

THE INCOME TAX (AMENDMENT) BILL, 2022

MEMORANDUM

The object of this Bill is to amend the Income Tax Act so as to—

- (a)* increase the Pay As You Earn tax free threshold for an individual to fifty seven thousand six hundred Kwacha per annum from fifty four thousand six hundred Kwacha per annum, reduce the marginal tax rate for the second income bracket to twenty percent and adjust the income bands accordingly;
- (b)* increase tax credits for a person with disability to seven thousand two hundred Kwacha from six thousand Kwacha per annum;
- (c)* introduce a tax free threshold on turnover tax and rental income tax of twelve thousand Kwacha per annum;
- (d)* reduce the corporate income tax rate to twenty five percent from thirty percent on income earned from value addition to gemstones through a lapidary and jewellery facility;
- (e)* reduce the tax chargeable on income received by a special purpose vehicle from a public private partnership project by twenty percent for the first five years that the public private partnership project makes profit;
- (f)* introduce an accelerated rate of wear and tear allowance on a straight line basis not exceeding one hundred percent for an implement, plant and machinery acquired and used under a public private partnership project;
- (g)* abolish the two tier taxation system in the telecommunication sector and introduce a corporate income tax rate of thirty five percent;
- (h)* reduce the withholding tax rate from fifteen percent to zero percent on interest income earned on green bonds listed on the securities exchange in the Republic with maturity of at least three years;

- (i) reduce the withholding tax rate to zero on interest earned on a life insurance policy;
- (j) increase the allowable expenditure for the construction of employee housing and the farm improvement allowance to one hundred thousand Kwacha from twenty thousand Kwacha;
- (k) introduce a presumptive tax on income earned from artisanal and small scale mining at the applicable turnover tax rate based on the gross turnover less mineral royalty paid;
- (l) reduce presumptive tax to fifteen percent from twenty five percent on land based (brick and mortar) betting companies for the 2023 and 2024 charge years;
- (m) reduce the withholding tax rate on winnings from gaming and betting to fifteen percent from twenty percent for the 2023 and 2024 charge years;
- (n) abolish the twenty percent withholding tax on reinsurance placed with reinsurers not licensed in the Republic;
- (o) reduce the withholding tax rate to zero percent from fifteen percent on interest earned by an individual from a loan advance to a person under a savings group;
- (p) introduce income tax concessions on income generated from the manufacturing of corn starch for fifteen years;
- (q) extend the turnover tax regime to service providers in the gig economy;
- (r) introduce specific penalties for negligence, wilful default and fraud with respect to presumptive tax on gaming machines and casino games (brick and mortar);
- (s) introduce the use of an electronic fiscal device and other devices for income tax purposes;

- (t) extend commodity royalty to resident to resident transactions;
- (u) reduce the minimum age for tax payer identification number registration to sixteen years from eighteen years;
- (v) repeal the approval process of pensions under income tax;
- (w) exempt a pension approved under the Pension Scheme Regulation Act from income tax; and
- (x) provide for matters connected with, or incidental to, the forgoing.

A BILL

ENTITLED

An Act to amend the Income Tax Act.

ENACTED by the Parliament of Zambia

Enactment

1. (1) This Act may be cited as the Income Tax (Amendment) Act, 2022, and shall be read as one with the Income Tax Act, in this Act referred to as the principal Act.

Short title and commencement
Cap. 323

5 (2) This Act shall come into operation on 1st January, 2023.

(3) Despite subsection (2), sections 55A and 55B shall come into operation on a date appointed by the Minister by statutory instrument.

