EMPLOYER'S GUIDE TO PAY AS YOU EARN (PAYE)

CONTENTS

CHAPTER 1 – GENERAL INFORMATION

1.1 PURPOSE OF THIS GUIDE

The purpose of this guide is to explain the **PAY AS YOU EARN** (PAYE) system and assist employers and Pay – Roll Accountants with various points (not necessarily covered by Practice Notes), which provide information on changes in tax legislation which occur from time to time, usually following the annual budget.

Practice Notes detail the Zambia Revenue Authority's (ZRA) interpretation of changes in tax laws. It is important for employers to obtain a copy of all Practice Notes from the nearest ZRA offices, or the Client Service Centers at Revenue House – Lusaka, or Kitwe office and from any ZRA Provincial Office.

The operation of PAYE is based on the **Income Tax (Pay As You Earn) Regulations, 2014.** Copies of the Regulations can be purchased from Government Printers. References in this guide are, (unless otherwise stated), to the PAYE Regulations and references to the Income Tax Act (ITA) Cap.323.

This guide has no binding force and does not affect a taxpayer's rights of objection or appeal.

1.2 SCOPE OF PAY AS YOU EARN (PAYE)

The Pay As You Earn system of deducting tax from salaries and wages applies to all offices and employments.

Tax under PAYE is to be deducted not only from monthly and weekly payments but also from daily, annual or irregular payments. PAYE applies to **casual employees** as well as **full time workers**.

Tax is to be deducted from all emoluments paid to an employee. The term **"emoluments"** includes salaries and wages, overtime payments, bonuses, profit sharing, fees, leave pay, commissions, allowances and cash benefits (S.2. ITA) Unless specifically exempted by the ITA, e.g. subsistence allowances ***(which are supposed to be a reimbursement of expenses incurred by employees on duty outside a station).***

1.3 EMPLOYER'S DUTY TO DEDUCT TAX

It is the duty of the employer to deduct tax from payments of emoluments to his employees, whether or not he has been directed to do so by ZRA. All employers are under an obligation to operate PAYE.

The employer is wholly liable for the payment of any tax not deducted or under deducted due to non – operation, or incorrect operation of PAYE.

1.4 EMPLOYERS DUTY TO REMIT SKILLS DEVELOPMENT LEVY

With effect from 1st January, 2017 Act number 46 of 2016 provides for a zero point five percent (0.5%) levy on the gross emoluments payable by an employer to the employee. *The Skills Development Levy shall be borne by the employer and it shall not be deducted from the employees' emoluments***.**

The levy is due in the same month in which the emolument is paid or becomes payable. However, the levy may be remitted to the Zambia Revenue Authority not later than the 10th day of the month following the month in which the levy becomes payable.

Employers that are already registered for PAYE do not need to register separately for the levy. Accounting for the levy and submission of returns will be done at the same time as the PAYE and on the same return.

Penalties are chargeable under the Income Tax Act (ITA) on any employer who fails to comply with the PAYE regulations.

The employer's responsibility under these regulations does not end with the deduction. The tax deducted must be remitted to ZRA by the **10th** of the following month ***(Income Tax (Amendment) Act No. 45 of 2016).*** If tax is not remitted on time, a penalty of 5% per month of the unpaid amount is chargeable under the Income Tax Act (S.71 (3), ITA) and interest is chargeable at 2% above the Bank of Zambia discount rate (S. 78A, ITA). This is recoverable from the employer.

CHAPTER 2 – EMOLUMENTS

2.1 CHARGEABLE EMOLUMENTS

Chargeable Emoluments for PAYE purposes means emoluments from an employee's employment that are chargeable to income tax, but does not include any amount which is exempt from income tax.

Such emoluments include: salaries, wages, overtime or leave pay, commission, fee, bonus, any benefit, advantage or allowance (excluding non – money fringe benefits), and payments on taking up or leaving employment. (S.2, ITA). In addition, all employees' liabilities borne by the employer and all other payments made by the employer to the employee in respect of that employment form part of his chargeable emoluments.

