

## Zambia

ey.com/GlobalTaxGuides  
ey.com/TaxGuidesApp

**Lusaka** **GMT +2**

**EY** +260 (211) 378-300/1/3/4  
Mail address: Fax: +260 (211) 378-302  
P.O. Box 37231  
Lusaka  
Zambia

Street address:  
Trinity Office Park,  
Stand 16806, Unit 9, 10  
P.O. Box 35483  
Ailick Nkhata Road  
Lusaka 10101  
Zambia

### Principal Tax Contact

★ Nelson Mwila +260 (211) 378 311  
Mobile: +260 966-439-376  
Email: nelson.h.mwila@zm.ey.com

### A. At a glance

Corporate Income Tax Rate (%)	15 to 40 (a)
Capital Gains Tax Rate (%)	0
Branch Tax Rate (%)	15 to 40 (a)
Withholding Tax (%) (b)	
Dividends	15 (c)
Interest	15 (d)
Royalties	20 (e)
Management Fees	20 (f)
Branch Remittance Tax	15
Net Operating Losses (Years)	
Carryback	0
Carryforward	5 or 10 (g)

- (a) For details, see Section B.  
 (b) These withholding taxes apply to payments to resident and nonresident companies and individuals.  
 (c) For resident and nonresident companies and individuals, this is a final tax. Zambian-incorporated companies may offset the withholding tax imposed on dividends received from other Zambian-incorporated companies against withholding tax payable on their own distributions of dividends.  
 (d) This rate applies to interest paid to companies. This is a final tax for nonresident companies. Resident companies may credit the withholding tax against their income tax.  
 (e) For individuals and nonresident companies, this is a final tax. Resident companies may credit the withholding tax against their income tax.  
 (f) This is a final tax applicable to nonresident companies and individuals. Resident companies and individuals include management fees in their taxable income and do not suffer withholding tax on these fees.  
 (g) See Section C.

### B. Taxes on corporate income and gains

**Corporate income tax.** Resident and nonresident companies are subject to tax on their income derived from Zambian sources. Resident companies are also subject to tax on profits derived from a

business carried on partly inside, and partly outside, Zambia. A company is considered resident in Zambia if it is incorporated in Zambia or if the central management and control of the company's business or affairs are exercised in Zambia.

**Tax rates.** The following are the standard corporate tax rates.

Source	Rate (%)
Farming	10
Export of non-traditional products	15
Manufacturing	35
Banking income	35
Mobile telephone operators	
Profits up to ZMW250 million	35
Profits exceeding ZMW250 million	40
Royalties	35 (a)
Income from mining operations	30 (b)
Trading and other sources	35

- (a) A 20% final withholding tax is imposed on royalties paid to nonresidents.  
 (b) A mining operation is any operation carried out under a mining right referred to in Section 6 of the Mines and Minerals Development Act, but does not include any operations carried out under a prospecting permit or prospecting license or any operations involving only mineral processing.

A tax incentive is available to companies that are newly listed on the Lusaka Stock Exchange. A two percentage point reduction of each corporate tax rate is granted to such companies. In addition, a reduction of five percentage points (for a total reduction of seven percentage points) of each corporate tax rate is available to companies with more than 33% of their shares owned by Zambians. The incentive applies for one year only, and a company may claim the incentive only once.

**Capital gains.** Capital gains are not subject to tax in Zambia, but depreciation recaptured for tax purposes (see *Tax depreciation*) is taxable at the regular corporate tax rates. In addition, a property transfer tax is imposed (see Section D).

**Administration.** The Zambia Revenue Authority administers the Income Tax Act. The tax year runs from 1 January to 31 December. However, the 2012 tax year runs for nine months, from 1 April 2012 to 31 December 2012. Annual tax returns must be filed by 30 June of the following tax year.

Companies must make four advance payments of tax, which are due on 14 April, 14 July, 14 October and 14 January. The installments are based on an estimate of the tax due for the year. The balance of tax due must be paid by the due date for filing the annual tax return.

