

Obstruction of Agents and Officers

(i) Any person who obstructs or hinders any officer acting in the discharge of his/her duties under this act shall be guilty of an offence and liable upon conviction by the courts of law to penalties of up to 100,000 penalty units or twelve months imprisonment, or both.

(ii) Any person who willfully obstructs or willfully attempts to obstruct an agent appointed by the Commissioner-General to be an agent for the payment of tax due in the execution of the duties imposed upon him shall be guilty of an offence and shall upon conviction be liable to a fine not exceeding thirty thousand (30,000) penalty units- (K9,000.00) or to imprisonment for a term not exceeding three years, or to both.

(iii) Any person or partnership who fraudulently removes goods or chattels or assists in removing such goods or chattels to prevent the Commissioner General from executing a distress, shall forfeit double the value of the goods or chattels carried off or concealed and will be liable to a fine of up to 10,000 penalty units or imprisonment not exceeding 1 year or both upon conviction by the courts of law.

General penalties

Where a taxpayer is convicted by the courts of law for an offence against the Income Tax Act and that offence does not carry a specific penalty, that taxpayer will be liable to a maximum penalty of 100,000 penalty units (K30, 000.00). The offences that taxpayers may be convicted of and be charged this penalty include;

- failure to register for tax;
- failure to furnish a full and true return;
- failure to keep records, books, accounts or documents;
- failure to produce any document for the examination or inspection of the Commissioner-General; and
- failure to attend at a time and place as required by any notice served on the taxpayer;
- failure to answer any questions lawfully put to them.

4.0 TURNOVER TAX PENALTIES

Late payments

- Late payment penalty - 5% of the amount that remains unpaid
- Interest - Bank of Zambia Discount rate plus 2%.

Late submission of returns

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

Incorrect Returns

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

5.0 PAY AS YOU EARN

Late payments

- Late payment penalty - 5% of the amount that is payable but remains unpaid per month or part thereof.
- Interest - Bank of Zambia Discount rate plus 2%.

6.0 SKILLS DEVELOPMENT LEVY

Late payments

- 5% of tax payable but not paid

Failure to submit or 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

7.0 MINERAL ROYALTY PENALTIES

Late payments

- Late payment penalty - 5% of the tax amount
- Interest - Bank of Zambia Discount rate plus 2%

Failure to submit or late submission of returns

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

- Individual - 1, 000 penalty units (K300.00) per month or part thereof; or
- Limited company - 2, 000 penalty units (K600.00) per month or part thereof.

Incorrect Returns

- Negligence - 1.5% of the gross value or norm value;
- Willful default - 3% of the gross value or norm value; and
- Fraud - 4.5% of the gross value or norm value

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

It is important to note that tax is debt due to government and may be recovered by the 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.

8.0 THE APPEAL PROCESS

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

For more information contact:

Call Centre: 4111

Email: advice@zra.org.zm

Website: www.zra.org.zm



**PENALTIES AND INTEREST
FOR NOT OBSERVING TAX
OBLIGATIONS**

1.0 INTRODUCTION

This leaflet is a guide to penalties that may be imposed for non-compliance of tax obligations. Taxpayers are required by law to declare correct taxes at all times and pay the taxes on time. Failure to comply would result in the various penalties. Penalties and fines are a cost to a taxpayer's business and ZRA encourages taxpayers to avoid penalties at all times. This leaflet outlines the penalties that may be charged. It also explains the circumstances that may lead to penalties.

2.0 VALUE ADDED TAX PENALTIES

Late return penalty - 1,000 penalty units (K300.00) 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 - 10,000 penalty units (K3,000.00) for each tax period that a taxpayer is eligible to register but remains unregistered. The taxpayer is also liable to an assessment on the sales made in the same period.

Input tax deductions are not allowed for the period the taxpayer was not registered.

A registered supplier who fails to issue a tax invoice or fails to notify the Commissioner General, of a transfer of business from one supplier to another within 30 days after the transfer takes effect commits an offence and is liable, upon conviction, to a fine not exceeding 10,000 penalty units (K3,000.00); and similarly, any unregistered supplier who issues an invoice purporting to be a tax invoice, commits an offence and is liable, upon conviction, to a fine not exceeding 10,000 penalty units (K3,000.00).