Certain other payments fall within the definition of chargeable emoluments. For details see Chapter 7.

If you are in doubt whether a particular item should be treated as a chargeable emolument and consequently tax deducted, contact your local ZRA Office or the Customer Care Services in Lusaka for guidance.

2.2 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 chargeable emoluments from which PAYE tax is to be deducted: -

- **Ex – gratia Payments.**
  A voluntary, non – contractual, non – obligatory payment made by an employer to spouse, child or dependant of a deceased employee is exempt (Para.7 (t), Second Schedule, ITA).

- **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 (S.1. # 104 of 1996).
  Medical allowances, however, are taxable and should be included in chargeable emoluments.

- **Accommodation provided by employer.**
  In the case of free residential accommodation provided by an 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.

- **Personal to Holder Vehicles.**

  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) Engine capacity of motor vehicle
    - 2800cc and above - K40,000.00 per annum
    - 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 the running and maintenance of the vehicle.

- **Funeral Expenses.**
  Funeral expenses paid or incurred by an employer on behalf of an employee are exempt (S.1. # 104 of 1996).

- **Sitting Allowances for Councilors.**
  Payments by Local Authorities to councilors as sitting allowance are exempt (paragraph 7(s) Second Schedule, ITA).

- **Labour Day Awards**
  Labour Day Awards paid to employees either in cash or in kind are non – taxable.

Note that all allowances and payments are taxable unless, specifically exempted by legislation.

CHAPTER 3

TAX FREE EMOLUMENTS AND PENSION CONTRIBUTIONS.

3.1 TAX FREE EMOLUMENT

Sometimes, an employer will enter into an agreement with an employee to pay a specified sum "free of tax" or "after deduction of tax". This means, in effect, that the employer has agreed to bear on the employee's behalf, any tax chargeable in respect of payments made under the agreement.

The PAYE Regulations indicate that where such arrangements are made the employer must account for an amount of tax on a gross payment that would, after the deduction of tax in accordance with the regulations, leave a net amount equal to the amount actually paid to the employee under agreement.

Any employer entering any such agreement with an employee is obliged to notify the Commissioner General of the details of the agreement within 14 days of the beginning of the charge year or the commencement of the employment in question.

It should be noted that:-

- It is the employer's responsibility to make sure that the employee understands and agrees with the terms under which payments are made "free of tax".
- Payments made "free of tax" can increase costs as there are extra PAYE duties involved. Remember the tax due is worked out by reference to the "gross emoluments", not the amount the employee is actually paid. It is the employer's responsibility to work out the "gross emoluments".

3.2 PENSION CONTRIBUTIONS

Effective 1st January 2018, it is no longer necessary to deduct the allowable pension contribution before arriving at chargeable/taxable pay. This applies to all employees who contribute to an approved Pension Fund or funds, including National Pensions Scheme Authority (NAPSA).

CHAPTER 4 – HOW THE PAYE SYSTEM WORKS

4.1 TAX TABLES – GENERAL

Tables are provided by ZRA for use by employers to work out how much PAYE tax is to be deducted or repaid from chargeable emoluments. The tables contain instructions on how they should be used.

There are two sets of tables: -

Monthly Tables
These are to be used for all employees who are paid at intervals of not less than a month.

Daily Tables
These are to be used for casual employees. A casual employee is any employee whose terms/conditions of employment provide for his payment at the end of each day and who is engaged for a period of not more than six months (Employment Act).

4.2 MONTHLY TABLES

The Monthly Tables are divided into two parts. Table A shows the tax rates to be used in arriving at the tax to be deducted or repaid. Table B shows how to calculate tax due by reference to chargeable emoluments paid.

To illustrate how the tables work, take the simple example of a monthly paid worker, employed from the beginning of the tax year, whose chargeable emoluments are K 15,000.00 per month and is being paid for the month of April, 2020. The pay for the months of January to March, inclusive, totaled is K 45,000.00 from which tax of K12,390.01 (cumulatively calculated using tables) has been calculated.

