

EXAMPLE:

If a Taxpayer has an annual salary of K300,000 on which donations amounting to 50,000 are made to an approved Public Benefit Organisation. It means that instead of taxing K300,000, part of or all of the donation should be allowed as a deduction. The donation amount allowable should not exceed 15% of the Gross amount.

Therefore, In the example about 15% of K300,000 is K45,000 – meaning from the donation of K50,000 only K45,000 will be allowable as a deduction.

Below is a computation of tax chargeable before allowing the donation,

TOTAL EARNINGS				
Gross amount (YTD)	300,000.00			
Taxable amount	300,000.00			
TAX BANDS				
First	54,000.00	@	0%	-
Next	3,600.00	@	20%	720.00
Next	25,200.00	@	30%	7,560.00
Balance	217,200.00		37.5%	81,450.00
Total	K300,000.00		Tax payable	89,730 .00

Therefore, the tax payable before donations is K89,730.00.

However, when then the donation is allowed the Tax computation is as shown below:

TOTAL EARNINGS	
Gross amount (YTD)	300,000.00
Donation (limit-15% of YTD Gross amount)	(45,000.00)
Taxable Amount	255,000.00
TAX BANDS	

First	54,000.00	@	0%	-
Next	3,600.00	@	20%	720.00
Next	25,200.00	@	30%	7,560.00
Balance	172,200.00		37.5%	64,575.00
Total	255,000.00		Tax payable	72,855.00

Overall tax implication

Given the examples above:

Tax payable before donation	K 89,730.00
Tax payable after donation	K 72,855.00
Tax refundable	K16,875.00

NOTE:

Due to the fact that the donations made in the year are only known at the end of the year, administratively the relief is given by way of a refund during the period following the end of the charge year.

For more information contact:
Call Centre: 4111
Email: advice@zra.org.zm
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**PAY AS YOU EARN (PAYE)
REFUNDS**

Introduction

Pay As You Earn (PAYE) refunds are governed by Section 87 of the Income Tax Act and are meant to ensure that a taxpayer does not pay tax in excess of what they should ordinarily pay in a tax year.

1. How does a tax refund of PAYE arise?

A tax refund of PAYE may arise as a result of any of the following scenarios:

a) Errors

Payroll errors, for example;

- Use of wrong tax bands and rates;
- Arithmetical errors in calculating tax;

b) Unemployment repayments.

A tax refund may arise upon loss of employment. An employee who has ceased to be employed, may, at the end of the charge year using the Zambia Revenue Authority (ZRA) prescribed form and in accordance with Section Eighty-seven of the Act, apply to ZRA for a repayment of tax for each month for which the employee requires a Tax refund.

2. Am I entitled to a refund of all the PAYE I paid to ZRA whilst in employment at the end of an employment contract, at retirement or at cessation of employment?

No. PAYE correctly paid is not refundable. The refund will arise from the PAYE relating to the months not worked in that charge year or over-payments made during the course of one's employment.

3. When can I claim for a refund of tax after employment ceases?

You can only make a claim after the end of the charge year in which employment ceased.

4. Is there a time limit within which a tax refund claim can be made?

A refund claim can only be made within six years of ceasing employment. For a deceased case, a refund claim can only be made within three years. Any time after these time limits,

will render a case time barred.

5. Supposing I had more than one contract within the charge year, am I entitled to a refund on each one of them?

All monies accruing to an individual will be assessed in one assessment and tax due calculated for the charge year.

6. How is tax calculated for a deceased person?

The following payments may be made upon the death of an employee:

- Salary;
- Leave pay;
- Gratuity;
- An ex – gratia payment;
- Accrued service bonuses;
- Pension; and
- Severance pay.

The above payments are taxed as follows:

- The salary up to the date of death, leave pay and accrued service bonuses when paid whilst in employment are taxed under PAYE in the month in which the payments accrued to the employee.
- Pension from an approved fund is exempt from tax (paragraph 7 (q) of the 2nd Schedule to the Income Tax Act).
- **Gratuity** is included in the definition of "Pension Benefits" following the Amendment Act No. 2 of 2016 under Article 266 to the Constitution of Zambia which states that "**Pension Benefits" include a pension, compensation, gratuity or similar allowance in respect of a person's service. Gratuity is exempt from tax with effect from 5th January, 2016.**
- Ex – gratia payments are exempt from tax.
- Severance pay is a pension benefit and is thus exempt from tax.
- Notice pay.
- Terminal leave pay paid on medical grounds are exempt from tax.

7. How can I make a claim?

You will be required to submit the following forms which are obtainable from any ZRA office:

- Refund Tax return form ITF 1A
- Particulars of employee leaving (ITF form P13 (1))

These forms should be accompanied by:

- A letter of termination of employment from employer indicating

termination mode;

- Last cumulative pay slip or all pay slips in the charge year;
- Tax computations for terminal benefits (leave pay, retirement, redundancy, gratuity etc...);
- A copy of National Registration Card (NRC);
- and/or a Court Order of Appointment of Administrator in a deceased case plus copies of NRCs for the deceased person and the administrator; and
- Tax Payer Identification Number (TPIN) for claimant.

Taxpayers making claims for 2020 and the subsequent charge years must apply online on the ZRA web portal.

Note:

- For contracts of two years and longer, you are to disclose the Total Basic Pay figure earned in the contract period for claims prior to 2016.

- **Section 65 (3) of the ITA** - No assessment shall be made in respect of the income of any deceased person after the expiry of **three years** after the end of the charge year in which such deceased person died.

- Ensure that all documents from the employer are **authenticated** (stamped).

8. Is General Life Assurance at death taxable?

General Life Assurance at death is exempt from tax.

However, proof of registration with a life assurance company will be required for assessment purposes.

9. If my salary is below the tax threshold and my terminal benefits are also not taxed at the end of a contract or cessation of employment, am I entitled to any tax refund?

No, there would be no refund as you did not remit any tax whilst in employment.

10. Is there any tax charge on donations to Public Benefit Organisations (PBOs)?

Donations to approved PBOs are allowable deductions e.g tithe paid to a church. However, the deduction shall not exceed 15% on one's taxable pay in the charge year.