Note:

A person who contravenes any other provision of the Value Added Tax (General) Rules, commits an offence and is liable, upon conviction, to a fine not exceeding 5,000 penalty units (K1,500.00).

Non-Issuance of a tax invoice

A taxable supplier who fails to issue a tax invoice in the form and manner prescribed by the Commissioner-General from an approved computer package, a pre-printed tax invoice book or Electronic Fiscal Devices (EFDs), commits an offence and is liable, on conviction, in the case of –

(a) first offence, to a penalty not exceeding 100,000 penalty units

(K30,000.00);

(b) second offence, to a penalty not exceeding 200,000 penalty units (K60,000.00); and

(c) third or subsequent offence, to a penalty not exceeding 300,000 penalty units (K90,000.00), or to imprisonment for a term not exceeding 3 years, or to both.

Failure to furnish information and produce documents: -

- Availing incomplete records - 20,000 penalty units (K6,000.00)
- Failure to provide records for inspection - 20,000 penalty units (6,000.00)
- Failure to provide information requested within the time stipulated by an officer - 20,000 penalty units (K6,000.00)

There is an additional penalty of 2,000 fee units (K600.00) per day for failure to avail records.

Electronic Fiscal Devices offences and penalties

A person who commits the following offences is liable to a penalty not exceeding 300,000 penalty units (K90,000.00) or to imprisonment for a period not exceeding 2 years, or to both;

- Failure to use an EFD or Virtual EFD
- Opening, modifying or attempting to open or modify an EFD or Virtual EFD
- Entering false data on an EFD or Virtual EFD
- Tampering with, altering, falsifying data transmitted to, or received, recorded, analyzed, formatted or stored by an EFD or Virtual EFD or any component thereof
- Issuing an invoice which does not meet the requirements of EFD Regulations -
- Maliciously, negligently or intentionally damaging an EFD or Virtual EFD
- Operating an EFD or Virtual EFD in a manner that results in loss of tax revenue

The penalties are graduated, meaning that first, second and subsequent offenders will not be penalised to the same extent.

3.0 INCOME TAX PENALTIES

Where any offence is committed under the Income Tax Act by a body corporate, every person who, at the time of the commission of the offence was a director, general manager, secretary or other similar officer or who was acting or purporting to act in any such capacity, shall also be guilty of that offence, unless he proves that the offence was committed without his knowledge or consent, and that he exercised all such diligence to prevent the commission of the offence.

Penalty for Failure to furnish TPIN

A taxpayer or person who fails to furnish a Taxpayer Identification Num-

ber (TPIN) or furnishes a false TPIN will be charged a penalty of 100,000 penalty units or to imprisonment not exceeding twelve months or to both, upon conviction by the courts of law.

Penalty for Incorrect Returns

The following penalty will be charged for omitting or understating income, failure to file income tax return, failure to file provisional tax returns, giving false information or submitting incorrect information.

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

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

The following penalty will be charged on any taxpayer or person who willfully evades tax or assists another person to evade tax:

- Three hundred thousand penalty 300,000 units or up to 3 years imprisonment or both on conviction by the courts of law.

Penalties for nonpayment of Taxes

- Late payment penalty - 5% of the outstanding amount for each month or part of the month the payment remains unpaid.
- Interest at Bank of Zambia Discount Rate plus 2% will also be charged on the same amount.

Failure to Submit Return on Time

- Individuals - 1,000 penalty units (K300.00) per month or part thereof the return is late; or
- Corporate bodies - 2,000 penalty units (K600.00) per month or part thereof the return remains unsubmitted

Penalty for Failure to provide company registration information: -

- (i) A taxpayer who fails to comply with provisions of transfer pricing regulations will be charged a penalty not exceeding eighty million (80,000,000) penalty units.
- (ii) Where a company fails to submit to the Commissioner General copies of their memorandum, articles of association and all the particulars relating to the company's affairs and shareholders, will be charged up to ten thousand (10,000) penalty units for each day that the failure continues.
- (iii) Where a company fails to notify the Commissioner General that another company has become related to it on conviction by the courts of law, will be charged up to Ten thousand (10,000) penalty units for each day that the failure continues.