When paid K 15, 000.00 in April, 2020 the cumulative chargeable emoluments amount to K 60,000.00. Table B for April, 2020 indicates the cumulative on this amount computed as follows:

Chargeable cumulative amount	60,000.00
Highest chargeable amount in **table B**	35,630.00
Difference to be taxed @ 37.5%	**24,370.00**
Tax on the difference @ 37.5%	**9,138.75**
Add: Tax on K 35, 630.00 **per table B**	**7,381.25**
Total cumulative tax as at end of April 2020	**16,520.00**
Less: Already deducted (sum) as @ end of March, 2020	**(K12, 390.01)**
Amount to be deducted from April, 2020 payment	**4,129.99**

4.3 DAILY TABLES – CASUAL EMPLOYEES

These are for taxation of casual employees. Where a worker is paid daily, the tax payable is arrived at by simply finding the tax payable for the particular amount paid. Where the payment period is 2, 3 or 4 days, the payment made is divided by 2, 3 or 4 respectively, the tax due is calculated by reference to the table and amount then multiplied by 2, 3 or 4, to arrive at the tax to be deducted.

It should be remembered that a **Casual Employee is** any employee the terms of whose employment provide for his payment at the end of each day and who is engaged for a period of not more than six months.

4.4 TAX CREDIT

A tax credit is a tax incentive that reduces the amount of tax payable.

4.5 TERMS USED

In operating PAYE, reference is sometimes made to an income tax year, month or week. The income tax year, or charge year, runs from 1st January to 31st December, e.g. the income tax year 2020 runs from 1st January 2020 to 31st December 2020.

"Income tax month" - refers to the calendar month, starting with January as month 1, February as month 2 etc.

"Income tax Week" – refers to 7 days commencing 1st January as week 1, the seven days commencing 8th January as week 2 etc.

CHAPTER 5 – USING THE TAX TABLES

5.1 USING THE MONTHLY TAX TABLES

A common situation for most employers will be the calculation of PAYE tax for monthly paid employees that have been employed since the beginning of the charge year (1st January) or who have started since 1st January and have produced a certificate of cumulative pay and tax (form IT/P13 (2)).

For such employees the calculation of tax is straightforward.

- Chargeable emoluments for the month are calculated.
- Cumulative chargeable emoluments for the year are then calculated by adding the monthly emoluments to total chargeable emoluments paid (in the current and any previous employments) since the beginning of the charge year.
- The total tax due on the cumulative chargeable emoluments, before tax credit, is calculated using table B for the month during which the pay day falls.
- The total tax due after tax credit is calculated using table A for the month during which the pay day falls.
- Tax deducted in the charge year to date is deducted from the total tax due.
- The difference is the tax to be deducted from pay or refunded to employee.

5.2 USING THE DAILY TAX TABLES

Where the employee is a casual employee, the Daily Tax Tables are to be used.

5.3 MONTH 1 BASIS

In some situations, for instance, a new employee starts part-way through the charge year but does not produce a certificate (form P13 (2)) of pay and tax deducted from his previous employer, the cumulative tables are not to be used. Instead the tables are used as if each pay day was within the month of January. This is known as the **"month 1 basis".** The cumulative tables may be used when an employee commences work on 1st January, but month 1 basis is to apply where the employee starts part – way through the year but was not previously employed in that charge year.

ZRA may ask for month 1 basis to apply in other situations where the cumulative basis is inappropriate, for instance, where an employee becomes resident in Zambia part – way through a charge year. In this case, the employee is only entitled to a fraction of annual tax credit, so the cumulative tables would give a wrong result.

Where an employee starts employment for the first time in a charge year, or has not worked since a previous charge year then, strictly, month 1 basis should apply. However, ZRA will consider, on application by the employee, applying the cumulative basis in appropriate cases.