2. Section 2 (1) of the principal Act is amended—

Amendment
of section 2

10 (a) by the deletion of the definitions of “child”, “purchase price”, “royalty” and “taxpayer identification number” and the substitution therefor of the following definitions in the appropriate places in alphabetical order:

15 “child” for tax purposes, includes a child of family or any child to whom an individual stands in the place of a parent;

20 “purchase price” is the amount paid by a person or partnership to a person or partnership resident in the Republic in return for future payments of commodity royalty;

“royalty” means a payment of any kind received as a consideration for the use of, or the right to use—

- (a) any copyright of literary work;
- (b) any artistic or scientific work, including cinematograph films, films, video tapes, sound recording or any other like medium; 5
- (c) any computer programme or software;
- (d) any patent, trademark, design or model, plan, secret formula or process;
- (e) any industrial, commercial or scientific equipment; or 10
- (f) any information concerning industrial, commercial or scientific experience; and

“taxpayer identification number” means a number designated and issued by the Commissioner-General to— 15

(a) a corporate person or unincorporate body of persons; and

(b) an individual who has attained the age of sixteen years; and 20

(b) by the insertion of the following new definitions in the appropriate places in alphabetical order;

“artisanal mining” has the meaning assigned to the words in the Mines and Minerals Development Act, 2015; 25

“child of family” has the meaning assigned to the words in the Children’s Code Act, 2022;

“electronic fiscal device” means an electronic device, approved by the Commissioner General, which has a fiscal memory capable of generating and storing fiscal information and has the capacity to generate or record data and other reports and is capable of transmitting that data in real time to the Authority; 30

“gig economy” is a segment of the digital economy which involves individuals carrying out business through an online platform and under flexible or temporary conditions, and includes an independent contractor or freelancer conducting business through an online platform; 40

Act No. 11
of 2015

Act No. 12 of
2022

5	“mining licence” has the meaning assigned to the words in the Mines and Minerals Development Act, 2015;	Act No. 11 of 2015
5	“public private partnership project” means a project that shall be transferred back to the Republic that involves the—	
	(a) design, finance, construction, development or operation of a new infrastructure, asset or facility;	
10	(b) provision of social sector services; or	
	(c) rehabilitation, modernisation, expansion, operation or management of an existing infrastructure, asset or facility;	
15	“savings group” includes village banking and a co operative society;	
	“small scale mining” has the meaning assigned to the words in the Mines and Minerals Development Act, 2015;	Act No. 11 of 2015
20	“special purpose vehicle” means a company incorporated in the Republic by a successful bidder for the purpose of undertaking a public private partnership project in accordance with the Public Private Partnership Act, 2009;.	Act No. 14 of 2009
25	3. The principal Act is amended by the insertion of the following new sections immediately after section 55:	Insertion of section 55A and 55B
	55A. A person or partnership carrying on a business shall submit to the Commissioner General all business transactions in real time as prescribed.	Submission of business transactions in time
30	55B. (1) A person and partnership carrying on a business shall use an electronic fiscal device to record sales for income tax purposes.	Use of electronic fiscal device
	(2) Despite subsection (1), the Commissioner General may approve the use of a document, device or equipment, other than an electronic fiscal device, for a certain category of persons or partnerships carrying on business.	
35	(3) A person who contravenes this section commits an offence and is liable, on conviction, in the case of—	

- (a) a first offence, to a penalty not exceeding thirty thousand penalty units;
- (b) a second offence, to a penalty not exceeding sixty thousand penalty units; and 5
- (c) a third offence or subsequent offence, to a penalty not exceeding ninety thousand penalty units.
- Amendment of section 64A 4. Section 64A of the principal Act is amended by the insertion of the following new subsection immediately after subsection (2): 10
- (2A) Despite subsection (2), the Commissioner General may make a standard assessment requiring—
- (a) a person conducting business through the gig economy, with an annual turnover of eight hundred thousand Kwacha or less, to pay tax on turnover at the rate set out in Part II of the Ninth Schedule; and 15
- (b) a holder of a mining licence to carry out artisanal mining or small scale mining, with an annual turnover of eight hundred thousand Kwacha or less, to pay tax on turnover as set out in Part IV of the Ninth Schedule. 20
- Amendment of section 77 5. Section 77 of the principal Act is amended by the insertion of the following new subsection immediately after subsection (1D):
- (1E) The due date for the payment of a provisional return submitted by a person who registers after 31st March of any charge year, shall be within ninety days from the date of registration. 25
- Amendment of section 82A 6. Section 82A (1) of the principal Act is amended by the—
- (a) deletion of paragraph (j); and 30
- (b) renumbering of paragraph (k) as paragraph (j).
- Amendment of section 100 7. Section 100 (1) (e) of the principal Act is amended by the
- (a) insertion of the following new subparagraph immediately after subparagraph (iii):
- (iv) in relation to a person required to pay presumptive tax under Part III of the Ninth Schedule 35

