OBLIGATIONS OF THE TAXPAYER

Once one meets the registration requirements set out, the following are the responsibilities for the taxpayer:

- ❖ Registering for Income tax once the annual turnover is reached
- ❖ Submitting a Provisional Income Return yearly by the 31st of March and making true and correct tax declarations (reporting) in this return.
- ❖ For new businesses a Provisional Income Tax Return must be submitted 3 months after business commencement
- ❖ Making quarterly payments for each quarter respectively by the following dates (10th April, 10th July, 10th October and finally on 10th of January.
- ❖ Submitting annual Income Tax returns accompanied by financial statements by 21st of June following the year under review.
- ❖ Keeping proper books and accounts of all transactions and these shall be retained for a minimum period of six years with an exception of transfer pricing which is required to maintain records up to 10 years.
- ❖ All information provided to be true and correct.

IMPLICATIONS FOR NOT OBSERVING THE OBLIGATIONS

Any person guilty of an offence under section 98 of the Income Tax Act is liable on conviction to a fine not exceeding ten thousand penalty units or to imprisonment for a term not exceeding twelve months, or to both. A penalty unit is equal to 30 ngwee.

Penalties for late submission of returns follows:

- 1000 penalty units for Individuals (K300 per month or part thereof in a month)
- 2000 penalty units for companies (K600 per month or part thereof in a month)

Penalties for incorrect returns:

Negligence	–	17.5% of amount
Willful default	–	35% of amount
Fraud	–	52.5% of amount

Penalties for Non – payment

5% of the amount that remains unpaid plus interest – charged at the Bank of Zambia Discount Rate plus 2%.

RIGHTS OF THE TAXPAYER:

- ✓ Right to accurate and timely tax information
- ✓ Right to Objections against amended assessments
- ✓ Right to appeal
- ✓ Right to good service
- ✓ Right to confidential treatment
- ✓ Right to fair treatment
- Zambia

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ZAMBIA REVENUE AUTHORITY

My Tax Your Tax Our Destiny

Income Tax

INTRODUCTION

This leaflet seeks to explain the scope of taxation of income, registration requirements, the applicable tax rates, obligations of the taxpayer and implications for not observing the obligations. The information provided is however not exhaustive and should there be need for further information, you are advised to consult with the Domestic Taxes-Tax Payer Services or the Advice Centers.

According to Section 14 of the Income Tax Act, taxation of income in Zambia is on the basis of both source and residence. Income tax is therefore a tax charged on *income received* from:

- ✓ a source within the republic
- ✓ deemed to be within the republic
- ✓ resident individuals
- ✓ person other than an individual who is resident within the republic e.g. corporate bodies
- ✓ by way of interest and dividends from a source outside the Republic

WHAT IS INCOME

Income tax includes: PAYE, Corporate Income tax, Presumptive tax, withholding tax and Turnover tax. All these are types of income taxes, however this leaflet will concentrate on corporate and self-employed/ Personal income tax. For more information on the other types of income taxes, the following leaflets can be obtained: Turnover tax Leaflet, Withholding tax on rentals leaflet and the employers guide. Refer to specific leaflets for the other income tax types not included in this leaflet.

Income Includes but is not limited to the following:

- ✓ gains or profits from any business regardless of the period of the business
- ✓ emoluments,
- ✓ Annuities,
- ✓ dividends,
- ✓ interest, charges and discounts,
- ✓ royalties,
- ✓ premiums or any like consideration for the use or occupation of any property,
- ✓ income from the letting of property;
- ✓ amounts received by way of maintenance or allowance under any judicial order or decree in connection with matrimonial proceedings, or, under a written separation agreement
- ✓ An amount representing the value of the improvements (right to have improvements effected on the land or to the buildings).
- ✓ any amount received in connection with the taking up of employment or by reason of the cessation of any agreement for employment including compensation for loss of office or employment
- ✓ lump sum payments
- ✓ Recovery from capital expenditure.
- ✓ Farm stock: all stock owned by a farmer at the beginning and end of each accounting period
- ✓ Proceeds from sale of options in respect of shares allotted, reserved, vested or acquired by an individual in terms of a share option scheme net of any amount paid for the acquisition or exercise of the shares or options by the individual concerned.
- ✓ Amounts refunded to any person carrying on mining operations pursuant to paragraph (a) of subsection 4 of section *eighty-six* of the Mines and Minerals Development Act, 2015 shall be deemed to be income in the year that the refund is made.
- ✓ Benefits arising from gaming, betting and lottery winnings.

WHO IS SUBJECT TO INCOME TAX?

Every person carrying on a business and is in receipt of income. Person here refers to; individuals, body of persons e.g. associations, clubs etc., corporate bodies, local authorities, a deceased estate, a bankrupt estate and a trust.

Business will include; any profession, vocation or trade, an adventure or concern in the nature of trade regardless of this being once-off, manufacturing, farming, agro-processing; and hedging.

THRESHOLD FOR INCOME TAX

A person or individual whose annual turnover is eight Hundred thousand kwacha and above (K800, 000)

WHO QUALIFIES TO REGISTER FOR INCOME TAX?

A person whose income turnover is eight hundred thousand kwacha and above (K800, 000.00) in a charge year is mandated to register for Income Tax and it does not matter whether it is an individual or a Limited Company.

The person must be in receipt of income which can be in money or money's worth. Partnerships, Mining operating entities and Consultancy businesses are required to register for Income Tax regardless of the turnover. Partners to the Partnership will register for Income Tax separately as they will be taxed according to their profit sharing ratios. While a limited company is assessed in its own right, a partnership is not assessed, but individual partners are assessed based on their share of profit from the partnership.

WHEN IS INCOME TAX DUE AND PAYABLE?

Income tax is due when a person is in receipt of income. Persons must prepare annual accounts in which they will report their activities and arrive at the profits upon which the tax rate applicable will be applied for Personal Income tax and Corporate Income tax accordingly.

A return of provisional income simply referred to as a provisional return is required to be submitted by the 31st of March for electronic returns and in the case of a manual return, not later than 5th March of the accounting year to which the return relates. This return must be filed in each accounting year by the due date.

Payment of Income tax is to be made in 4 installments following the submission of the provisional return. Quarterly payments are to be made by the following dates, 10th April, 10th July, 10th October and the final Payment on 10th of January.

Annual returns are due by the 21st of June following the year of activity. This means businesses registered for income tax are given up to 6 months in which to prepare their accounts which will be submitted together with the Income tax annual return forms. Should there be any outstanding tax liability after the compilation of accounts, payments must be made at the time of filing annual returns.

The prescribed accounting period should run from the 1st of January to the 31st of December in each year. However some persons may wish to adopt other accounting periods other than the prescribed ones above for established reasons, for example, to align with other group members whose accounting period would be different from that of ZRA. Should this be the case, the persons are advised to make an application in which they will seek approval to have such accounting periods approved by the Commissioner General. Once approval is given, relevant information regarding this change will be communicated accordingly.