

MINERAL ROYALTY PENALTIES

Late payments

5% of the tax amount

Interest at the Bank of Zambia Discount rate plus 2%

Late submission of Returns

Failure to submit or late submission of the monthly mineral royalty return attracts penalties as follows:

- ☐ In the case of an individual - one thousand penalty units (K300.00) per month or part thereof; or
- ☐ In the case of a company - two thousand penalty units (K600.00) per month or part thereof.

Incorrect Returns

- ☐ In case of negligence, 1.5% of the gross value or norm value;
- ☐ In case of fraud, 4.5% of the gross value or norm value; and
- ☐ In the case of willful default, 3% of the gross value or norm value.

It is important to note that tax is debt due to government and may be recovered by Commissioner General either by distress or by suit in any court of competent jurisdiction. The Commissioner-General may also allow a taxpayer to pay tax in instalments.

RECOVERY OF DEBT BY DISTRESS

Any officer appointed for the purpose of carrying out the provisions of this Act may under warrant, by the Commissioner-General, levy distress upon the goods and chattels of the person or partnership from whom tax is recoverable.

THE APPEAL PROCESS

If a person assessed is dissatisfied with the Commissioner-General's decision on the assessment, that person may by written notice to the Chairperson and within thirty days of the date of service of the written notice, appeal to the Tax Appeals Tribunal.



PENALTIES FOR NOT OBSERVING TAX OBLIGATIONS



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INTRODUCTION

This leaflet is a guide to penalties that may be imposed for noncompliance of tax obligations. Penalties and fines are a cost to the business and must be avoided at all times. Taxpayers are required by law to declare correct taxes at all times and pay the taxes on time. Failure to comply would result in various penalties outlined in this leaflet.

DOMESTIC TAXES:

VALUE ADDED TAX PENALTIES

Late return penalty – K300.00 (1,000 penalty units) per day or 0.5% of the tax due, whichever is the greater, for each day the return is late.

Late payment penalty – 0.5% of the tax payable in respect of the period covered by the return, for each day the payment is late. Interest is charged at the Bank of Zambia Discount Rate plus 2%.

Late registration penalty – K3,000.00 (10,000 penalty units) for each tax period that taxpayer is eligible to register but remains un-registered. The taxpayer is also liable to an assessment on the sales made in the same period; input tax deduction is not allowed.

Failure to issue a tax invoice from an approved computer package, pre-printed tax invoice book or a Fiscalised Cash Register – K90,000.00 (300,000 penalty units)

Failure to furnish information and produce documents:-

- Availing incomplete records – K6,000.00 (20,000 penalty units)
- Failure to provide records for inspection – K6,000.00 (20,000 penalty units)
- Failure to provide information requested within the time stipulated by an officer – K6,000.00 (20,000 penalty units)

There is an additional penalty of 2,000 fee units a day for failure to avail records i.e. K600.00.

Note: A penalty unit is equivalent to K0.30.

INCOME TAX PENALTIES

General penalty

Where a taxpayer is convicted by the courts of law for an offence against the Income Tax Act, the maximum penalty shall be one hundred thousand (100,000) penalty units i.e. K30, 000.00. The offences that taxpayers may be convicted of include;

- (a) failure to furnish a full and true return;
- (b) failure to keep records, books, accounts or documents;
- (c) failure to produce any document for the examination or inspection of the Commissioner-General;
- (d) failure to attend at a time and place as required by any notice served on the taxpayer;
- (e) failure to answer any questions lawfully put to them; and
- (f) obstructing or hindering any officer acting in the discharge of his/her duty under the Income Tax Act.

Incorrect Returns

- Negligence – 17.5% of amount
- Willful default – 35% of amount
- Fraud – 52.5% amount

Penalty for Fraudulent Returns (*Income Tax (Amendment) Act No. 45 of 2016*)

The penalty units for such returns are three hundred thousand (300,000) i.e. K90,000.00. This fine may be imposed on conviction by the courts of law on any person who willfully evades tax or assists another person to evade tax. In addition to this fine, a jail sentence of **three years** may be imposed by the

courts of law for tax evasion offences.

Non payment

5% of the amount that remains unpaid.
Interest – charged at the Bank of Zambia Discount Rate plus 2%.

Late submission of returns

Individuals – K300.00 (1,000 penalty units) per month or part thereof
Limited Companies – K600.00 (2,000 penalty units) per month or part thereof.

TURNOVER TAX PENALTIES

Late payments

5% of the amount that remains unpaid
Interest at the Bank of Zambia Discount rate plus 2%.

Late submission of returns

K75.00 (250 penalty units) per month or part thereof.

Incorrect Returns

- ❑ Negligence – 1.5%
- ❑ Willful default – 3%
- ❑ Fraud – 4.5%

SKILLS DEVELOPMENT LEVY

Late payments

5% of tax payable but not paid

Late submission of Returns

Late submission of the monthly return attracts 1000 penalty units (K300.00) per month or part thereof:

Penalties for incorrect returns:

- Negligence** – 0.25% of amount
- Willful default** – 0.5% of amount
- Fraud** – 0.75% of amount