



# PKF Zambia 2025 Tax Alert

**On 20<sup>th</sup> December 2024 Parliament issued various Amendment Acts which became effective on 1<sup>st</sup> January 2025.**

The notable changes which have been highlighted in this Alert, includes changes introduced by the following Amendment Acts:

1. Income Tax (Amendment) Act No 22 of 2024
2. Value Added Tax (Amendment) Act No 23 of 2024
3. Customs and Excise(Amendment) Act No 24 of 2024
4. Mobile Money Transaction Levy Act No 25 of 2024
5. The Property Transfer Tax(PTT) (Amendment) Act No 27 of 2024

## 1. The Income Tax (Amendment) Act No. 22 of 2024

### a) Deduction of fifty percent tax losses carried forward

A loss incurred by a person in a charge year from a source shall be deducted from fifty percent of the income of the person from the same source on which the loss was incurred. Where the loss exceeds fifty percent, the excess shall be deducted from fifty percent on the income from the same source in the subsequent year.

### b) Deduction for approved funds

Employers are now allowed to deduct contributions made to an approved fund during the charge year when determining their gains or profits for that year.

### c) Deduction of Skills Development Levy

Businesses will now be allowed to deduct any levy paid or payable for a charge year under the Skills Development Levy Act of 2016 when calculating their gains or profits.

### d) Requirement for Taxpayer Identification Number for certain transactions

The below listed institutions shall require a Taxpayer Identification Number in order to open and hold accounts effective 1 January 2025;

- Water utility companies
- Mobile money operators
- Mobile Network operators and internet services providers
- National Health Insurance Management Authority
- National Pension Scheme Authority
- Professional bodies - Subscription and renewal, membership registration
- Local Authorities - Registration of title deeds.

### e) Waiver of underestimation penalties

If the Commissioner-General reasonably believes that an income tax return understates income, resulting in underpayment of tax by at least one-third, a penalty of 25% of the underpaid tax will be imposed. However, the Commissioner-General now has discretion to waive all or part of the penalty.

### f) Introduction of advance income tax (AIT) on export of goods and remittances

Individuals or partnerships exporting goods for commercial purposes without a tax clearance certificate are required to pay advance income tax at a rate of 15% at the port of entry. Similarly, for transactions exceeding USD 2,000 (or the Kwacha equivalent) remitted through a commercial bank without a tax clearance certificate, a 15% advance income tax is also applicable.

### g) Exemption from deduction of withholding tax.

Pursuant to the provisions of subsection 1E of section 82A, the Commissioner-General may exempt a person or partnership from withholding tax on the following transactions:

- Management or consultancy fees from a source within or deemed to be from a source within the Republic.
- Interest and royalties from a source within or deemed to be within the Republic, other than interest payable to a bank or financial institution licensed under the Banking and Financial Services Act, 2017.
- Rent from a source within the Republic and
- Commission, other than commission received by an individual whose income is from employment or office.

The exemption shall be notified in writing and will be granted for periods specified in the notice. However, the exemptions relating to interest and royalties shall only apply to interest arising from a property linked unit of a property Loan Stock Company and royalties.

N.B- This amendment empowers the Commissioner-General to grant an exemption from withholding tax on royalties upon meeting certain requirements. Prior to this amendment, the Act provided for exemptions on interest, commission, management and consultancy fees but did not include royalties.

### h) Late payment Penalties to be levied on withholding tax agents for delays in remitting withheld taxes

The provisions of Section 84 of the Income Tax Act relating to Agents for payment of tax has been amended by the insertion of subsection (6) and (7).

- (6) a person or partnership declared to be an agent for the payment of tax due by another person or partnership shall, where that person or partnership withholds tax, remit the tax not later than two days before the due date specific for the respective category of tax.
- (7) a person or partnership declared to be an agent who does not remit the tax within fourteen days from the day of receiving such payment, shall be liable to pay a penalty of one percent of the amount, in respect of each month or part of the month for which the remittance remains unpaid.

**i) Requirement for a Tax Clearance Certificate in order to transact**

The following transactions will require the production of a tax clearance certificate.

