

1.0 INTRODUCTION

1.1 Background

The World Health Organization (WHO) declared the novel coronavirus (COVID-19) as a global pandemic on 30 January 2020. The disease has caused major disruptions to life and business globally. This disruption has therefore adversely affected taxpayers in relation to meeting their tax obligations.

As part of Government's response to the global effects of the covid-19 pandemic on Zambian businesses, the Minister of Finance announced measures to grant some relief to taxpayers. In particular, the Minister at a press briefing held at Mulungushi International Conference Centre in Lusaka on Monday 20 April 2020 announced the waiver of penalties and interest on tax declarations and liabilities resulting from the impact of covid-19. The Honorable Minister in this regard directed the Commissioner General to issue guidelines on the implementation of this measure for all individuals and businesses as a way of cushioning taxpayers against the negative effects of the pandemic.

1.2 Enabling legislation

The power to waive penalties and interest is pursuant to the following provisions of the relevant tax laws:

- i. Section 20(5) of the Value Added Tax Act, Chapter 331 of the Laws of Zambia which empowers the Commissioner General to remit the whole or part of any interest due under this section;
- ii. Section 17(5) of the Value Added Tax Act, Chapter 331 of the Laws of Zambia which empowers the Commissioner General to remit in whole or in part the additional tax arising from late lodgement of returns;
- iii. Sections 78(7) and 78A(3) of the Income Tax Act, Chapter 321 of the Laws of Zambia which empower the Commissioner-General to remit the whole or part of any penalties due for non-payment of tax, and remit the whole or any part of interest due on overdue payments respectively;
- iv. Sections 46 and 46A of the Income Tax Act Chapter 321, of the Laws of Zambia which empower the Commissioner General to remit whole or in part any penalty arising from late submission of returns;
- v. Section 171 (5) of the Customs and Excise Act chapter 322 of the Laws of Zambia which empowers the Commissioner-General to remit the whole or part of any additional duty payable under subsections (1) and (2); and
- vi. Section 11(4) of the Property Transfer Tax Act Chapter 340 of the Laws of Zambia, which empowers the Commissioner-General to remit the whole or part of any penalty and interest on property transfer transactions

2.0 SCOPE OF THE WAIVER

2.1 Eligibility

Subject to provisions and exclusions outlined herein, the waiver of penalties and interests will apply to:

- i. all individuals and businesses;
- ii. all tax types

2.2 Waiver period

The waiver shall apply to all penalties and interest accumulated on principal tax, entries and returns between 1st April 2020 and 30th September 2020

2.3 Other provisions

- 2.3.1 All waivers of penalty and interest shall be granted upon submission or lodgment of outstanding returns or entries and upon full settlement of principal tax liabilities for the preceding period (Prior to 1st April) or evidence of a valid Time to Pay Agreement (TPA) entered into from 1st April 2020.

- 2.3.2 Taxpayers are expected to pay all outstanding principal liabilities within the waiver period or such a period as may be permitted through a Time to Pay Agreement.

- 2.3.3 Voluntary-disclosures of non-compliance, for any period, such as omitted income or unpaid taxes, etc. made by taxpayers in the waiver period will not attract any penalties and interests subject to full settlement of the principal tax liabilities or generation of a valid Time to Pay Agreement. Any default on a valid Time to pay Agreement will render the waived penalties and interest arising from the voluntary-disclosure re-instated and due for payment.

2.4 Exclusions

The waiver shall not apply to the following:

- 2.4.1 cases under litigation;
- 2.4.2 cases under active investigations by ZRA;
- 2.4.3 penalties and interest arising from an audit or investigation;
- 2.4.4 penalties and interest arising from determined Court cases; and
- 2.4.5 penalties and interest arising from acts or commission of fraud

3.0 GENERAL PROCEDURES AND CONDITIONS

- 3.1 All waiver applications for penalties and interest shall be done online on either TaxOnline for Inland tax liabilities or AsycudaWorld for Customs related liabilities.
- 3.2 Application for waiver of penalties and interest should indicate the reason as "**WAIVER**".
- 3.3 Where a taxpayer has no outstanding principal liabilities but has outstanding penalties or interest, the taxpayer will still need to apply for waiver of penalties and interest.
- 3.4 For tax periods that taxpayers are unable to file returns, estimated assessments shall be raised, and they shall not be subject to waiver.
- 3.5 The TPAs entered into during the waiver period will run up to 31 December 2020.
- 3.6 Subject to provision 2.3.1, where a taxpayer has an existing TPA, only the balance of the interest and penalties at the time of request for waiver shall be considered and written off. All penalties and interest previously paid do not qualify for waiver and as such are not subject to a refund.
- 3.7 Subject to provision 2.3.1, taxpayers with existing TPAs for debt arising within the period defined in 2.2, that extend beyond 31st December 2020, who wish to benefit from the waiver are advised to enter into new TPAs that will run up to 31st December 2020.
- 3.8 For purposes of completing the TPA process, taxpayers should contact the office of the Director – Treasury Management, or any Local ZRA Office.
- 3.9 Taxpayers with Tax Clearance Certificates (TCCs) which expire within the waiver period will be expected to re-apply for new TCCs, which will remain valid until 30th September 2020.
- 3.10 Taxpayers who have outstanding applications for waiver of interest and penalties defined in 2.2 and wish to be considered for the waiver will have to send an application to waiver@zra.org.zm.
- 3.11 Any disputes related to the waiver shall be channeled to appeals@zra.org.zm. Letters of appeal can be addressed to the Assistant Director-Tax Appeals, P.O Box 35710, Lusaka who can also be reached during working hours on telephone numbers +260 971 283 040.

For any queries regarding the waiver, taxpayers can contact the ZRA Call Centre on 4111 or email advice@zra.org.zm or access www.zra.org.zm