A company may apply to the Commissioner-General to use an accounting year other than the standard tax year. However, the due dates described above for filing returns and advance payments of tax also apply to companies with an accounting year-end other than 31 December.

**Dividends.** A 15% withholding tax is imposed on dividends paid. For resident and nonresident companies and individuals, this is a final tax. Effective from 1 January 2014, dividends received from subsidiaries are also subject to a 15% withholding tax.

Zambian-incorporated companies may offset the withholding tax imposed on dividends received from other Zambian-incorporated companies against withholding tax payable on their own distributions of dividends.

Dividends received from foreign companies are not subject to tax.

**Foreign tax relief.** A foreign tax credit is available to resident companies for foreign taxes paid on foreign income subject to Zambian tax. The amount of the tax credit is the lower of the Zambian tax payable on the foreign income and the foreign tax paid on the same income.

### C. Determination of trading income

**General.** Taxable income is the net profit reported in the companies' financial statements, adjusted by certain tax law provisions.

Expenses are deductible to the extent they are incurred wholly and exclusively for the purposes of the business.

Companies engaged in fishing or farming for two consecutive tax years may elect to calculate taxable income or loss for the two tax years by averaging the taxable income earned or loss incurred in each of the two tax years. This election must be filed with the Commissioner-General before the end of the tax year following the second consecutive tax year. The election is not allowed in certain circumstances.

**Inventories.** Inventories are valued at the lower of cost or net realizable value.

**Provisions.** Specific identifiable provisions are allowed for tax purposes, but general provisions are not allowed.

**Tax depreciation.** Industrial buildings qualify for an initial allowance of 10%. The initial allowance is not deductible from the cost of the assets. Annual wear-and-tear allowances, which are calculated using the straight-line method, are available for the following assets.

Asset	Rate (%)
Industrial buildings	
Low-cost housing (buildings used to provide housing for the purposes of a business with a cost per unit of up to ZMW20,000 [USD4,000])	10
Others	5
Commercial buildings	2
Implements and plant and machinery used in farming, tourism and manufacturing	50
Other implements and plant and machinery, and commercial vehicles	25
Other vehicles	20

The amount of depreciation claimed on an asset may be recaptured when the asset is sold. In general, the amount recaptured is the excess of the sales price over the tax value, but it is limited to the amount of depreciation claimed.

**Relief for losses.** Tax losses may be carried forward five years to offset income from the same source. Mining operations and companies operating in the hydro- and thermo-generation sector may

carry forward losses for a period of 10 years. In general, losses may not be carried back.

**Groups of companies.** There are no provisions for filing consolidated returns.

#### D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax, on any supply of goods and services, other than an exempt supply, made in Zambia and on taxable imports; exports are zero-rated	16
National Pensions Scheme Authority (NAPSA; social security system) contributions on monthly wages; maximum contribution of ZMW586,984.60 per month for both employers and employees	
Employer	5
Employee	5
Property transfer tax, on transfers of shares of companies incorporated in Zambia, and land, buildings and structures located in Zambia	10
Property transfer tax on transfer of mining rights	10
Royalty, on the extraction, production and selling of ore	6

#### E. Foreign-exchange controls

The Zambian currency is the kwacha (ZMW). The exchange rate of the kwacha against foreign currencies fluctuates.

Zambia does not impose foreign-exchange controls.

#### F. Treaty withholding tax rates

	Dividends	Interest	Royalties	Management fees
	%	%	%	%
Canada	15	15	15	0
Denmark	15	10	15	20
Finland	5/15	15	5/15	0
France	15	10	15	0
Germany	5/15	10	10	0
India	5	10	10	0
Ireland	0	0	0	0
Italy	5/15	10	10	0
Japan	0	10	10	0
Kenya	15	15	15	20
Netherlands	5	10	10	0
Norway	15	10	10	20
South Africa	15	15	15	20
Sweden	5/15	10	10	20
Switzerland	15	15	15	20
Tanzania	15	15	15	20
Uganda	15	15	15	20
United Kingdom	5/15	10	10	0
Non-treaty countries	15	15	20	20