- (A) half the amount of the undeclared tax,
in the case of negligence;
- (B) the full amount of the undeclared tax, in
the case of wilful default;
- 5 (C) one and half times the amount of the
undeclared tax, in the case of fraud;;
and
- (b) renumbering of subparagraph (iv) as subparagraph (v).
8. The Second Schedule to the principal Act is amended—
- 10 (a) in paragraph 5 (1), by the insertion of the following new
item immediately after item (m):
- (n) pension scheme approved under the Pension Act No. 28
Scheme Regulation Act, 1996.; and of 1996
- (b) in paragraph 6A (1), by the deletion of the word
15 “withholding”.
9. The principal Act is amended by the repeal of the Fourth
Schedule. Repeal of
Fourth
Schedule
10. The Fifth Schedule to the principal Act is amended—
- 20 (a) in paragraph 1(4)(i), by the deletion of the words
“twenty thousand Kwacha” and the
substitution therefor of the words “one
hundred thousand Kwacha”; and
- (b) in paragraph 10, by the insertion of the following
new subparagraph immediately after
25 subparagraph (7):
- (8) Despite the other provisions of this Act, a public
private partnership project approved under the
Public-Private Partnership Act, 2009, may claim Act No. 14
on a straight line basis, wear and tear at an of 2009
accelerated rate, not exceeding one hundred
percent in respect of a new implement, plant or
30 machinery acquired and used by the special
purpose vehicle for the purpose of that public
private partnership project.
- 35 11. The Sixth Schedule to the principal Act is amended in
paragraph 1 in the definition of “farm dwelling”, by the deletion of
the words “twenty thousand Kwacha” and the substitution therefor
of the words “one hundred thousand Kwacha”. Amendment
of Sixth
Schedule

Amendment of Ninth Schedule **12.** The Ninth Schedule to the principal Act is amended—
 (a) by the deletion of Part II and Part III and the substitution therefor of the following:

PART II

TAX ON TURNOVER 5

<i>Turnover per annum</i>	<i>Tax Rate</i>
K12,000 or less	0 percent
Above K12,000 and up to K800,000	4 percent

PART III

TAX ON BETTING AND GAMING 10

<i>Type of Game</i>	<i>Monthly Tax Rate or Monthly Tax Amount</i>	
1. Online Casino Live Games	20 percent of gross takings	15
2. Online Casino Machine Games	35 percent of gross takings	
3. Casino Games (Brick and Mortar)	K5,000 per table	20
4. Lottery Winnings	35 percent of net proceeds	
5. Online Betting	25 percent of gross takings	
6. Betting (Brick and Mortar)	15 percent of gross takings	25
7. Gaming Machines	K500 per machine	

NOTES:

1. “Net proceeds” means the gross proceeds less sums paid out for the prizes. 30
2. “Gross takings” means the total amount staked by players less the winnings payable and redemptions by the players.

