

the whole of the person's income is deemed to have been received from a source within Zambia." In this case, the normal income tax rates for an individual will apply subject to double taxation rules if there is any double taxation agreement between that country and Zambia.

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Taxation Of Partnership Businesses

1) Introduction

A Partnership is a legal relationship between two or more persons, who carry on a business or undertaking, to which each contributes either money, labour or anything else with the objective of making a profit and sharing it between or among them.

2) What are the essential elements of a partnership?

These include:

- Each partner brings something into the partnership, or binds himself/herself to bring something into it, be it money, labour or skill;
- The business must be carried on for the joint benefit of the partners;
- The objective of the partnership must be to make profits; and
- The agreement between the parties must be a legitimate agreement.

3) Tax treatment of a Partnership

The Income Tax Act does not recognize a Partnership as a distinct taxable person. For this reason, a partnership is not chargeable to tax, but each partner is taxed individually. Nevertheless, the Income Tax Act provides that persons carrying on business in a partnership are required to make a joint return as partners in respect of such a business. So if there are two partners, the expected number of income returns will be three; one return for each partner, making it two returns for the two partners and one return for the partnership, bringing the number to three. Each partner declares income and taxes according to all business income they received eligible for tax, and the partnership constitutes all incomes received in the respective partnership but the tax liability for the partnership is nil since the tax is declared under the partners.

4) Applicable Tax Rates in a Partnership

Each partner will be taxed using the prevailing annual PAYE bands and rates for employed individuals in the charge year. Therefore, for the charge year 2022, the following annual tax bands and rates will apply and are as follows:

First	K54,000.00	@	0%
Next	K 3,600.00	@	25%
Next	K25,200.00	@	30%
Balance		@	37.5%

5) Declaration of Income by a Partnership and Individual Partners

- 5.1 Income for the partnership will be declared in the Partnership Return (Form ITF 2A) at the end of the charge year.

Note that actual tax is paid on each partner's returns.

- 5.2 The partners will declare their income from the partnership and other sources (if any) in the Income Tax Return for Individuals (Self – Assessment) Form ITF 1A at the end of the charge year.

6) Provisional Income Tax Return

- 6.1 This is a return of provisional income which contains an estimate of the person's income liable to tax and a computation of tax on the same in the charge year.

- 6.2 The Provisional Return is due not later than 31st March. Online filing is always encouraged.

7) Due Dates for Provisional Tax

Provisional tax as calculated on any return of provisional income, is payable in four equal installments as follows:

1st installment is due on 31st March and is payable on or before 10th April.

2nd installment is due on 30th June and payable on or before 10th July.

3rd installment is due on 30th September and payable on or before 10th October.

4th installment is due on 31st December and payable on or before 10th January.

8) Can a Provisional Return be amended during the course of the year?

The return can be amended if during the course of the charge year, it is discovered that the return of provisional income earlier submitted is likely to be substantially incorrect because of changed circumstances. The person affected shall submit a revised return of provisional income and in such a case, any alteration in the amount of estimated tax payable shall be taken into account in the installment immediately following the date of such revised return.

9) Penalties for non - submission of a provisional return

Where a person fails to submit a return on or before the date provided for, there shall be charged a penalty of 1,000 penalty units per month or part thereof will apply in the case of an individual and 2000 penalty units per month or part thereof in the case of a company. (A penalty unit is equal to K0.30 or 30 Ngwee)

10) Is partnership income taxed under Turnover Tax?

A partnership cannot be registered under Turnover Tax regardless of the turnover. It has to be registered under Income Tax.

11) Assessment of a Partnership with Connections that Extends Beyond Zambia

The Income Tax Act in Section 18 (2) provides that: "Where a person ordinarily resident in Zambia receives a share of the profits of a business carried on in partnership partly within and partly outside Zambia,