

### 13. Can a landlord receive rental income without the deduction of withholding tax?

Yes. However, the landlord must obtain approval from the Commissioner-General to receive rentals without the deduction of withholding tax. An application, with clearly stated grounds, must be made to the Commissioner-General. If satisfied with the reasons for the application and compliance status, the Commissioner-General may grant a withholding tax exemption certificate.

#### Obligations of the landlord under this arrangement

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 obligations:

- i. Register for TPIN and income tax;
- ii. Remit the tax to Zambia Revenue Authority by the 14th day of the following 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.



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**RENTAL INCOME**

This leaflet is a brief guide to both landlords and tenants on information pertaining to the taxation of rental income.

## 1. What is rental income?

Rental income is income derived from the letting of real property, i.e. rent. The Income Tax Act defines "rent" as "a payment in any form, including a fine, premium or any like amount, made as a consideration for the use or occupation of or the right to use or occupy any real property directly connected with the use or occupation of, or the right to use or occupy such real property."

## 2. How is rental income taxed?

"Gross rent" (i.e. before deducting withholding tax) is subjected to withholding tax at the specified rate of 10% and is the final tax.

## 3. Will I be required to pay further tax in addition to the tax withheld on my rental income?

As long as the amount of tax deducted and remitted to the ZRA is correct there will be no further tax payable.

## 4. Who pays WHT, the tenant or the landlord?

The responsibility of deducting and remitting WHT to ZRA is borne by the tenant. Please note that both the tenant and the landlord are required to register for a Taxpayer Identification Number (TPIN).

## 5. What are the tenant's obligations?

- ✓ Register for withholding tax and obtain a TPIN
- ✓ Submit to the Commissioner-General, a withholding tax return within Fourteen (14) days following the month of payment of the rentals
- ✓ Deduct and pay the withholding tax amount within 14 days following the month of payment of the rentals
- ✓ 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

## 6. What are the Landlord's obligations?

- ✓ Register for income tax and obtain a TPIN
- ✓ Provide their TPIN to the tenant
- ✓ Submit a provisional tax return (applicable to taxpayers registered for income tax)
- ✓ Submit an annual income tax return making full declaration of the rental income and other income received during the year or submit a turnover tax return where the landlord is registered for turnover tax

## 7. Is rental income also subject to Value Added Tax (VAT)?

Rental income arising from letting of property for domestic purposes is not subject to VAT. However, income derived from letting of commercial property is subject to VAT.

The following is an example of how the WHT on rent and VAT can be calculated for rental income received.

EXAMPLE:

Rental charge on commercial property / month	K10, 000.00
WHT @10% of rental charge	K 1,000.00
VAT @ 16% of the rental charge	K1, 600.00

Note: The WHT and VAT are applied on the same gross rental charge, that is, K10, 000.00

## 8. Is provisional tax payable if you are in receipt of rental income?

No. However, a return of provisional rental income should be submitted.

## 9. As a tenant, what will the officers from Real Estate Survey require from me?

The officers will basically require the following information or documents:

- a) The name and address of the landlord.
- b) The address of the property rented.
- c) The date when property was first occupied by the tenant.
- d) Submit a WHT return when rent is due.

- e) The amount of gross rent payable to the landlord since first occupation of the property.
- f) Details regarding the deduction and remittance of WHT to ZRA
- g) Copies of the certificates of WHT deducted, if any.

## 10. What information would be required from the landlord?

- a) The names of your tenant(s) their postal and physical addresses.
- b) The number of real estate properties owned and their locations.
- c) The dates when rental income was first received in respect of each property.
- d) The amount of gross rent received each year from each property.
- e) Whether or not withholding tax is deducted from the rent received.
- f) Whether or not the taxpayer is registered for withholding tax purposes with ZRA.
- g) Submit an annual income tax return by 21st June in the subsequent charge year.

## 11. When is the payment due?

The tax withheld must be paid to the Zambia Revenue Authority within Fourteen (14) days following the month of payment of the rentals.

## 12. What are the penalties for non-compliance?

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

- In case of an individual, 170 penalty units (K51.00) per month or part thereof during which such failure continues, or
- In case of a company 340 penalty units (K102.00) per month or part thereof during which such failure continues.

Note: A penalty unit is thirty ngwee (K0.30).