

Introduction

What is Pay As You Earn (PAYE)?

- (i) This is a method of deducting tax from employees’ emoluments in proportion to what they earn. Under this system, the employer is required to:
  - calculate tax payable by every employee;
  - b) deduct tax due from the emoluments; and
  - c) remit tax deducted to ZRA.

(ii) Zambians who are employed by foreign missions and international organizations which are exempted from remitting tax under the Diplomatic and Immunities Act are supposed to register for PAYE direct scheme and submit the return and remit the tax directly to ZRA.

2. What are emoluments?

The term “emoluments” means total earnings of an employee from employment. These include wages, salaries, overtime, leave pay, commissions, fees, bonuses and any other payments from employment or office (Section 2 of Income Tax Act).

3. How is PAYE calculated?

- Under the PAYE system, the amount of tax which the employer deducts from any pay depends on:
- a) the employee’s total gross pay; and
  - b) the applicable tax bands.

Table XX: 2024 PAYE TAX BANDS (insert table)

Calculation of Taxable Pay	K
Gross pay	15,000.00
Taxable pay	15,000.00

- b) Calculation of tax

Tax bands	Chargeable Income	Tax Rate	Tax Due
First			
K5,100.00	5100.00	0%	0
K5,100.01			
– K7,100.00	2000.00	20%	400.00
K7100.01			
– K9200.00	2100.00	30%	630.00
K9200.01			
and above	5800.00	37%	2146.00
Total Tax Payable			3,176.00

c) Calculation of Net Pay

Gross Pay	K15, 000.00
Less tax	K3,176.00
Net pay to employee	K 11,824.00

Note: Since 1st January 2018, it is no longer necessary to deduct the allowable pension contribution before arriving at chargeable income following the amendment to the Income Tax Act.

4) Are allowances taxable?

All cash benefits paid in the form of allowances such as education, housing, transport, utility and settling in etc. are taxable.

5) Are utility bills, school fees and school association fees discharged by the employer taxable under PAYE?

Where an employer discharges the liability of an employee by paying his/her rent, electricity, telephone, water bills, school fees or professional association fees, club membership fees and similar payments, the employer is required to add such payments to the employee’s emoluments and deduct tax under PAYE

6) Are payments to casual workers taxed?

Yes. They are taxed using tax tables for casual workers

7) What payments are exempt from PAYE?

Following the amendment to the Constitution, with effect from 5th January 2016, the following are exempt from tax as they fall within the definition of pension benefit:

- (a) Pension;
- (b) Refund of employee’s pension contributions;
- (c) Withdrawal of employer’s pension contributions;
- (d) Gratuity;
- (e) Redundancy pay;
- (f) Severance pay or compensation for loss of office;
- (g) Salary in lieu of notice; and
- (h) Repatriation allowance.

8) Are there any other payments that are exempt from PAYE?

- a) Ex- gratia payments(these are voluntary/discretion payments made to the surviving spouse by the employer)
- b) Medical expenses
- c) Funeral expenses
- d) Sitting allowances for councillors
- e) Labour day awards
- f) Per diem or travel allowance

9) What should I do if I leave employment?

When you leave your current employment, obtain a form showing all payroll details (ITF/P13) (2) from your former employer. This enables your new employer to make the correct tax deductions when you are re-employed. If the ITF/P13 (2) is not provided to your new employer, the tax deductions could be higher than you should suffer. If you are not re-employed in that charge year, you may be

entitled to a tax refund as explained below.

### 10) How does a PAYE refund arise?

Tax paid as PAYE is non-refundable except where it has been overcharged in a charge year as in the following circumstances:

#### 1. Errors

The errors may include:

- Payroll errors;
- Use of wrong tax bands and rates;
- Arithmetical errors in calculating tax; and
- Taxation of exempt income e.g Taxation of pension benefits.

#### 2. Unemployment

A tax refund may arise upon cessation of employment, and the person remains unemployed until the end of the charge year.

### 3. Eligible deductions such as professional subscriptions and donations to approved Public Benefit Organisations.

#### 11) How can I make a PAYE claim?

You will be required to complete and submit an Income Tax Return for Individuals (ITF/1A) electronically, through the ZRA portal on your tax account

The following documents should be attached:

- letter of termination of employment
- last pay-slip (if cumulative) or all payslips for the year in which employment was terminated (if not cumulative)
- particulars of employee leaving (form ITF/P13 (1)). This document is available on the ZRA website [www.zra.org.zm](http://www.zra.org.zm) under publications (Forms) or at any nearest ZRA office
- any other payment vouchers. This will enable the tax office to calculate the refund of tax due, if any. A notice of your refund claim will be sent to you via email/text message.
- Notes
- 1. ZRA may request other supporting documents such as
  - an affidavit duly signed and stamped by a commissioner of oaths.

- 2. Refund claims prior to 2019 are submitted manually
- 3. All documents must be duly signed and stamped by the employer.

#### 12) How do I receive the PAYE refund?

- Refund payments are credited into the bank account of the claimant as indicated in the refund claim form.

#### 13) What if the PAYE deducted is wrong?

- If there is an over-deduction of tax, a refund will be made to the employees by the employer and only in the same charge year. If there is an under-deduction of tax, the employer will pay the difference to the Revenue Authority.

#### 14) When is the PAYE return and payment due?

- The PAYE deducted must be submitted by the employer to Zambia Revenue Authority in form of a return and remitted by the 10th day of the month following the month in which the deduction was made.

#### 14) What if the PAYE return by the employer is submitted late?

- Late return filing attracts a penalty fee of 1,000 penalty units for an individual and 2,000 penalty units for a limited company per month or part thereof (1 penalty unit is equivalent to 0.40 or 40 ngwee)

#### 15) What if the PAYE deducted by the employer is not remitted on time to ZRA?

- If tax is not remitted on time by the employer, a penalty of 5% will be charged on the amount due, and interest at the BOZ discount rate plus 2% for every month the payment is late.

**For more information contact:**

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