5.4 IRREGULAR PAYMENT PERIODS

Some employees may be paid quarterly, half – yearly, annually or at some other interval, greater than one month. In these situations the tables are to be used as follows:

- If payment is once a year, use the December table for the charge year in which payment is made.
- If payment is half – yearly, use the table for June for the first payment and for December for the second payment.
- If payment is quarterly, use the table for the last month in the quarter of the year in which the payment is made.
- In any other case use the table for the month in which payment is made.

5.5 PAYMENTS IN ADDITION TO BASIC SALARY OR WAGES.

Employers will sometimes make payments in addition to an employee's basic salary or wages on a day that is not the employee's regular pay day, for example, a quarterly bonus paid on a day other than a regular pay day.

The tax to be deducted from such payments is to be calculated by:-

- Working out how much tax will be deducted from the employee's next payment of basic salary or wages.
- Working out how much tax would be deducted from the next payment of basic salary or wages if the additional payments made were added to the basic salary or wage.
- The tax deductible is the difference between the two figures.

For example, suppose an employee is paid a regular salary of K9, 000.00 per month and a quarterly bonus of K1, 000.00 is paid on 5th April, 2020. How much tax should be deducted from the bonus payment?

Monthly Salary			*9,000.00*
Bonus Pay			*1,000.00*
Gross Pay			***10,000.00***
Napsa-Allowable			-
Taxable Pay			***10,000.00***
Tax on-Salary as per tax table(B12)		*1,880.00*	
Tax on-Bonus as per tax table(B14)		*375.00*	
Total Tax-PAYE	***(B12+B14)***		***2,255.00***
Net Pay			*7,745.00*

The tax tables indicate that **K1, 880.00** will be deducted from the basic salary of K9, 000.00 payable at the end of April. If the K 1, 000.00 bonus was also paid at the end of April, the tax to be deducted, calculated by using the tables, would be **K2, 255.00.** The tax to be deducted on making the bonus payment on 5th April is thus K2,255.00 – K1,880.00 = **K375.00**

5.6 MULTIPLE EMPLOYMENTS – PART-TIME EMPLOYEES.

The term **"part – time"** has a special meaning for PAYE purposes that is different from the normal meaning of the phrase.
Where an employee has only one employment, that employment is not regarded as part – time, whatever the number of hours of employment. However, where an employee obtains other employment, the second and any subsequent employments are, for PAYE purposes, regarded as part – time.

This means, for instance, if an employee is employed as a barman, 5 days a week from 20:00hrs to 24:00hrs, this employment is not regarded as part – time for PAYE purposes. If, whilst remaining employed as a barman in the evening, the employee also starts working as a driver, 6 days a week, from 07:00hrs to 17:00hrs, this second employment is, for PAYE purposes, regarded as part – time.

The significance of part – time employment is that tax is to be deducted at the maximum rate, that is, the highest marginal rate applicable to individuals for the charge year of payment (37.5% for 2020). No deduction is to be given for tax credit and no regard is taken of cumulative tax.

ZRA recognizes that strict application of the rule that any second employment is to be regarded as part – time may sometimes result in too much tax being deducted. For instance, where wages from the first employment (the barman in the example above) are not high enough to bring the employee into the highest rate band then if the tax is deducted at the maximum rate from the part – time employment (the driver in the example above) the result will be an overpayment. In such circumstances, and **on application by the employer,** ZRA will consider where the wages from the second employment are high enough to take the highest rate band, deeming the first employment to be part – time, and the second full – time.

Within thirty days of starting a new job, an employee, other than a casual employee, must provide his employer with a written notice stating whether or not: -

- The current employment is the employee's only employment;
- The employee has another job that he started before the current employment; the employee has been employed before in the charge year; or
- The employee has not been employed before in the charge year.

CHAPTER 6 – NEW EMPLOYEES, LEAVERS AND ABSENCES

6.1 NEW EMPLOYEES

Where an employee, other than a casual employee, commences part – way through a charge year and has been previously employed in that charge year, he should be asked to produce part 2 of form ITF/P13, the certificate of pay and tax from his previous employer. Receipt of the certificate from the new employee will allow the employer to use the cumulative basis of deduction as details of cumulative pay and tax deduction will be available.

