

- iii. Any person or partnership who fraudulently removes good or chattels or assists in removing such goods or chattels to prevent the Commissioner General from executing a distress declared to be an agent shall apply to the payment of the tax due so much of any kind of property whatsoever held by him or coming into his hands on behalf of the person or partnership from whom the tax is due as is sufficient to pay such tax, and any such agent is hereby indemnified against any person or partnership whatsoever in respect of all payments so made by him

#### 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). 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 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 on them.

#### 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%

#### PRESUMPTIVE TAX – GAMING AND BETTING PENALTIES

##### Late payments

5% of the amount that remains unpaid  
Interest at the Bank of Zambia Discount rate plus 2%.

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##### Late submission of returns

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

##### Incorrect Returns

- **Negligence** – half the amount of undeclared tax
- **Willful default** – equivalent to the amount of undeclared tax
- **Fraud** – one and half times the amount of undeclared tax

#### SKILLS DEVELOPMENT LEVY

##### Late payments

5% of tax payable but not paid

##### 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

#### MINERAL ROYALTY PENALTIES

##### Late payments

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

##### 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.

#### RECOVERY OF DEBT BY DISTRESS

Any officer appointed for the purpose of carrying out the provisions of this Act may under warrant, by the Commissioner-General, levy distress upon the goods and chattels of the person or partnership from whom tax is recoverable.

#### THE APPEAL PROCESS

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

For more information contact:

Call Centre: 4111  
Email: [advice@zra.org.zm](mailto:advice@zra.org.zm)  
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**ZAMBIA  
REVENUE  
AUTHORITY** | *My Tax  
Your Tax  
Our Destiny*

**PENALTIES  
FOR NOT OBSERVING  
TAX OBLIGATIONS**

## INTRODUCTION

This leaflet is a guide to penalties that may be imposed for non-compliance of tax obligations. Penalties and fines are a cost to a taxpayer's business and must be avoided at all times. 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 outlined in this leaflet.

## 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 (3,000.00) for each tax period that a taxpayer is eligible to register but remains un-registered. 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 ten thousand penalty units (K3,000.); 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 ten thousand penalty units (K3,000).

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);
- second offence, to a penalty not exceeding 200,000 penalty units (K60,000.00); and
- 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 3 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.

The penalties for non-compliance with respect to the use of electronic fiscal devices and other approved documents, devices or equipment. An offender will therefore be liable to penalties as follows:

- Up to a maximum of K9,000 for a first offence;
- Up to a maximum of K18,000 for a second offence; and
- Up to a maximum of K27,000 for a third offence

## DOMESTIC EXCISE PENALTIES

A licensee and service provider shall use an electronic fiscal device to record each sale or transaction relating to goods and services liable to excise duty.

Despite subsection (1), the Commissioner-General may approve the use of a document, device or equipment, other than an electronic fiscal device, for a certain category of licensees or service providers.

A licensee or service provider shall issue a tax invoice using an electronic fiscal device for the sale of goods or services rendered.

Despite subsection (3), the Commissioner-General may approve the issuance of a tax invoice using an approved computer application or pre-printed tax invoice by a licensee or service provider.

A licensee or service provider that contravenes this section commits an offence and is liable, on conviction, in the case of a—

- first offence, to a penalty not exceeding one hundred thousand penalty units;
- second offence, to a penalty not exceeding two hundred thousand penalty units; and
- third or subsequent offence, to a penalty not exceeding three hundred thousand penalty units, or to imprisonment for a term not exceeding three years, or to both.

## INCOME TAX PENALTIES

### General penalty

Where a taxpayer is convicted by the courts of law for an offence against the Income Tax Act, the maximum penalty shall be 100,000 penalty units (K30,000.00), unless otherwise specified. 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;
- 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; and
- obstructing or hindering any officer acting in the discharge of his/her duty under the Income Tax Act.

### Incorrect Returns

- 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 penalty units for such returns are 300,000 (K90,000.00). This fine may be imposed on conviction by the courts of law on any person who willfully evades tax or assists another person to evade tax. In addition to this fine, a jail sentence of 3 years may be imposed by the courts of law for tax evasion offences.

### Under Estimation of Provisional Tax Penalties

Where upon receipt of a return of income, it is discovered that income has been so underestimated that the tax on the return has been underpaid by at least one-third, then such person shall be liable to a penalty at the rate of twenty-five per cent of the tax which has been underpaid.

### Non-payment of Taxes

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

### Failure to submit a return on time

**Individuals** – 1,000 penalty units (K300.00) per month or part thereof  
**Limited Companies** – 2,000 penalty units (600.00) per month or part thereof

### Penalty for failure to provide company registration information:

- 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.
- 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.
- 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

### Obstruction of Agents and Officers

- 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.
- Any person who willfully obstructs or willfully attempts to obstruct an agent 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 penalty units or to imprisonment for a term not exceeding three years, or to both.