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# ***Global Mobility Services:*** Taxation of International Assignees - Zambia

*Taxation issues &  
related matters for  
employers &  
employees 2018*



**pwc**

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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

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Additional Country Folios can be located at the following website:  
**Global Mobility Country Guides**

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# ***Introduction:***

## **International assignees working in Zambia**

PwC is the world's leading provider of professional services. The People and Organisation group works together with its clients to find solutions for the challenges they encounter when transferring people from one country to another.

This brochure is intended to inform foreign nationals and their employers

about tax, social security and immigration issues in Zambia.

This guide is not exhaustive and cannot be regarded as a substitute for professional advice addressing individual circumstances.

Nevertheless, answers will be found to most of the common questions raised by an expatriate or his/her employer.

More detailed advice should be sought before any specific decisions are made about these issues.

More information can be obtained from our Zambia office staff specializing in People and Organisation, Global Mobility (see Appendix C).

# Step 1:

## Understanding basic principles

### *The scope of taxation in Zambia*

1. A foreign national working in Zambia will, in general, become liable to income tax on income sourced or deemed to be sourced in Zambia.

The main taxes and levies that affect employees are:

- Income tax, which is generally collected through the Pay As You Earn System (PAYE);
- Personal Levy; and
- National Pension Scheme Authority (NAPSA) contributions. NAPSA is a compulsory statutory pension scheme.

Withholding Tax (WHT), a tax collection mechanism similar to PAYE, is applied to various income types which include:

- Rental income of a Zambian source;
- Royalties;
- Dividend income received from Zambian companies;
- Interest income from Zambian sources; and
- Management and Consultancy services.

### *The tax year*

2. The Zambia tax year runs from 1 January to 31 December. The filing deadline is 21<sup>st</sup> June following the tax year end.

### *Partners*

3. The Zambian tax legislation applies to the Zambian spouse equally.





### ***Determination of residence***

4. Zambia principally operates a sourced based system of taxation and accordingly, any income which is deemed to be from a source within Zambia will be subject to tax in Zambia.
5. The concept of residence is of secondary importance and it simply widens the scope of taxation to include interest and dividend income from abroad.
6. Therefore, irrespective of the period of residence in Zambia, any income earned which is deemed to be from a source in Zambia will, subject to the provisions of a double tax agreement, be liable to tax in Zambia.
7. In general, an individual will be treated as a Zambian resident unless he/she is in Zambia for a temporary purpose only and not with a view or intent of establishing his/her residence in Zambia. Any individual present in Zambia for 183 days or more in a charge year will be treated as Zambian resident in that charge year.

# Step 2:

## Understanding the Zambia tax system

### **a. Employment income**

8. Zambian and non- Zambian residents will be subject to income tax on Zambian sourced emoluments.

### **i. Pay As You Earn (PAYE)**

9. Every Employer has an obligation to deduct PAYE from emoluments earned by employees and remit this to the Zambia Revenue Authority (ZRA) within 10 days after the end of the month during which that tax was deducted.
10. The amount of PAYE tax deducted is calculated in accordance with the prescribed tables in Appendix A.
11. The employer will be liable to a penalty for late payment of PAYE at 5% per month or part month.
12. The penalty for late filing of a return is K 600 (approx. USD 60) per month or part month.

### **ii. Important tax compliance dates to remember**

13. Individuals may also be required to file Personal Income Tax (PIT) returns for each tax year. These are due for filing on or before 21 June.
14. Where an individual has tax outstanding, this will also be due on 21 June.
15. The penalty for late payment of income tax is 5% per month or part month.
16. The penalty for the late filing of a return for an individual is K 300 (approx. USD 30) per month or part month.

### **iii. Structuring Remuneration Package**

17. All emoluments sourced in Zambia are taxable in Zambia. These include:
  - a. Wages, salary, leave pay, fee, commission, bonus, gratuity, compensation;
  - b. Allowance;
  - c. Pension or annuity;
  - d. travelling, entertainment, or any other allowance; and

- e. any other cash or non-cash benefits or advantage from employment.

18. Certain emoluments that are not capable of being converted into cash are not taxable in the hands of the employee, but rather in the hands of the employer.

These include:

- Accommodation benefits; and
- Car benefits.

19. In the case of accommodation, where the company provides accommodation to a staff member, the individual is not taxed. Instead the company is taxed on the accommodation benefit provided to staff by disallowing 30% of the employee's gross income in the company tax computation which is then taxed at the normal corporate tax rate.
20. However, if a company provides an individual with an allowance with which to arrange their own

accommodation, this will be taxable under PAYE.