- Transfer of property
- Registration or change of motor vehicles
- Issuance of trading license
- Issuance of exploration license, mining license, mineral processing license, gold panning certificate, mineral trading permit, mineral import permit or mineral export permit under the Mines and Minerals Development Act of 2015.
- Issuance of permits and licenses by Government Ministry, department or agency
- Transactions between individuals, Partnerships, institutions, organizations or associations
- Registration and renewal of membership with professional bodies
- Issuance and renewal of license, practicing certificate, permit or similar document by professional bodies
- However, an applicant who is a student or not carrying on any business relating to that person, institution or authority may not be required to produce a tax clearance certificate.

A holder of a tax clearance certificate shall within 30 days after the cancellation date, return the tax clearance certificate to the Commissioner-General.

**j) Income tax exempt organizations**

The exemption from income tax for approved Collective Investment Scheme has been extended to include Private Fund to the extent to which the income is distributed to participants in the Collective Investment Scheme and Private Fund respectively.

**k) Presumptive tax**

The presumptive tax rates have been revised as follows:

**Tax on Motor Vehicles for the Carriage of Persons**

Type of vehicle (sitting capacity)	Amount of tax per vehicle (per annum)
64 Seater and above	K15,552
50 – 63 Seater	K12,960
36 – 49 Seater	K10,368
22 – 35 Seater	K7,776
18 – 21 Seater	K5,184
12 – 17 Seater	K2,592
Below 12 seater (including taxis)	K1,296

**Turnover Tax**

Turnover per annum	Tax Rate
K12,000 or less	0%
K12,000- K5,000,000	5%

- The turnover tax rate has been increased to 5% from 4%.
- The turnover threshold has been increased from K800,000 to K5,000,000

**Rental Tax**

Rental Income per annum	Tax Rate
K12,000 or less	0%
K12,000- K800,000	4%
Above K800,000	16%

- The rental income tax rate has been increased to 16% from 12.5% for earnings of rental income in excess of K800,000 per annum.

**Tax on Betting and Gaming**

Type of game	Monthly tax rate / amount
Online casino live games	20 % of gross takings
Online casino machine games	35 % of gross takings
Casino games (Brick and mortar)	K5,000 per table
Online lottery winnings	35 % of net proceeds
Lottery winnings (Brick and mortar)	15 % of net proceeds
Online Betting	25 % of gross takings
Betting	15 % of gross takings
Gaming machines	K500 per machine

**l) Changes to applicable tax rates**

- Export of non-traditional products – 20%
- Export of non-traditional products from farming and agro-processing – 10%
- Manufacture of products made out of copper cathodes – 20%

## 2. Value Added Tax (Amendment) Act No 23 of 2024

The Value Added Tax (Amendment) Act provides the following:

- a) The Commissioner General has been empowered to approve the use of documents and devices outside the Smart Invoicing system.
- b) Emphasis that the recipient of imported services shall pay tax on the importation of that service if the supplied services are not under the prescribed scope of Cross-Border Electronic Services.
- c) Prescribes the documentation which a supplier must possess in claiming Input VAT i.e. There should be an invoice from the electronic invoicing system or an invoice issued, as prescribed, by a taxable supplier who is exempt from the use of the electronic invoicing system under Section 7A (2).

### d) Smart invoicing

Effective 01 January 2025, a taxable supplier who fails to issue a tax invoice for the supply of goods and services using an electronic invoicing system commits an offence and the following are the applicable penalties:

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

## 3. Customs and Excise (Amendment) Act No 24 of 2024

The following amendments took effect:

### a) Introduction of Goods Surtax on a number of selected imported goods as listed below:

Item	HS Code	Surtax rate
Garden hose of an internal diameter not exceeding 30.00mm	3917.21.20	20%
Other	3917.21.90	20%
Rigid, of an internal diameter not exceeding 203.00mm	3917.22.20	20%
Other	3917.22.90	20%
Other	3917.23.90	20%
Folding cartons, boxes and cases, of non-corrugated paper or paperboard	4819.20.00	5%

- This supports local manufacturers of garden hose pipes and encourage further investments in the sub-sector.
- b) **Inclusion of electrical energy of not more than 100KW into Section 94(1) which prescribes goods which may be manufactured or produced without a license and without payment of duty.**
- c) **Introduction of Harmonized HS Codes in Chapter 23 of Section 72 of the first schedule as given below;**