The new employer is to insert on the certificate the name and address of the employee and the start date. **The new employer is obliged to send a copy of the certificate to ZRA within 7 days.**

If the employee does not produce part 2 of form ITF/ P13, then month 1 basis of deduction, as described in section 5.3 above, must be applied.

If, exceptionally, on the first pay – day since taking on a new employee, the tax tables show that a refund in excess of K3,000.00 is due, the repayment is not to be made without the authority of ZRA.

Within thirty days of starting a new job, an employee, other than a casual employee, must provide his employer with a written notice stating whether or not:-

- The current employment is the employee's only employment;
- The employee has another job that he started before the current employment; the employee has been employed before in the charge year; or

The employee has not been employed before in the charge year.

Where a new employee has not been in employment before in the charge year, and commences on 1st January, or has been previously employed but does not produce part 2 of form ITF/ P13, then the employer must immediately send form ITF/ P20 to ZRA.

6.2 LEAVERS

Where an employee, not being a casual employee, leaves his job, the employer must prepare a certificate on form ITF/ P13. The form includes instructions for completion.

Part 1 of the certificate must be sent to ZRA within 5 days of cessation. Part 2 of the certificate shall be sent to the employee on leaving.

Employers should not provide duplicate forms of ITF/ P13.

6.3 REFUNDS DURING PERIODS OF ABSENCE FROM WORK AND UNEMPLOYMENT.

If a continuing employee is absent from work on pay day through sickness or suspension for example, and the tax tables show a refund is due, such refund may be made even if no emoluments are being paid to him on that pay – day.

An employee may, during periods of unemployment, apply to ZRA on form ITF/ P42, for a refund during each month the unemployment continues. The application form, ITF/ P42, shall include details of the total emoluments and net tax deducted to date.

6.4 DEATH OF AN EMPLOYEE

When a serving employee dies, the employer must notify ZRA of the death within 7 days of paying outstanding emoluments due to the deceased. Such notification is to be by way of form ITF/ P13. Part 1 is to be sent to ZRA within 7 days of the final payment included on the certificate and part 2 is to be sent to the personal representatives of the deceased.

CHAPTER 7 – PAYMENTS ON CESSATION OF EMPLOYMENT

7.1 INTRODUCTION.

When an employment terminates through an employee leaving or his death, an employer may make various payments, depending on the circumstances giving rise to the cessation.

The employment may, for example, cease due to resignation, early or normal retirement, dismissal, redundancy, retirement or the completion of a fixed – term contract. The type of payment made to an employee on cessation or death may be of various types, for example, salary to date of leaving, cash in lieu of leave, leave pay, repatriation pay, gratuity, compensation for loss of office, an ex – gratia payment or accrued service bonus.

7.2 LEAVERS

The following payments may be made on cessation of employment by way of dismissal, resignation, end of contract term, redundancy/retrenchment, 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) Monthly salary
(j) Commutation of accrued leave days
(k) Accrued service bonuses

Following the amendment to the Constitution, **with effect from 5th January 2016**, the tax treatment for the payments above is as follows:

(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; and
(h) Repatriation allowance

are exempt from tax as they fall within the definition of ***pension benefit.***
"Pension Benefit" includes a pension, compensation, gratuity or similar allowance in respect of a person's service as per definition in the Constitution of Zambia (Amendment) Act No. 2 of 2016

In relation to the taxation of the pension benefit, the constitution provides for the following:

> ***188.*** *(1) A pension benefit shall be reviewed periodically to take into account actuarial assessments.*
> *(2) A pension benefit shall be exempt from tax.*
>
> ***189***. *(1) If a pension benefit is not paid on a person's last working day, that person shall stop work but the person's name shall be retained on the payroll, until payment of the pension benefit based on the last salary received by that person while on the payroll.*

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

(a) Monthly salary;
(b) Commutation of accrued leave days; and
(c) Accrued service bonuses

The above payments are taxable because they are emoluments that have been earned during the course of one's employment.

