

The WHT rate for management and consultant fees for local consultants is 15% and is not a final tax. The consultants will be required to submit annual returns and the tax (i.e. WHT) paid will be granted as credit against any tax liability that may arise.

Public Entertainment Fees

Public Entertainment Fee means “a payment in any form other than an emolument to, on behalf of, or in respect of, any person or persons in partnership, including theatre, motion picture, radio or television artists, musicians, athletes or sports persons, in respect of those persons’ personal activities in any entertainment, competition or similar activity within the Republic”.

The Withholding Tax is deductible from payments made to non – resident entertainers and sportsmen for performances within Zambia.

The WHT rate is 20% and is the final tax.

Commissions

Commissions for Withholding Tax purposes means, any Commission other than Commission received by an individual whose income is from employment or office.

The WHT rate for residents is 15% and 20% non-residents (final tax).

Commodity Royalty

“commodity royalty” means an amount paid under royalty financing or a general agreement to a person or partnership, by a person or partnership resident in the Republic that is computed by reference to the production, profit, or to the value of production from a mineral deposit or other natural resource in the Republic, but does not include the repayment of the purchase price for the commodity royalty;

A person making a payment of commodity royalty should deduct withholding tax at a rate of 15%. The tax deducted is a final Tax.

Where the income is covered under any of the Double Taxation Agreements (DTAs) that Zambia has signed, then the applicable withholding tax rate will apply.

TAX INFORMATION

a) Submission of Returns & Payments.

The due date for filing of returns and payments for Withholding tax is on the 14th day after the month of transactions. Note that both the return and payment are due on the same date.

b) Tax Point for the deduction of withholding Tax

The time at which payment shall be deemed to have been made shall be whichever is earlier of the following times:

- (a) The time when income is paid;
- (b) The time when income accrues to a person; and
- (c) The time when income is in any way due to a person or held to that person's order or on their behalf, or it is in any way disposed of according to that person's order or in that person's favor.

The above provides guidance and clarity as to the Tax point for the deduction of withholding tax and remittance to ZRA in cases where a payment is made in advance or has not yet accrued to the recipient.

For more information contact:

Call Centre: 4111
Email: advice@zra.org.zm
Website: www.zra.org.zm



Withholding Tax

Withholding Tax is not a tax but a means of collecting tax. Withholding Tax is deductible from a payment by the person who is liable to make payment (the payer) at the point of payment or at the time the person to whom it is due to be made (the payee) becomes legally entitled to it (date of accrual). The payer is required to pay the tax deductible to the Zambia Revenue Authority by reference to the date of payment or the date of accrual, whichever is earlier.

Payments subject to Withholding Tax

Dividends – Section 81

Dividend means any amount distributed or credited by a company to its shareholders, or any amount deemed to have been distributed. All companies registered in Zambia are required under this section to deduct Withholding Tax (WHT) from payments of dividends other than dividends paid to the Government of the Republic of Zambia or dividends paid to individuals by a company listed on the Lusaka Securities Exchange (LuSE).

Dividends accrue on the day of the resolution provided that where the resolution states that the dividend is to be paid to share or stockholders registered on a day in future, then the dividend is deemed to accrue on that day.

The rate of WHT on dividends is 15% for residents and 20% for non-residents and it is the final tax.

WHT on dividends for Companies carrying on mining operations is 0%.

Payments to Non – Resident Contractors – Section 81A

These are payments made to non – resident contractors who are engaged in construction and haulage operations.

Who is a Non – Resident Contractor?

Non – resident Contractor means;

- An individual who is neither a resident nor ordinarily resident in Zambia;

Or

- Any other person or partnership which is not resident in Zambia and does not have a permanent establishment in Zambia.

Construction Operations include: –

1. The erection, alteration, maintenance, repair, extension, demolition or cleaning of any building or structure, whether

permanent or not;

2. The installation in any building or structure of heating, lighting, lift, air conditioning, ventilation, power, drainage, sanitation, water, fire protection or like supplies or services;

3. The painting or decoration of the internal or external face of any building or structure;

4. Any operations which are an integral part of or prior to or to render complete the operations described in (1) and (2).

Haulage Operations include: -

Transportation by land, water, or air of persons, or produce of a like nature or ores and minerals, food stuffs and merchandise.

Withholding tax rate for non-resident contractors is at 20% or at the rate that the Commissioner-General may direct to give effect to the provisions in the exemption schedule or the Double Taxation Agreements.

Payments under Section 82A

Interest

Interest is an amount calculated according to a fixed ratio on debt or money lent. Interest can be earned on savings or deposit accounts, treasury bills, government bonds or any other financial instruments, or on debt or money lent.

Individuals

No Withholding Tax shall be paid on interest earned by individuals from savings or deposit accounts held with financial institutions such as banks and building societies.

Interest earnings by an individual with a savings group, shall be deducted at the rate of zero percent per annum; savings groups such as co-operatives and village banking.

Persons other than individuals

The Withholding Tax Rate is 20%. However, this is not the final tax. At the end of the charge year, the taxpayer will be required to submit an Income Tax Return containing all sources of income, including income from interest. The final tax will be determined through an assessment. The Withholding Tax deducted is taken into account before arriving at the final tax.

Public Benefit Organisations and other Exempt organisations:

The Withholding Tax Rate for interest earned on Government Bonds and Treasury Bills by exempt organisations and approved Public Benefit Organisations (PBOs) is 15% and it is the final tax.

Royalties

A Royalty is defined in Income Tax Act as

“a payment of any kind received as a consideration for the use of, or the right to use:

- a. any copyright of literary work;*
- b. any artistic or scientific work including cinematograph films, films, video tapes, sound recording or any other like medium;*
- c. any computer programme or software;*
- d. any patent, trademark, design or model, plan, secret formula or process;*
- e. any industrial, commercial or scientific equipment;*
or
- f. any information concerning industrial, commercial or scientific experience.”*

The Withholding Tax Rate for Royalties is 15% for residents and 20% for non – residents. However, in the case of non – residents, this is the final tax.

Management or Consultancy Fees

A Management or Consultancy Fee means *“payment in any form, other than an emolument, for or in respect of any – administrative, consultative, managerial, technical or other service of a like nature; or creation, design, development, installation or maintenance of any information technology solution, programme, system or their combination”*.

It should be noted that Withholding Tax is deductible from a payee who is not in business in Zambia but renders a service to a person carrying on business in Zambia.

The WHT rate for management and consultancy fees for non-residents is 20% and is the final tax.