

Sage in Zambia

Payroll Taxes 2020

1. General Information

Official currency

The official currency of Zambia is Kwacha (ZMW).

Tax year

January to December.

Revenue service

Zambia Revenue Authority

Website: www.zra.org.zm

2. Tax Rates

Monthly Tax Tables 2020

Income band per month (K)	Tax Rate %
First 3 300	0
3 300.01 - 4 100	25
4 100.01 – 6 200	30
Balance over 6 200	37.5

Casuals

When calculating PAYE for a casual employee, use daily tax tables. Pro rata the monthly tax tables by the number of days in month.

Multiple employments – Part-time employees.

Tax is to be deducted at the maximum rate, that is, the highest marginal rate applicable to individuals for the charge year of payment (currently **37.5%**). No deduction is to be given for tax credit and no regard is taken of cumulative tax.

3. Taxable Income

Chargeable Emoluments

Chargeable emoluments include salaries, wages, overtime or leave pay, commission, fee, bonus, any benefit, advantage or allowance (excluding non – money fringe benefits), and payments on taking up or leaving employment. In addition, all employee's liabilities borne by the employer and all other payments made by the employer to the employee in respect of that employment form part of his chargeable emoluments.

Cash Allowances

All cash benefits paid in the form of allowances are taxable on the employee under PAYE.

Examples of such cash benefits are:

- Education allowance;
- Housing allowance;
- Transport allowance
- Domestic Utility allowances e.g. for electricity, telephone, and water;
- Commuted car allowance; and
- Settling in allowance.
- Allowances paid in recognition of an employee's professional qualifications etc.

Shares

From a ZRA Approved share Option scheme: The benefit which arises to an employee on allotment or acquisition of shares under an approved share option scheme will be exempt from tax.

From an unapproved share option scheme: The top rate of personal tax in Zambia is 35%
The employer is advised to account for 35% of income tax on the Zambian sourced amounts

Settling in allowances

Settling in allowances, or whatever name called, paid to new employees and employees on transfer constitute emoluments and should be subjected to tax under the PAYE scheme.

4. Fringe benefits

Benefits which cannot be converted into cash are not taxable on employees. This includes the use of company car by employees.

Free residential accommodation also falls in the classification of “Benefits that cannot be converted into money or money's worth”.

Payment of Employees' Bills (benefits convertible into money's worth)

Where an employer discharges the liability of an employee by paying his or her private bills or expenses such as rent, electricity, telephones, water bills, school fees, or school association fees, club membership fees and similar payments, the employer is required to add such payments to the employee's emoluments and deduct tax under PAYE.

5. Exempt Income

Ex – Gratia Payments

A voluntary, non–contractual, non–obligatory payment made by an employer to the spouse, child or dependant of a deceased employee is exempt.

Medical Expenses

Medical Expenses paid or incurred by an employer on behalf of an employee or refunds of actual medical expenses incurred by an employee are exempt.

Medical allowances, however, are taxable and should be included in chargeable emoluments.

Lump Sum payments made on medical discharge

A lump sum payment made to an employee on termination of employment on medical grounds is exempt from tax.

Funeral Expenses

Funeral expenses paid or incurred by an employer on behalf of an employee are exempt.

Sitting Allowances for Councillors

Payments by Local Authorities to Councillors as Sitting Allowances are exempt.

Labour Day Awards

Labour Day awards either paid to employees in cash or in kind are regarded by ZRA as non-taxable.

Shares from a ZRA Approved share Option scheme

The benefit that arises to an employee on allotment or acquisition of shares under an approved share option scheme will be exempt from tax.

Some fringe benefits

Benefits that cannot be converted into cash provided by the employer.

Pension benefits

Pension benefits are exempt from tax.

“Pension benefit” includes a pension, compensation, gratuity or similar allowance in respect of a person's service.”

This definition extends the tax exemption to compensation, gratuity, severance pay, repatriation and other similar allowances received in respect of a person's services at cessation of employment or expiry of contract.

6. Tax deductions

Subscriptions

A deduction is allowed in ascertaining the emoluments of any employment for any subscription paid by a person in respect of his membership of a trade, technical or professional association which is related to his business, employment or office. There is no limit for this deduction.

7. Disability Tax Credit

The annual tax credit granted to a qualifying disabled employee is **K3 000**.
A tax credit may not result in an earning.

8. National Pension Scheme Authority (NAPSA)

An Employer is required to remit 10% of an employee's GROSS earnings subject to the prevailing ceiling amount.

5% is paid by employees and 5% by the employer.

As from 1 January 2020, the new NAPSA earnings ceiling is K22 992 per month. The maximum an employee or employer will contribute per month at 5% is K1 149.60. The total contribution by both the employee and employer for 2020 is K2 299.20.

www.napsa.co.zm

9. Personal Levy

9.1 Requirement

Every local authority may collect an annual personal levy from all adult persons living within its area. Payment is coordinated through the employer.

Imposed at 1% of gross annual salary, but may not exceed K15 per annum
Deducted from an employee's income twice in a year.

<http://www.zambialii.org/zm/legislation/consolidated-act/329>

10. Workers Compensation Fund

Only the employer makes a yearly contribution known as an assessment payment. The payments are not uniform across all employers, they are determined by the degree of risk associated with a particular activity and they range from 2.82% to 6.93% of the total employees' earnings. The highest risk is in the mining industry while the lowest is in personal services and financial industries

<http://www.workers.com.zm>

11. Local Authorities Superannuation Fund (LASF)

LASF contributions are currently at 10% of basic salary for employees and 23% of basic salary for the employers.

12. Skills Development Levy (SDL)

SDL contribution is 0.5% of the gross emoluments payable to an employee including a casual employee.

Paid by the employer only.

13. National Health Insurance

Zambia has introduced a new statutory contribution called The National Health Insurance (NHI) under The National Health Insurance Act No.2 of 2018. This is a health insurance scheme which entitles contributing members to a predetermined set of healthcare benefits.

Effective date

01 October 2019

Contribution rates

Employee - 1% of Basic Salary

Employer - 1% of Basic Salary

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