7.3 TAX TREATMENT OF LUMP SUM 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 an employee.

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

CHAPTER 8 DEDUCTION AND REMITTANCE OF TAX

8.1 DEDUCTION OF TAX

Employers are obliged to deduct tax from emoluments paid to an employee or repay tax to an employee in accordance with the appropriate tax tables.

In calculating tax to be deducted or repaid, the employer has to take the gross emoluments as the chargeable emoluments. Chargeable emoluments are defined in Regulation 2. It should be noted that it is no longer necessary to exclude part of pension contributions (Allowable pension contribution) before arriving at the chargeable emoluments.

In case of casual employees, tax is to be deducted in accordance with the daily tax tables. These are not cumulative so there is no question of making a refund to a casual employee.

8.2 DATE OF PAYMENT

Deduction of PAYE is to be made on the payment of emoluments, irrespective of the period over which those emoluments were earned, even if they were wholly or partially earned in the previous charge year.

Normally determining the date of payment of emoluments presents no difficulty and will usually be the employee's payday.

However, in some circumstances, determining the date of payment may not be so straight forward so the PAYE Regulations contain rules to establish the payment date.

T*he main rule is that emoluments are paid when received by a person within Section 5of the Income Tax Act. This means that emoluments are received by a person when "paid, given or granted to him, or it accrues to him or in his favour, or it is in any way due to* *him or held to his order or on his behalf, or it is in any way disposed of according to his order or in his favour.*"

Problems in determining the payment date of emoluments usually arise in relation to amounts paid to or credited to the loan or current accounts of directors of limited companies. In these cases the date of payment is the earliest of:-

- The payment date given by S.5 ITA, as described above
- The time when a payment on account of income is credited in the company's account or records
- The time when the period ends, or the amount is determined, where the emoluments are for a certain period.

8.3 PAYSLIPS

When emoluments are paid, the employer is obliged to notify the employee in writing of the total emoluments paid on that date and the total tax deducted from the emoluments.

8.4 REMITTANCE OF TAX

PAYE deducted by an employer(less any refunds) and Skills development Levy must be remitted to ZRA, within 10 days of the end of the income tax month (Income Tax (Amendment) Act No. 45 of 2016). ZRA will issue a receipt upon payment.

8.5 REFUNDS EXCEEDING DEDUCTIONS AND EXCESS DEDUCTIONS

Where, for any income tax month, repayments exceed deductions, the excess should be deducted from subsequent month's remittances. If it is not possible to wholly recover an excess deduction from subsequent remittances, ZRA will, on application, repay the excess.

If, exceptionally, an employer remits more tax than actually deducted from employees, tax may be deducted from subsequent remittances.

8.6 ASSESSMENT OF EMPLOYEE

The operation of the PAYE system does not prohibit ZRA assessing employees on income that has been subject to deduction of tax.

If tax payable on an assessment raised on an employee is less than the PAYE tax deducted, the excess will be repaid to the employee.

If tax payable on an assessment on an employee is more than the PAYE tax deducted by the employer, the employer will be required to pay the excess.

CHAPTER 9 – PAYE FAILURES AND LATE REMITTANCES

9.1 PAYE FAILURES

Where an employer fails to make a return or to remit tax, ZRA may estimate the tax the employer is required to remit and issue a notice requiring payment of that amount or issue a notice requiring the employer to submit a default return.

The employer is obliged to comply with a notice of estimated assessment and to pay an estimated amount of tax or to make a default return within 14 days of the date of notice.

Notices under these regulations are used by ZRA to rectify incorrect deduction of tax and failure to operate PAYE and non or partial remittance of tax due.

Where an employer **under – deducts** PAYE which is subsequently recovered by ZRA from the employer, it is up to the employer to make recovery from the employee.

