

The penalty is the same for individuals and companies.

## REGISTRATION AND OTHER PROCEDURES

### Registration

Taxpayers will be required to notify the Commissioner General within 30 days of commencement of business and apply for Taxpayer Identification Number (TPIN) and tax type registration.

### Cessation of business

If a taxpayer closes down his business for whatever reasons, such as business failure, bankruptcy, winding up, etc., they are required to send a notification to the Commissioner General immediately after such cessation.

### Change in Annual Turnover

Where a taxpayer whose turnover is below the threshold discovers that his annual turnover will exceed K800, 000.00 during the course of the year, the taxpayer will notify the Commissioner General immediately. However, the taxpayer shall continue to pay Turnover Tax till the end of that particular charge year.

When a taxpayer who has been paying Provisional Income Tax discovers that his annual turnover will not exceed K800, 000.00 during the year, the taxpayer shall notify the Commissioner General immediately. However, the taxpayer shall continue to pay Provisional Income Tax till the end of that particular charge year and shall be assessed under the Income Tax System. At the end of the year, the taxpayer will be required to submit an Income Tax Return and a set of accounts with supporting documents covering the whole year.

Any change from Turnover Tax to Income Tax and vice versa shall take effect only at the beginning of

a charge year. No change will be effected during the course of the charge year.



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# TURNOVER TAX



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Turnover Tax (TOT) is a tax that is charged on gross sales/turnover (i.e. earnings, income, revenue, takings, yield and proceeds). A person conducting any business with annual sales of K800, 000.00 or less is supposed to pay turnover tax.

However, any person with annual sales of more than K800, 000.00 is supposed to register for income tax.

### 1. Who is not eligible to pay Turnover Tax?

- Any person carrying on a business with an annual turnover of more than K800, 000.00.
- Any individual or partnership carrying on business of public service vehicles for the carriage of persons.
- Partnerships carrying on any business irrespective of whether the annual turnover is K800, 000.00 or less.

Partners' income from the partnership is also excluded from Turnover Tax. This is because it is the partnership that carries on business and not the partners. Partners are distinct from the firm (partnership) as stipulated by Section 4 of the Partnership Act.

Consultancy fees are not part of Turnover Tax as per Amendment to the Income Tax Act No. 1 of 2005.

Any person who is voluntarily registered under Value Added Tax (VAT) even if their turnover is K800, 000.00 or below.

Any person who is involved in mining operations as provided under the Mines and Minerals Development Act.

Any person whose business earnings are subject to withholding tax and it is the final tax, such as:-

- ♦ Bank interest for individuals
- ♦ Dividends
- ♦ Interest on Government Bonds
- ♦ Interest earned on Treasury Bills for Charitable Institutions and other exempt persons.
- ♦ Management and Consultancy fees paid to non – residents.
- ♦ Payments made to non – resident contractors.
- ♦ Public Entertainment Fees paid to non – residents.
- ♦ Royalties paid to non – residents, etc.

### 2. At what rate is Turnover Tax calculated?

Turnover Tax is calculated at a flat rate of 4%. Therefore, the tax payable will be calculated by applying 4% on total sales (turnover). Prior to this change turnover tax was computed using the graduated tax bands.

Example 1: Computation of Tax on Turnover of K6, 000.

AZ limited carries on business as a retailer. In the month of February 2021 the business made the following sales:

- Cash sales K4,000
- Credit sales K2,000
- Total sales K6, 000

The sales amount of K6,000 will fall under a flat rate turnover of 4%. Tax payable will be calculated as follows:

Total sales	K6,000
Turnover tax @ 4%	K240
Net sales	K5,760

### 3. Are there any returns to be submitted for Turnover Tax?

Yes. Turnover Tax Returns are to be by the 14th of the month following the month in which the transactions occurred.

### 4. When should Turnover Tax be paid?

Payment for Turnover Tax is due by the 14th of the month following the month in which the sales are made. i.e. for sales made in the month January 2021, the payment must be made by 14th February 2021.

### 5. For how long are taxpayers expected to keep business records?

Taxpayers will be required to keep all business records pertaining to turnover for a period of up to 6 years. They are also encouraged to keep other business records for purposes of determining their tax liabilities in case they exceed the turnover threshold of K800, 000.00.

### 6. Does a taxpayer who is under Turnover Tax have to submit provisional tax returns?

No. Provisional tax returns are only required for taxpayers whose gross sales/turnover is above K800, 000.00.

### 7. Is there any penalty charged on late submission of a Turnover Tax Return?

Any late submission of a Turnover Tax Return will attract a penalty at the rate of 250 penalty units (K75.00) per month or part of the month thereof.