

Zambia Taxes Overview

Zambia personal income tax rates are progressive to 35%.

NB: For updated Zambia Tax Rates for 2013 [click here](#)

Taxable Income Tax Rate

ZMK 0 – 9,600,000 Nil

ZMK 9,600,001 – 16,020,000 25%

ZMK 16,020,001 – 49,200,000 30%

Above ZMK 49,200,001 35%

Tax Basis – Individuals (both resident and nonresident) are taxed on income received or accrued from an actual or deemed Zambian source. Residents also are taxable on foreign-source dividend and interest income.

Residence – An individual becomes tax resident upon entering Zambia with an intent to establish permanent residence or by being present in Zambia for at least 183 days in a tax year.

Tax Filing status – Joint tax returns are not permitted; spouses are taxed separately.

Taxable income – Taxable income includes business income, employment income (defined broadly), annuities, interest, royalties and property income. Dividends from companies listed on the Zambian stock exchange are exempt from tax.

Taxation of Capital gains – There is no tax on capital gains in Zambia. A balancing charge on the disposal of assets is included in taxable income, based on the proceeds less the tax written-down value, up to the total capital allowances claimed.

Tax Deductions and allowances – Interest on bank savings and deposit accounts, treasury bills and government bonds is subject to a withholding tax of 15%. Pension contributions up to 15% of taxable emoluments (capped at ZMK 1.86 million) are

deducted from taxable income.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duties are charged on various documents and transactions at nominal or ad valorem rates.

Capital acquisitions tax – No

Inheritance/estate tax – No

Net wealth/net worth tax – No

Real property tax – Local councils levy rates on property payable twice a year. A property transfer tax of 3% of open market value is imposed on the transfer of land and buildings.

Social security contributions – Employee contributions to NAPSA are capped at the lower of 5% of basic salary and ZMK 4,697,782 per annum.

Zambia Tax year – Zambia tax year is the year ending 31 March.

Filing and payment of tax – Employers deduct tax monthly on a PAYE basis and are responsible for remitting it within 14 days of the end of each month. Individuals with nonemployment income in excess of the personal tax exempt threshold must make quarterly provisional tax payments based on current year estimates. Tax returns are due by 30 September. Non-employment income less than ZMK 200 million per annum is subject to turnover tax at 3% paid monthly under the presumptive turnover tax system (which does not require the filing of a tax return).

Penalties – A penalty equal to 25% of the tax liability underpaid is imposed if less than 2/3 was paid as provisional tax. Late payments of provisional tax attract interest at 2% over the Bank of Zambia discount rates. In addition, all late payments (provisional or final) are subject to a penalty of 5% of the tax due per month. Penalties for the late filing of returns are at ZMK 180,000 per month.

ZAMBIA CORPORATE TAXATION

The standard rate of corporate tax in Zambia is 35% for companies and branches. Other rates also apply:

- 35% general rate for banks and 40% on amounts over ZMK 250 million
- 30% for mining companies, plus a variable profits tax of up to 15%
- 15% for exporters of nontraditional products and for farming and fertiliser producing companies
- 1-year discount of 2% is granted to a newly listed company on the Zambian (Lusaka) stock exchange (7% if 33% of the shares have been taken up by Zambians).

Surtax – A surtax is levied on a bank's taxable income exceeding ZMK 250 million and a variable profits tax on income from mining operations.

Alternative minimum tax – No

Residence – A company or similar corporate entity is tax resident if it is incorporated in Zambia, or if the control and management of its business is exercised within Zambia during the year.

Basis – Residents are taxable on income received or accrued from an actual or deemed Zambian source. Foreign-source dividends and interest are taxable in Zambia. For nonresidents, withholding tax deducted on their Zambian-source income is the final tax in Zambia.

Taxable income – Businesses are subject to corporate income tax on trading profits and other taxable income, such as interest, royalties and rental income. In general, expenses and losses of a revenue nature that are wholly and exclusively incurred for the purpose of the business are allowable as deductions. For other sources, to be deductible, expenses must have been incurred wholly and exclusively in the production of the income from that source. The cost of providing non-cash

benefits to employees is not deductible for income tax purposes.