21. In the case of car benefits, the provision of a company car on a “personal to holder” basis is taxed on the company as opposed to the individual. In this instance the disallowance that must be made in the employer’s tax computation is determined using specific scale rates. The scale rates to be disallowed are dependent on the engine capacity of the car as set out in Appendix A.
22. However, if a company provides an individual with a car allowance, this will be taxable under PAYE.
23. The following emoluments/ income types are exempt from income tax:
  - a. Medical expenses (and insurance) paid or incurred by an employer on behalf of an employee or refunds of actual medical expenses incurred by an employee are exempt;
  - b. Lump sum payments withdrawn from a ZRA approved fund at retirement age, death or permanent incapacity;
  - c. A scholarship, bursary or maintenance for education;

- d. Labour Day awards paid to employees either in cash or kind;
- e. Ex-gratia payments to a spouse, child or dependant on the death of an employee; and
- f. Lump sum payments paid to an employee on loss of office on medical grounds.

24. An Amendment Act to the Constitution of Zambia assented to on 5th January 2016 provides that any pension benefits which include a pension, compensation, gratuity or similar allowance in respect of a person’s services are exempt from tax.

#### ***b. Taxation of investment income***

25. Foreign nationals working in Zambia who are ordinarily tax resident in Zambia are not taxed on their income from sources outside Zambia except for dividends and interest income. Zambian sourced investment income will also be subject to Zambian income tax.

#### ***c. Rental income***

26. Zambian sourced rental income of a tax resident is subject to withholding tax.

27. The collection and onward accounting of this to the ZRA is the responsibility of the tenant.
28. Withholding tax on rental income is at a rate of 10% and is a final tax for the landlord.

#### ***d. Capital gains***

29. There is no capital gains tax in Zambia. However, property transfer tax applies.

#### ***e. Property Transfer Tax***

30. Property Transfer Tax (PTT) applies on the transfer of land and buildings in Zambia and the transfer of shares of a company incorporated in Zambia. PTT also applies on the transfer of mining rights, intellectual property and indirect disposal of shares.
31. The rate of PTT is 5% for the transfer of land (includes buildings), shares and intellectual property, and 10% for the transfer of mining rights. PTT is payable on the open market value (or nominal value of shares if greater). The PTT liability is payable by the vendor. In the case of indirect disposal, the liability is payable by the Zambian entity.

#### ***f. Exchange controls***

32. There are no exchange control regulations in Zambia.

***g. Social Security Contributions***

- 33. Both employers and employees are each required to make contributions to the National Pension Scheme Authority (NAPSA) at 5% of the employee's gross pay. However, this is subject to a contribution limit which is set annually.
- 34. The current contribution limit for 2018 is K 995 (approx. USD 100) per month from both the employer and employee.
- 35. The monthly tax relief of K 255 which was provided to taxpayers for contributing to NAPSA is no longer applicable.

***h. Skills Development Levy***

- 36. Employers are required to account for a skills development levy (SDL) at 0.5% on the total gross emoluments of employees.
- 37. The SDL is payable at the time when an employee's emoluments are paid or deemed to be paid or payable to the employee.
- 38. The SDL payable is required to be remitted to the ZRA within 10 days after the end of the month in which the levy becomes due.
- 39. The late payment of the SDL is subject to a late payment penalty of 5% per month or part month.

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# **Step 3:**

## **What to do before you arrive in Zambia**

### **Immigration formalities in Zambia**

40. Zambia has strict visa and work permit requirements. Depending on the purpose of the individuals stay in Zambia, the following will be required:

- a. Business Visa;
- b. Temporary Permit; or
- c. Employment permit.

#### **a. Business visa**

41. Expatriate staff who intend to work in the country for a period of less than six (6) months may apply for a business permit. The business permit will entitle the expatriate staff to stay in the country for thirty (30) days in a period of twelve months.
42. If the expatriate employee needs to stay in the country after the business permit expires, then an application for a temporary employment permit should be made.

#### **b. Temporary permit**

43. The temporal employment permit is valid for a period of ninety (90) days with the option to renew after expiry.
44. An application for the temporary employment permit may be made and secured while the expatriate staff is present in the country, it is not necessary to leave the country.
45. After the first application for renewal, the expatriate staff will need to apply for a work permit if he/she needs to stay for a longer period.

#### **c. Employment permit**

46. Expatriate staff who intend to live and work in the country for a period of more than six (6) months are required to apply for an employment permit. An employment permit enables the holder of the employment permit to work in Zambia for a specified period.
47. An employment permit allows an individual to reside, enter and re-enter Zambia while in employment during the validity of the permit.
48. Employment permits are issued by the Department of Immigration to foreigners working in Zambia.

