turnover tax or normal income tax depending on whether the gross receipts are below or above the annual turnover threshold of K800,000.

27.1 Withholding Tax System

27.2 Tenant's obligations

A Tenant must –

- (i) register for withholding tax and obtain a Taxpayer Identification Number (TPIN);
- (ii) submit, to the Commissioner-General, a withholding tax return within 14 days following the month of payment of the rentals;
- (iii) deduct and pay the withholding tax amount within 14 days following the month of deduction; and
- (iv) give a copy of the receipt in respect of the payment and certificate of deduction to the landlord within 14 days of making the payment.

27.3 Landlord's obligations

A landlord must –

- (i) register for income tax and obtain a Taxpayer Identification Number (TPIN);
- (ii) provide their TPIN to the tenant;

- (iii) submit a provisional tax return (applicable to taxpayers registered for income tax);
- (iv) submit an annual income tax return making full declaration of the rental income and other income received during the year.

27.4 Penalties for non-compliance by the tenant

Where a person fails to submit the withholding tax return and /or certificate to the Commissioner-General or to any other person authorised by the Commissioner-General, there shall be charged a penalty of -

- in the case of an individual 170 penalty units per month or part thereof during which such failure continues, or
- in the case of a company 340 penalty units per month or part thereof during which such failure continues.

27.5 Landlord's obligations where Commissioner-General grants approval to receive rental income without the deduction of tax

27.5.1 Application

Section 82A empowers the Commissioner-General to issue a withholding tax exemption certificate to persons in receipt of rental income. This is in order to allow landlords to receive gross rental income without the deduction of withholding tax (WHT).

To be eligible for this scheme, landlords are required to apply to the Commissioner-General stating therein grounds for such application and where necessary attach the appropriate tenancy agreements. If satisfied with the reasons for the application and compliance status, the Commissioner-General may grant the withholding tax exemption.

27.5.2 Obligations

Any person that has been granted approval to receive gross rentals will be required to account for tax under their own income tax account. The Landlord will have the following tax obligations:

- (i) register for Taxpayer Identification Number (TPIN) and Income Tax;
- (ii) remit the tax to Zambia Revenue Authority by the 14th day of the month;
- (iii) submit a provisional tax return by the due date (applicable to taxpayers registered for income tax);
- (iv) submit an annual income tax return by the due date; and
- (v) keep records.

28.0 PART IV: TAX RATES

(a) **Personal Income Tax Rates:** Personal Income tax rates are as follows

Table 4

Income Bands	Rates
First K39,600	@ 0%
Above K39,600 up to K49,200	@ 25%
Above K49,200 up to K74,400	@ 30%
Above K74,400	@ 37.5%

(b) **Other Income Tax Rates**

Table 5

Category	Rate (%)
Mineral processing	30
Mining	30
Manufacturing & other companies	35
Public Benefit Organisation (on income from business)	15
Agro-processing	10
Farming	10
Non- traditional exports	15
Chemical manufacture of fertilizer	15
Organic manufacture of fertilizer	15
Trusts, deceased or bankrupt estates	35
Rural enterprises	Tax chargeable reduced by 1/7 for 5 years
Business enterprise operating in a priority sector declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained prior to 11 th October 2013)	0% for the first 5 years
	Rate reduced by 50% from 6-8 years
	Rate reduced by 25% from 9-10 years
Business enterprise carrying on manufacturing or electricity generation located in a rural area, Multi Facility Economic Zone or Industrial Park	0 % for the first 5 years from commencement of operations.
Electronic communication business:	
First K250, 000	35
Above K250, 000	40