Taxation of dividends – Dividends received by a resident company from another resident company are not taxable on the recipient, and any tax withheld at source is final (see “Dividends” under “Withholding tax”, below). Foreign-source dividends are taxable at the corporate rate.

Taxation of Capital gains – There is no tax on capital gains in Zambia. A balancing charge on the disposal of assets is included in taxable income, based on the proceeds less the tax written-down value, up to the total capital allowances claimed.

Losses – Losses may be offset against future income from the same source for the next 5 years of account (10 years for copper and cobalt mining companies). For mining companies, losses may be indexed to the ZMK exchange rate against the U.S. dollar.

Foreign tax credit – A foreign tax credit is available in respect of tax suffered on foreign income taxable at source and in Zambia. The credit is limited to the attributable tax according to a statutory formula where the denominator is the total of taxable and exempt income.

Participation exemption – No

Holding company regime – No

Zambia Tax Incentives – Special tax incentives apply to investment made in a priority sector or product under the Zambia Development Agency Act.

Withholding tax:

Dividends – Dividends paid to residents and nonresidents are subject to a 15% withholding tax. A resident company receiving dividends from another resident company on which tax has been withheld can offset this tax against tax due on the dividends

it distributes. Dividends from companies listed on the Zambian stock exchange are paid gross to resident individuals. The rate applicable to nonresidents may be reduced under a tax treaty.

Interest – Interest paid to residents and nonresidents is subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Royalties – Royalties paid to residents and nonresidents are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax – No

Other taxes on corporations:

Capital duty –No

Payroll tax – No

Real property tax – Local councils levy rates on property payable twice a year. See also “Transfer tax”, below.

Social security contributions – Employers must match employees’ contributions to the National Pensions Scheme Authority (NAPSA).

Stamp duty – Stamp duties are charged on various documents and transactions at nominal or ad valorem rates.

Transfer tax – A property transfer tax of 3% of open market value is levied on the transfer of land and buildings and shares other than those listed on the Zambian stock exchange.

Other – A 3% advance income tax is levied on commercial imports, subject to ministerial remission. Where paid, the tax may be deducted from a company’s final income tax for the fiscal year. Mineral royalty is a levy chargeable at rates from 3% to 5% on monthly turnover of mining right holders.

Anti-avoidance rules:

Transfer pricing – Zambian transfer pricing rules require that transactions between associated persons be on arm’s length terms. The tax authorities can replace “actual conditions”

with “arm’s length conditions” for commercial or financial transactions between associated persons.

Thin capitalisation – Interest in excess of that arising from a debt-to-equity ratio of 3:1 is disallowed for mining companies.

Controlled foreign companies – No

Other – Where the tax authorities consider that the main purpose of a transaction or series of transactions is the avoidance or reduction of liability to income tax, they can direct that adjustments be made to counteract the situation.

Disclosure requirements – For the purposes of administering the Income Tax Act, the tax authorities may require a taxpayer or any other person to furnish information on his own or another person’s tax affairs.

Zambia Tax year – Zambian tax year is the year ending 31 March, but a company may apply to adopt any accounting reference date. Company profits from year ends in July to March are wholly taxed in the fiscal year in which the accounting year ends. For year ends from April to June, the profits are related back to the previous fiscal year.

Consolidated tax returns – The filing of consolidated tax returns is not permitted; each company in a group is taxed separately.

Tax Filing requirements – Final tax returns are due by 30 September. An estimate of taxable income for the fiscal year is due by 30 June, and may be revised during the year. Quarterly provisional tax payments are due on the current year basis by 14 July, October, January and April.

Penalties – A penalty equal to 25% of the tax liability underpaid is imposed if less than 2/3 was paid as provisional tax. Late payments of provisional tax attract interest at 2% over the Bank of Zambia discount rates. In addition, all late

payments (provisional or final) are subject to a penalty of 5% of the tax due per month. Penalties for the late filing of returns are at ZMK 360,000 per month.