

there is an under-deduction of tax, the employer will pay the difference to the Revenue Authority.

**9) What if the tax deducted by the employer is not remitted on time to ZRA?**

If tax is not remitted on time by the employer, a penalty of 5% will be charged on the amount due, and interest @ 2% above the BOZ discount rate.

**10) Are allowances received together with the salary taxable?**

All cash benefits paid in the form of allowances such as education, housing, transport, utility and settling etc. are taxable.

**11) Are utility bills, school fees and school association fees taxable under PAYE?**

Where an employer discharges the liability of an employee by paying his/her rent, electricity, telephone, water bills, school fees or professional association fees, club membership fees and similar payments, the employer is required to add such payments to the employees emoluments and deduct tax under PAYE.

**12) Are there any benefits that are not subjected to PAYE?**

The following benefits are *not subjected* to PAYE:

- ☐ Labor day Awards
- ☐ Ex-gratia payments
- ☐ Medical expenses
- ☐ Funeral expenses
- ☐ Sitting allowances for councilors
- ☐ Benefits that cannot be converted into cash such as free residential housing provided by the employer, canteen expenses and personal to holder cars.

**13) Are payments for casual workers and daily paid workers supposed to be taxed?**

Yes. They are taxed using tax tables for casual workers and daily paid workers.

**14) Are persons who are employed by foreign missions and international organizations**

**which are exempted from remitting tax under the Diplomatic and Immunities Act supposed to be taxed?**

Yes. In such cases the employee is treated as his own employer and tax is collected directly from such an employee.

**For more information contact:**

**+260 211 381111/ 0971-281111/  
5972 / 0962251111**

**Email us at: [advice@zra.org.zm](mailto:advice@zra.org.zm)  
Website: [www.zra.org.zm](http://www.zra.org.zm)**

**PAY AS YOU EARN  
PAYE**



### 1. What is Pay As You Earn (PAYE)?

This is a method of deducting tax from employees' emoluments in proportion to what they earn. Under this system, the employer is empowered to:

- calculate tax payable by every employee;
- deduct tax due from the emoluments; and
- remit tax deducted to ZRA.

### 2. What are emoluments?

The term "emoluments" means total earnings of an employee from employment. These include wages, salaries, overtime, leave pay, commissions, fees, bonuses and any other payments from employment or office (Section 2 of Income Tax Act).

### 3. How is tax calculated?

Under the PAYE system, the amount of tax which the employer deducts from any pay depends on:

- the employee's total gross pay; and
- the applicable tax rates.

#### Example:

An employee with a gross pay of K15, 000.00 / month in January 2019, which is month 1 under the Tax Tables, the tax will be calculated as follows;

#### a) Calculation of Taxable Pay K

Gross pay	15,000.00
Taxable pay	<b>15,000.00</b>

#### b) Calculation of tax

First K 3,300.00 @ 0% - 0

Next	K 800.00	@ 25%	-	200.00
Next	K 2,100.00	@ 30%	-	630.00
Balance	K 8,800.00	@ 37.5%	-	3,300.00
Total tax due			-	<b>4,130.00</b>
Total tax payable			-	<b>4,130.00</b>

#### c) Calculation of Net Pay

Gross Pay	K15,000.00
Less tax	K 4,130.00
<b>Net pay to employee</b>	<b>K 10,870.00</b>

**Note:** Effective 1<sup>st</sup> January 2018, it will no longer be necessary to deduct the allowable pension contribution before arriving at taxable pay following the amendment to the Income Tax Act.

### 4) What should I do if I leave employment?

When you leave your current employment obtain a form showing all pay – roll details (ITF/P13 (2) from your former employer. This enables your new employer to make the correct tax deductions when you are re – employed. If the ITF/P13 (2) is not provided to your new employer, the tax deductions could be higher than you should suffer.

If you are not re – employed, you may be entitled to a tax refund as explained below.

### 5) How does a tax refund arise?

A tax refund may arise in the following situations:

#### a) Errors:

Pay-roll errors, for example;

- Use of wrong tax bands and rates
- Arithmetical errors in calculating tax
- Complete or partial omission of statutory deductions

#### b) Unemployment Repayments:

If employment ceased at any time, but before the end of the charge year, unemployment repayment may arise due to incorrect use or non-use of tax tables.

This repayment is part of the tax that you may have paid during the tax year in which the employment is terminated.

### 6) How can I make a claim?

You will be required to complete an Income Tax Return for Individuals (ITF/1A) which is available at the Customer Care Centre in Lusaka or Kitwe, and from any ZRA office in the provinces, and attach the following documents:

- letter of termination of employment;
  - last pay-slip;
  - particulars of employee leaving (form ITF/P13 (1)); and
  - any other payment vouchers.
- This will enable the tax office to calculate the refund of tax due. A notice of advice (assessment ITF302) will then be raised and posted to you.

Upon receipt of notice of assessment, the claimant should complete a Refund Claim form (ITF/ CF56). This should be attached to the notice of assessment to enable the office process the payment of the refund.

### 7) Where should I collect the tax refund cheque from?

Refund payments are credited into the bank account of the claimant as indicated in the refund claim form.

### 8) What if the tax deducted is wrong?

If there is an over-deduction of tax, a refund will be made to the employees by the employer and only in the same charge year. If