(c) Withholding Tax Rates

Table 6

Category	Rate (%)
Dividends (Final Tax)	15
Dividends paid by a company carrying on mining operations	0
Dividends paid to an individual by a company listed on the Lusaka Stock Exchange (LUSE)	0
Dividends paid by a company engaged in the assembly of motor assembly, motor cycles and bicycles	0 (First 5 years)
Dividends declared from farming income	0 (First 5 years)
Dividends paid by a business enterprise carrying on manufacturing or electricity generation located in a rural area, Multi Facility Economic Zone or Industrial Park	0 % for the first 5 years from commencement of operations
Interest on GRZ bonds (Final Tax for Individuals & Exempt Organisations only)	15
Interest for individuals (earned from banks or building societies, savings and deposit accounts)	0
Interest on Treasury Bills for Individuals (Final Tax)	15
Interest on Treasury Bills (Final Tax for Exempt Organisations)	15
Other Interest	15
Royalties (Residents)	15
Royalties to Non - Residents	20
Rent (Final Tax)	10
Commissions (Residents)	15
Commissions paid to Non-Resident persons (Final Tax)	20
Public Entertainment Fees for Non- Residents (Final Tax)	20
Management and Consultancy Fees to Non -Residents	20
Non-Resident Contractors (Final Tax)	20
Payment or Distribution of Branch Profits	15
Payment of Winnings from Gaming, Lotteries and Betting	20

NOTE:

- (i) Interest includes that awarded by the Courts of Law.
- (ii) The term "Royalty" includes income from leasing and therefore leasing income is subject to withholding tax. This determination is derived from the definition of royalty which recognises a payment for the use of or right to use commercial, industrial, or scientific equipment as a royalty. Payments for hiring of commercial, industrial, or scientific equipment attract royalties. Note that the application of withholding tax excludes a finance lease.

(d) VAT Rates

Table 7

Category	Rate (%)
Standard Rate	16%
Zero-Rate	0%
Exempt	Not taxable

(e) **Local Excise**

Table 8

Excisable Product	Statistical Unit of Quantity	Rate
Cigarettes	Mille	145% or K240 (whichever is greater) per mille
Pipe Tobacco	Kg	145% or K240 (whichever is greater) per Kg
Cutrag & Other tobacco products	Kg	145% or K240 (whichever is greater) per Kg
Clear Beer	Litre	40%
Opaque Beer	Litre	K0.15
Diesel	Deca Litre	Fuel Levy K6.20 per decalitre
Petrol	Deca Litre	Excise K11.43 per decalitre, fuel levy K8.27 per decalitre
Fuel Oil	Deca Litre	Excise K8.70 per 10 kg
Hydrocarbon Gases	Kg	Excise K0.45 per kg
Ethyl Alcohol and other spirituous	Litre	125%
Potable Spirits	Litre	125%
Wines	Litre	60%
Airtime	Minute for voice, MB for data and Count for SMS	17.5%
Cosmetics	Kg	20%
Electric Energy	100kWh	3%
Plastic Bags	Kg	20%
Cement	Tonne	K40 per tonne

(f) **Property Transfer Tax Rates**

Table 9

Category	Rate (%)
Land (including buildings, structures or improvements there on)	5%
Shares	5%
Intellectual Property (including trademarks, patents, copyright or industrial design)	5%
Mining Right/ Interest in Mining Right	10%

(g) **Mineral Royalty**

Table 10: Copper

Norm Price Range	Mineral Royalty Rate
Less than US\$4,500	4%
US\$4,500 but less than US\$6,000	5%
US\$6,000 and above	6%

Table 11: Other Minerals

Description	Mineral Royalty Rate
Base Metals (Other than Copper)	5% on norm value
Energy and Industrial Minerals	5% on gross value
Gemstones	6% on gross value
Precious Metals	6 % on norm value

(h) Other Rates – Insurance Premium Levy, Skills Development Levy, Tourism Levy

Table 12

Type of Levy	Rate (%)
Insurance Premium Levy	3%
Skills Development Levy	0.5%
Tourism Levy	1.5%

(i) Penalty Units

A penalty unit is thirty ngwee.

29.0 DOMESTIC TAXES CONTACT ADDRESSES:

If you have any queries concerning your taxes, please contact the Client Services Centres or your nearest Domestic Tax Office at the following addresses:


- | | |
|---|---|
| <p>1 National Call Centre
New Revenue Hall
P.O. Box 35710
Lusaka
Tel: Zamtel : (0211) 381111
MTN : 0960 091111
Airtel : 0971 281111
Short code: 5972
Website: http://www.zra.org.zm</p> | <p>2 Client Services Centre
Nchanga House
P.O. Box 20855
Kitwe
Tel: Zamtel : (0211) 384521
MTN : 0960 094521
Airtel : 0971 284521</p> |
| <p>3 Assistant Director
Direct Taxes LTO – Taxpayer Services
P.O. Box 35710
Lusaka
Tel: Zamtel : (0211) 382502
MTN : 0960 092502
Airtel : 0971 282502</p> | <p>4 Assistant Director
Design & Monitoring – Policy & Legislation
P.O. Box 35710
Lusaka
Tel: Zamtel : (0211) 382520
MTN : 0960 092520
Airtel : 0971 282520</p> |
| <p>5 Assistant Director
Indirect Taxes Kitwe
P.O. Box 20855
Kitwe
Tel: Zamtel : (0211) 384500
MTN : 0960 094500
Airtel : 0971 284500</p> | <p>6 Assistant Director
Direct Taxes Kitwe
P.O. Box 20855
Kitwe
Tel: Zamtel : (0211) 384 615
MTN : 0960 094 615
Airtel : 0971 284 615</p> |
| <p>7 Assistant Director
Direct Taxes Ndola
P.O. Box 70181
Ndola
Tel: Zamtel : (0211) 384200
MTN : 0960 094200
Airtel : 0971 284200</p> | <p>8 Provincial Manager
Small and Medium Taxpayer Office – Central
P.O. Box 80909
Kabwe
Tel: Zamtel : (0211) 381005
MTN : 0960 091005
Airtel : 0971 281005</p> |
| <p>9 Provincial Manager
Small and Medium Taxpayer Office – Southern
P.O. Box 60597
Livingstone
Tel: Zamtel : (0211) 383812
MTN : 0960 093812
Airtel : 0971 283812</p> | <p>10 Provincial Manager
Small and Medium Taxpayer Office – Eastern
P.O. Box 510632
Chipata
Tel: Zamtel : (0211) 381900
MTN : 0960 091900
Airtel : 0971 281900</p> |
| <p>11 Provincial Manager
Small and Medium Taxpayer Office – North-Western
P.O. Box 110368
Solwezi
Tel: Zamtel : (0211) 384900
MTN : 0960 094900
Airtel : 0971 284900</p> | <p>12 Provincial Manager
Small and Medium Taxpayer Office – Luapula
P.O. Box 710112
Mansa
Tel: Zamtel : (0211) 381700
MTN : 0960 091700
Airtel : 097 1 281700</p> |

- 13** Provincial Manager
Small and Medium Taxpayer Office – Northern
and Muchinga
P.O. Box 410728
Kasama
Tel: Zamtel : (0211) 381800
MTN : 0960 091800
Airtel : 0971 281800
- 14** Provincial Manager
Small and Medium Taxpayer Office – Western
P.O. Box 910110
Mongu
Tel: Zamtel : (0217) 221662
- 15** Station Manager
Small and Medium Taxpayer Office – Choma
P.O. Box 480002
Choma
Tel: Zamtel : (0211) 381300
MTN : 0960 091300
Airtel : 0971 281300
- 16** Station Manager
Small and Medium Taxpayer Office – Chinsali
P.O. Box 480002
Chinsali
Tel: Zamtel : (0211) 381540
MTN : 0960 091540
Airtel : 0971 281540

Our Values

Our commitment to serving Government, taxpayers, employees and other stakeholders is reflected in our Corporate Values:

- Integrity*** : exhibiting the highest standards of personal probity and behaviour;
- Professionalism*** : performing official duties with skill, care and diligence; and providing the public with service and advice in a professional manner;
- Fairness*** : performing official duties in an impartial manner free of political, personal or other biases;
- Equity*** : treating all taxpayers, colleagues and members of the public equitably in accordance with the provisions of legislation and procedures in force;
- Courtesy*** : treating all taxpayers, colleagues and members of the public with courtesy and being sensitive to their rights, duties and aspirations;
- Teamwork*** : working as a team, not only to reinforce each other's divisional functions, but also at collegiate level in order to strengthen mutual confidence, respect and trust
- Value for Money*** : avoiding wastage and extravagant use of resources;
- Confidentiality*** : upholding the highest level of secrecy in respect of information that comes to one's knowledge in the course of duty;
- Goal orientation*** : focusing on the development and achievement of personal and organisational goals in the course of duty;
- Innovation*** : consistently improving on quality, quantity, timeliness and cost.



National Call Centre
New Revenue Hall
P.O. Box 35710

Lusaka

Tel: Zamtel Network: (01) 381111
Airtel Network: 0971 281111
Or 5972
0962 251111



www.zra.org.zm