3. The 15 percent tax rate on Betting (Brick and Motor) is only applicable for the 2023 and 2024 charge years. ; and

(b) by the insertion of the following new part immediately after Part III:

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PART IV

PRESUMPTIVE TAX ON ARTISANAL AND SMALL SCALE MINING

Tax rate

Tax base

4 percent

gross turnover

less mineral

10

royalty paid

13. The Charging Schedule to the principal Act is amended—

Amendment
of Charging
Schedule

(a) in paragraph 1 (1) (b), by the deletion of the words “six thousand Kwacha” and the substitution therefor of the words “seven thousand two hundred Kwacha”;

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(b) in paragraph 2 (1)—

(i) item (c), by the deletion of the words “fifty four thousand Kwacha” and the substitution therefor of the words “fifty seven thousand six hundred Kwacha”;

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(ii) by the deletion of items (d) and (e) and the substitution therefor of the following:

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(d) on the balance of so much of an individual’s income as exceeds fifty seven thousand six hundred Kwacha but does not exceed eighty one thousand six hundred Kwacha, at the rate of twenty percent per annum;

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(e) on the balance of so much of an individual’s income as exceeds eighty one thousand six hundred Kwacha but does not exceed one hundred and six thousand eight hundred Kwacha, at the rate of thirty percent per annum; and

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(iii) under item (f), by the deletion of the words “eighty two thousand eight hundred Kwacha” and the substitution therefor of the words “one hundred and six thousand eight hundred Kwacha”;

(c) in paragraph 3 (1)—

(i) by the deletion of item (c) and the substitution therefor of the following:

(c) on the income of electronic communications network or service licensee, at the rate of thirty five per centum per annum; 5

(ii) by the deletion of item (d); and

(iii) the renumbering of item (e) as item (d);

(d) in paragraph 5— 10

(i) by the deletion of item (e) and the substitution therefor of the following:

(e) the maximum rate of tax for turnover received by a person or partnership from the letting of property shall be 15

(i) zero percent per annum on turnover as does not exceed twelve thousand Kwacha;

(ii) four percent per annum on turnover between twelve thousand and eight hundred thousand Kwacha; and 20

(ii) twelve and a half percent per annum on turnover as exceeds eight hundred thousand Kwacha;; 25

(ii) by the insertion of the following new items immediately after item (i):

(j) the maximum rate of tax charged on the income earned by an agro processing business approved by the Zambia Development Agency and carrying on manufacturing and processing of corn starch in a multi facility economic zone or an industrial park, shall be— 30

(i) zero percent for the 2023 to 2032 charge years; 35

(ii) fifty percent of the standard income tax rate for the 2033 to 2035 charge years; and

- (iii) twenty five percent of the standard income tax rate for the 2036 to 2037 charge years;
- (k) the maximum rate of tax charged on the income earned from value addition to gemstones through lapidary and jewellery facilities is twenty five percent; and
- (l) the tax chargeable on the income received by a special purpose vehicle undertaking a public private partnership project under the Public Private Partnership Act, 2009 for the first five years that a public private partnership project makes profit shall be fifteen percent.;
- (e) in paragraph 6(1), by the insertion of the following new item immediately after item (e):
- (f) the rate of zero percent per annum for dividends paid by agro processing business approved by the Zambia Development Agency and carrying on manufacturing of corn starch in a multi facility economic zone or an industrial park for the 2023 to 2032 charge years.; and
- (f) in paragraph 7—
- (i) by the deletion of item (viii) and the substitution therefor of the following:
- (viii) tax required to be deducted from the payment of winnings from gaming, lotteries and betting shall be at the rate of twenty percent, except that the applicable rate for the 2023 and 2024 charge years shall be fifteen percent;;
- (ii) by the deletion of item (x) and the substitution therefor of the following:
- (x) tax required to be deducted from a payment of interest under section 82A arising from interest earnings by an individual with a savings group shall be deducted at the rate of zero percent per annum;;
- (iii) by the insertion of the following new items immediately after item (x):

(xi) tax required to be deducted from a payment of interest under section 82A arising from green bonds listed on a securities exchange in the Republic with maturity of at least three years shall be at the rate of zero percent per annum; and; and 5

(xii) tax required to be deducted from the payment of interest to individual life insurance policy holders shall be at the rate of zero percent. 10