*\*Note that the visa application process is done online and is open to all foreign nationals who require a visa to come to Zambia.*

# ***Step 4:*** **What to do when you arrive in Zambia**

## ***Registration as a taxpayer***

49. Individuals who are liable to tax in Zambia are required to register as taxpayers with the Zambia Revenue Authority and obtain a ten digit Taxpayer Identification Number (TPIN).
50. The TPIN is also a pre-requisite for the importation of goods and personal effects into Zambia.
51. A TPIN is a unique 10-digit number given to each taxpayer upon application.
52. Application for registration must be made by completing the tax registration form.

## ***Payment of taxes***

53. As discussed under Step 2, payment/compliance to PAYE is an employer obligation.
54. Payment of any tax arising from non-employment income is the responsibility of the individual.

## ***Tax returns***

55. Individuals may also be required to file Personal Income Tax (PIT) returns for each tax year. These are due for filing on or before 21 June.
56. Where an individual has tax outstanding, this will be due on 21 June.
57. Penalties are outlined under Step 2.

## ***Social Security***

58. The employer will be responsible to register the individual as a member of NAPSA.



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# ***Step 5:***

## **What to do when you leave Zambia**

### ***Reporting departure***

59. It is advisable to discuss the date of your departure with a tax adviser, as the timing can alter your tax liability.
60. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your departure.
61. Any payments or bonuses received after departure in respect of Zambian employment may be liable to tax in Zambia under certain conditions. Planning for such payments, if any, should be undertaken with care.

### ***Return of work permit***

62. Individuals holding work permits are required to surrender their work permit to the Zambia Department of Immigration (or leave these with their employer in Zambia for onward surrender) prior to their departure.

### ***Submission of final tax return***

63. In order to ensure that all tax liabilities are accounted for, a final personal income tax return may have to be filed on or before 21 June of their last year of work in Zambia. Any liabilities arising should be settled on or before 21 June.

### ***Tax Clearance Certificate***

64. The individuals departing from the country may be required to apply for a Tax Clearance Certificate (TCC) for each of the tax years that they have been present in Zambia. This is likely to confirm their Zambia tax compliance in the jurisdiction they transition to.

# Appendix A:

## Rates of tax

### Personal income tax rates for 2018

#### 2018 Annual PAYE Bands

	Income from K	Income to K	Tax rate%	Tax on band (maximum) K	Cumulative tax on income (maximum) K
First	0	39,600 (USD 3,960)	0		0
Next	39,600.01	49,200 (USD 4,920)	25	2,400 (USD 240)	2,400
Next	49,200.01	74,400 (USD (7,440))	30	7,560 (USD 756)	9,960 (USD 996)
Over	74,400.01		37.5		

#### Housing benefit taxable in the hands of the employer

Rate at which employees annual taxable emoluments disallowed in a Company tax return: 30% of total emoluments.

**Tax on car benefit is payable by the employer at the corporate tax rate based on the following scale charges:**

Disallowance in company tax return:	
Engine size < 1,800 cc:	K 18,000 p.a. (USD 1,800) <sup>1</sup>
Engine size > 1,800 cc, < 2,800 cc:	K 30,000 p.a. (USD 3,000)
Engine size > 2,800 cc:	K 40,000 p.a. (USD 4,000)

<sup>1</sup> Assuming an exchange rate of USD 1 to K 10

## Dividends from Lusaka Stock Exchange

Dividend income earned by individuals from shares listed on the Lusaka Stock Exchange (LuSE) is exempt from income tax.

### *Withholding Tax*

	Recipient	
	Resident	Non Resident
Dividend	15%	15%
Interest	15%	15%
Interest from a LuSE listed Property Loan Stock Company	0%	15%
Management or consultancy fee	15%	20%
Royalties	15%	20%
Rent from a source within the Republic	10%*	10%
Commissions	15%	20%
Non-resident construction and haulage contractor	n/a	20%
Non-resident entertainers/sports persons fees	n/a	20%

\* 10% rent paid to a Zambian resident is a final tax.

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# ***Appendix B:***

## **Double-taxation agreements**

Botswana	India	Norway	Uganda
Canada	Ireland	Romania	United Kingdom
China	Italy	Seychelles	Yugoslavia**
Denmark	Japan	South Africa	Zimbabwe**
Finland	Kenya	Sweden	
France	Netherlands*	Switzerland	
Germany	Mauritius	Tanzania	

\* This treaty is currently under review.

\*\* These treaties have not been ratified and are therefore ineffective currently.

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# Appendix C:

## Zambia contacts and offices

### Contacts

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