

## PENALTIES UNDER PRESUMPTIVE TAX – GAMING AND BETTING

### Late payments

5% per month or part thereof on the amount that remains unpaid

Interest at the Bank of Zambia Discount rate plus 2%.

Late submission of returns

Failure to submit or Late submission of the monthly return attracts K100.00 (250 penalty units) per month or part thereof.

### Incorrect Returns

Under-declaration of income

- Negligence – 50% of undeclared tax
- Willful default – 100% of undeclared tax
- Fraud – 150% of undeclared tax

Tax evasion (fraudulent returns)

Fraud: 150% of the income omitted or 300,000 penalty units or 3 years imprisonment, or both.

## SKILLS DEVELOPMENT LEVY

### Late payments

5% per month or part thereof on tax payable but not paid

Interest at the Bank of Zambia Discount rate plus 2%

Late submission of Returns

Failure to submit or Late submission of the monthly return attracts 1000 penalty units (K400.00) per month or part thereof:

Incorrect returns:

- Negligence – 0.25% of amount
- Willful default – 0.5% of amount
- Fraud – 0.75% of amount

## PENALTIES UNDER MINERAL ROYALTY

### Late payments

5% per month or part thereof on the tax amount that remains unpaid

Interest at the 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:

- In the case of an individual - 1000 penalty units (K400.00) per month or part thereof; or
- In the case of a company - 2000 penalty units (K800.00)

per month or part thereof.

### Incorrect Returns

- In the case of negligence, 1.5% of the gross value or norm value;
- In the case of willful default, 3% of the gross value or norm value
- In the case of fraud, 4.5% of the gross value or norm value.

It is important to note that tax is debt due to government and may be recovered by 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.

## MOBILE MONEY TRANSACTION LEVY

The following penalties will be charged for failure to comply with obligations as follows;

- Late return filing penalty of K40,000 (100,000 penalty units)
- Late payment penalty of K40,000 (100,000 penalty units)
- For failure to keep records for a period of 6 years or as the commissioner general may prescribe a penalty of K80,000 (200,000 penalty units) will be charged.

Note: A penalty unit is equivalent to K0.40.

## 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:**

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**PENALTIES FOR  
NOT OBSERVING  
TAX OBLIGATIONS**

## INTRODUCTION

This leaflet is a guide to penalties that may be imposed for noncompliance of tax obligations. Penalties and fines are a cost to the 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 various penalties outlined in this leaflet.

### PENALTIES IMPOSED UNDER VALUE ADDED TAX

Late return penalty – K400.00 (1,000 penalty units) per day or 0.5% of the tax due, whichever is 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 – K4,000.00 (10,000 penalty units) for each tax period that 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 deduction is not allowed.

### FAILURE TO FURNISH INFORMATION AND PRODUCE DOCUMENTS: -

The following penalties will be charged for failure to comply with obligations as follows;

- Availing incomplete records – K8,000.00 (20,000 penalty units)
- Failure to provide records for inspection – K8,000.00 (20,000 penalty units)
- Failure to provide information requested within the time stipulated by an officer – K8,000.00 (20,000 penalty units)

There is an additional penalty of 2,000 fee units a day for failure to avail records i.e. K800.00.

### SMART INVOICE PENALTIES AND OFFENCES

A taxable supplier commits an offence if that taxable supplier

- (a) modifies or attempts to modify an approved invoicing system without authorization from the Commissioner General;
- (b) enters false data on the approved invoicing system; or
- (c) tampers with, alters or falsifies data recorded, analyzed, formatted or stored by the approved invoicing system.
- (d) taxable supplier who fails to issue a tax invoice for the

supply of goods and services using an electronic invoicing system.

A taxable supplier convicted of the above offence is liable, on conviction, in the case of a-

- (a) First offence, to a penalty not exceeding K40,000 (100,000 penalty units).
- (b) Second offence to a penalty not exceeding K80,000 (200,000 penalty units); and
- (c) Third or subsequent offence, to a penalty not exceeding K120,000 (300,000 penalty units), or to imprisonment for a term not exceeding three years, or both.

### PENALTIES FOR NON-REMITTANCE OF WITHHELD TAXES

The appointed or declared withholding agent who does not remit tax by the due date shall be liable to pay a penalty of 1% of the amount in respect of each month or part thereof for which the contravention continues during which that amount or any part is due.

### PENALTIES CHARGEABLE UNDER INCOME TAX

#### 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 one hundred thousand (100,000) penalty units i.e. K40,000.00. The offences that taxpayers may be convicted of include;

- (a) failure to furnish a full and true return;
- (b) failure to keep records, books, accounts or documents;
- (c) failure to produce any document for the examination or inspection of the Commissioner-General;
- (d) failure to attend at a time and place as required by any notice served on the taxpayer;
- (e) failure to answer any questions lawfully put to them; and
- (f) 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 three hundred thousand (300,000 penalty units) i.e. K120,000.00. 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 **three years** may be imposed by the courts of law for tax evasion offences.

#### Penalty for Non-payment of tax

5% per month or part thereof on the amount that remains unpaid.

Interest will be charged at the Bank of Zambia Discount Rate plus 2%.

#### Late submission of returns

Failure to submit or late submission of the income tax return attracts penalties as follows:

- In the case of an individual - 1000 penalty units (K400.00) per month or part thereof; or
- In the case of a company - 2000 penalty units (K800.00) per month or part thereof.

### PENALTIES CHARGEABLE UNDER TURNOVER TAX

#### Late payments

5% per month or part thereof on the amount that remains unpaid

Interest will be charged at the Bank of Zambia Discount rate plus 2%.

#### Late submission of returns

Failure to submit or Late submission of the monthly return attracts K100.00 (250 penalty units) per month or part thereof for the period the return remains unsubmitted.

#### Incorrect Returns

- Negligence – 1.5%
- Willful default – 3%
- Fraud – 4.5%

of any income omitted or understated, in consequence of such failure, incorrect return, information or submission