

Levy payable = 0.5% X 610,000 = K3, 050

(Note: Skills Development Levy is not charged on gratuities and redundancy packages)

Exemption from Skills Development Levy

The Act has provided the following exemptions:

- a) Any employer in public service or local authority (This exemption does not include State Owned Enterprises).
- b) An employer whose annual turnover is below K800,000.
- c) An approved Public Benefit Organisation (PBO) as approved under the Income Tax Act.
- d) An organisation exempted from income taxation under the Income Tax Act.
- e) Approved donors and persons who are covered under the Diplomatic Immunities and Privileges Act.
- f) Any person that the Minister of Finance may by Statutory Instrument exempt.

For more information contact:

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SKILLS DEVELOPMENT LEVY

Skills development Levy is imposed on gross emoluments that is payable by the employer at the rate of zero point five percent (0.5%). The levy shall be borne by the employer and not the employee.

Act number 46 of 2016 provides for the collection of the levy with effect from 1st January, 2017.

Accounting for Skills Development Levy

Accounting for the levy is done at the same time as Pay As You Earn (PAYE) and on the same return.

Due Date for Skills Development Levy

The levy is due in the same month in which the emoluments are paid or become payable.

The return filing and payment due date for the levy is the 10th day of the month following the month for which the return and payment is being made.

Recovery of Skills Development Levy

The provisions of the Income Tax Act shall apply to Skills Development Levy Act in respect of the following:

- (a) Recovery of the levy;
- (b) Filing of returns;
- (c) Assessments of the levy payable;
- (d) Keeping of records;
- (e) Providing information and production of documents;
- (f) Delegation of authority;
- (g) The appointment of authorised officers;
- (h) Penalties and sanctions;
- (i) Reviews and appeals; and
- (j) The priority of tax debts in bankruptcy.

The Income Tax Act shall apply in respect of the above regarding enforcement and the administration of the Skills Development Levy Act. See penalties in the table below;

| No | Penalty Type | Penalty rate |
|----|------------------------------|---|
| 1 | Late submission of return | 1,000 penalty units per month or part thereof |
| 2 | Late payment | 5% of tax payable but not paid |
| 3 | Late payment interest | Bank of Zambia discount rate plus 2% |
| 4 | Penalties for omitted income | As per section 100 of the Income Tax Act |

Note: One penalty unit is equal to K0.30 or 30 ngwee.

Example 1: Computation of Skills Development Levy

XY Limited had accrued the following liabilities for the month of January, 2020

| | |
|---------------------|-----------|
| Basic Pay | 400,000 |
| Housing Allowance | 150,000 |
| Gratuity | 100,000 |
| Redundancy Packages | 300,000 |
| Leave Pay | 60,000 |
| Total Payments | 1,010,000 |

As at 10th February 2020, the company had only paid out the basic pay to the employees.

Levy payable for the month of January 2020 shall be computed as follows:

| | |
|-----------------------|-----------|
| Total payments | 1,010,000 |
| Less: | |
| Gratuity | 100,000 |
| Redundancy Packages | 300,000 |
| Chargeable emoluments | 610,000 |