9.2 LATE SUBMISSIONS

Under Section71 (3) of the ITA, a penalty of 5% of tax unpaid for each month or part thereof is charged for the period that the tax remains unpaid. In addition, interest under Section 78A of the ITA, is payable from the due date to the date of payment and is charged at the Bank of Zambia discount rate plus 2%. The normal remittance date for PAYE is the 10^{th} of the month following deduction. Payments made after the 10^{th} will be regarded as late and will attract interest and penalties.

9.3 FRAUD, WILFUL DEFAULT OR NEGLIGENCE

If there is a loss of tax due to fraud, willful default or negligence of an employer, the employer may be liable to penalties under Section 100 of the ITA, amounting to 52.5%, 35% or 17.5% respectively of the omitted income.

CHAPTER 10 – RECORDS AND INSPECTIONS

10.1 RECORDS

Employers must keep all records required to be maintained under these Regulations for 6 years after the charge year to which they relate.

10.2 INSPECTION

Employers must produce on request by a ZRA officer:-

- Wages sheets
- Documents or records relating to:-
  - The calculation or payment of emoluments in respect of any specified period; or
  - The deduction of tax; and
  - Such other documents or records specified by ZRA.

If computer records are maintained, the employer must give ZRA reasonable access to the computer and where ZRA asks for a copy of the records or documents, the employer must provide such.

ZRA may issue a notice requiring an employer to submit, within 21 days or longer, PAYE records for specified employees for current or any of the last preceding 6 years. If ZRA reasonably suspects fraud, PAYE records for earlier years may also be required.

11 – SPECIAL CASES.

11.1 SUCCESSION AND EMPLOYER'S DEATH.

If an employer's undertaking is transferred to another employer, the transfer is not regarded as a change of employment in respect of the employees transferred. The new employer becomes liable to do anything the old employer would have been required to do under these regulations but the old employer is liable for payment of tax deductible from emoluments paid prior to the transfer.

If an employer dies, his personal representatives become responsible for doing anything the late employer was required to do under the Regulations.

11.2 AGREEMENTS FOR SERVICE CHARGES (TRONCS).

In certain industries, notably hotel and catering, arrangements exist whereby tips are shared out amongst employees by a nominated person. Such arrangements are known as a **Tronc** and the person responsible for distribution is the **Tronc Master.** The regulations deem the Tronc Master to be an employer and the distribution of tips amongst staff**,** including himself, to be the payment of emoluments subject to PAYE. This means the Tronc Master must operate PAYE on the amounts he distributes.

If ZRA are of the view that a Tronc Master is failing to operate PAYE then, a directive may be issued that the tips distributed should be assessed on the recipients, rather than taxed under PAYE (Reg.6).

11.3 DIRECT COLLECTION/ DIRECT PAYMENTS.

Foreign Missions and international organizations which are exempt under the Diplomatic Immunities and Privileges Act are not obliged to operate PAYE in respect of payments to locally recruited staff. Such payments are however, subject to Zambian Tax and the regulations provide that in such cases the employee is to be treated as his own employer (Reg. 30). Such arrangements are known as **Direct Collection** (DC) cases because the tax is collected directly from the employee.

Further, approved donors and persons covered under Diplomatic Immunities and privileges Act are exempt from paying skills development levy.

11.4 EMPLOYERS WITH A NUMBER OF PAYING POINTS.

Employers who have a number of branches and who pay emoluments from each branch, rather than from a central office, may keep PAYE records at the place from which the emoluments are paid, rather than at their Head Office.

APPENDIX 1

INCOME TAX CALENDER MONTH BY MONTH

MONTH	PERIOD COVERED (BOTH DATES INCLUSIVE)		MONTH	PERIOD COVERED (BOTH DATES INCLUSIVE)	
1.	JANUARY	1-31	**7.**	JULY	1- 31
2.	FEBRUARY	1-29	**8.**	AUGUST	1- 31
3.	MARCH	1-31	**9.**	SEPTEMBER	1- 30
4.	APRIL	1-30	**10.**	OCTOBER	1- 31
5.	MAY	1-31	**11.**	NOVEMBER	1- 30
6.	JUNE	1-30	**12.**	DECEMBER	1- 31