HS Code	Item	Customs duty rate
2304.00.10	Oil cake	5%
2304.00.20	Soya husks	5%
2304.00.90	Other solid residues	5%

- Previously these items were classified under the same HS code 23.04 despite being distinct products.
- d) **Introduction of a general penalty for offenses committed by licensed manufacturer of excisable goods under Section 155 of the Customs and Excise Act.**
- This measure aligns the penalty for excisable services as provided in subsection (3) with that of excisable goods.
- e) **The reduction of the number of days from fifteen to ten within which warehoused goods can be entered for consumption, re-warehousing or export after the expiry of the one year under Section 62(2) of the Principal Act.**
- This is in order to limit risk to revenue and ensure that goods are promptly accounted for.
- f) **The reduction to 3 days from 5 days for payment of duty after the issuance of assessment and thereby aligning the change to various sections of the Customs and Excise Act.**
- Businesses or individuals are now required to pay the assessed duty within 3 days from the issue date of assessment notice.

#### 4. Mobile Money Transaction Levy Act No 25 of 2024

The levy shall be administered by the Zambia Revenue Authority.

##### Imposition of the levy

- m) The mobile money service provider shall collect a levy set out in the schedule on a person to person transfer.
- The levy shall be paid by the sender of the electronic money.
  - A Mobile money service provider shall, within 10 days, after the end of each month, submit a return of the levy collected and remit the total levies collected, to the Commissioner-General failure to which they will be liable to pay a penalty of 100,000 penalty units (K40,000) for each month or part of the month during which the contravention continues.
  - The Commissioner-General may waive the whole or part, of the penalties charged.
  - The Minister may, by Statutory Instrument, exempt a person from payment of the levy.
  - A mobile money service provider shall keep and maintain a record of the operations for a period of six years. However, the Commissioner-General may before the expiry of the six-year period, by notice in writing, extend the period of keeping and maintaining a record of the operations by a mobile money service provider. A mobile service provider that contravenes this requirement shall be liable to pay the Commissioner General a penalty of 200,000 penalty units (K80,000)

##### Applicable rates

Amount range (ZMW)	Levy (ZMW)
From 0 to 150	0.16
Above 150 to 300	0.20
Above 300 to 500	0.40
Above 500 to 1,000	1.00
Above 1,000 to 3,000	1.60
Above 3,000 to 5,000	2.00
Above 5,000 to 10,000	3.00
Above 10,000	3.60

#### 5. The Property Transfer Tax (PTT) (Amendment) Act No 27 of 2024

Section 4 of the Property Transfer Tax Act has been amended to effect changes on the applicable rates of tax as follows;

Type of transaction	Applicable tax rate
Mining right for mining licence	10% of realized value
Mining right for exploration licence	8% of realized value
Mineral processing licence	10% of realized value
Sale of land	8% of realized value
Sale of shares	8% of realized value
Transfer of intellectual property	8% of realized value

Section 5A of the Property Transfer Tax Act has been amended to provide that where a financial service provider, building society or money-lender transfers a foreclosed property, the realized value of the foreclosed property shall be the actual price, if any, received by the financial service provider, building society or money-lender.



[www.pkf-zambia.co.zm](http://www.pkf-zambia.co.zm)

Lusaka Office  
Sable House,  
11 Sable Road, Kabulonga  
P.O. Box 31290,  
Lusaka, Zambia  
Tel: (+260211) 267115/119  
Email: [adminlusaka@zm.pkf.com](mailto:adminlusaka@zm.pkf.com)

Ndola Office  
4th Floor Compensation House,  
Broadway  
P.O. Box 70998,  
Ndola, Zambia  
Tel: (+260212) 610297/98  
Email: [adminndola@zm.pkf.com](mailto:adminndola@zm.pkf.com)

Livingstone Office  
Sackville House,  
Akapelwa Street  
P.O. Box 60050,  
Livingstone, Zambia  
Tel: (+260213) 320337  
Email: [adminlivingstone@zm.pkf.com](mailto:adminlivingstone@zm.pkf.com)

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