

No	Penalty Type	Penalty rate
1	Late submission of return	1,000 penalty units per month or part thereof
2	Late payment	5% of tax payable but not paid
3	Late payment interest	Bank of Zambia discount rate plus 2%
4	Penalties for omitted income	As per section 100 of the Income Tax Act

Note: One penalty unit is equal to K0.40 or 40 ngwee.

6. Exemption from Skills Development Levy

The Act has provided the following exemptions:

- Any employer in public service or local authority (This exemption does not include State Owned Enterprises).
- An employer whose annual turnover is below K800,000.
- An approved Public Benefit Organisation (PBO) as approved under the Income Tax Act.
- An organisation exempted from income taxation under the Income Tax Act.
- Approved donors and persons who are covered under the Diplomatic Immunities and Privileges Act.
- Any person that the Minister of Finance may by Statutory Instrument exempt.

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SKILLS DEVELOPMENT LEVY

1. What is Skills Development Levy?

Skills Development Levy (SDL) is a levy that is imposed on the gross emoluments payable to an employee by the employer. This levy is payable by the employer at zero-point five percent (0.5%) of the gross chargeable emoluments.

The collection of this levy is provided for under the Skills Development Act number 46 of 2016.

2. Who is Liable to Pay Skills Development Levy (SDL)?

The employer shall be liable to pay skills development levy whether the wage bill has been settled for the relevant month or not. This levy shall not be deducted from the emoluments of the employee.

3. How do you Account for Skills Development Levy?

Skills Development levy is accounted for through the Pay As You Earn (PAYE) return.

Note that there is no separate return for skills development levy.

Example: Computation of Skills Development Levy

XY Limited had accrued the following liabilities for the month of January, 20XX

Basic Pay	400,000
Housing Allowance	150,000
Gratuity	100,000
Redundancy Packages	300,000
Leave Pay	60,000
Total Payments	1,010,000

As at 10th February 20XX, the company had only paid out the basic pay to the employees.

SDL payable for the month of January 20XX shall be computed as follows:

Total payments	1,010,000
Less:	
Gratuity	100,000
Redundancy Packages	300,000

Gross chargeable emoluments 610, 000

Levy payable = 0.5% X 610,000 = K3, 050

(Note: Skills Development Levy is not charged on gratuities and redundancy packages because these are paid as terminal or pension benefits)

4. What is the Due Date for Skills Development Levy?

The due date for return filing and payment of SDL is the same as that of PAYE, i.e on or before the 10th day of the month following the month for which the return and payment is being made.

5. Recovery of Skills Development Levy

The provisions of the Income Tax Act shall apply to Skills Development Levy Act in respect of enforcement and administration of SDL.

Note. Skills development levy shall be allowed in ascertaining the gains or profits of a business of even where the levy due has not yet been paid to the Commissioner-General.

What penalties are applicable for non-compliance of SDL?

The penalties applicable for late submission of PAYE return of 1000 penalty units shall also apply to skills development levy

The table below shows the penalties applicable to SDL