Penalties

PENALTIES FOR NON COMPLIANCE

General Penalties

Taxpayers have a responsibility to comply with tax laws failure to which penalties may be imposed. The offences that taxpayers may be convicted of include;

- failure to furnish a full and true return;
- failure to keep records, books, accounts or documents;
- failure to produce any document for examination or inspection by the Commis
- failure to attend at a time and place as required by any notice served on the ta
- failure to answer any questions lawfully put to them; and
- obstructing or hindering any officer in the discharge of his/her duty under the Income Tax Act.

Hi, ask me anything about tax!

Where a taxpayer is convicted by the courts of law for an offence under the Income Tax Act, the maximum penalty shall be one hundred thousand (100,000) penalty units i.e. K30, 000.00.

1. **Late submission of returns**

- Individuals – 1,000 penalty units (K300.00) per month or part thereof
- Limited Companies – 2,000 penalty units (K600.00) per month or part thereof

2. **Non-payment of Taxes**

- Late payment penalty – 5% of the amount that remains unpaid.
- Interest – Bank of Zambia Discount Rate plus 2%.

3. **Incorrect Returns**

- Negligence – 17.5% of amount
- Willful default – 35% of amount
- Fraud – 52.5% of amount

A fine of 300,000 penalty units (K90, 000.00) may be imposed on conviction by the courts of law on any person who willfully evades tax, or assists another person to evade tax. In addition to this fine, a jail sentence of ***three years*** may be imposed by the courts of law for tax evasion offences.

Turnover Tax Penalties

1. **Late payments**

- Late payment penalty – 5% of the amount that remains unpaid
- Interest – Bank of Zambia Discount rate plus 2%.

2. **Late submission of returns**

- 250 penalty units (K75.00) per month or part thereof.

3. **Incorrect Returns**

- Negligence – 1.5%
- Willful default – 3%
- Fraud – 4.5%

Skills Development Levy

1. **Late payments**

- 5% of tax payable but not paid

2. **Late submission of Returns**

Late submission of the monthly return attracts 1000 penalty units (K300.00) per month or part thereof:

3. **Penalties for incorrect returns:**

- Negligence – 25% of amount
- Willful default – 5% of amount
- Fraud – 75% of amount

<u>**Mineral Royalty Penalties**</u>

1. **Late payments**

- Late payment penalty – 5% of the tax amount
- Interest – Bank of Zambia Discount rate plus 2%

2. **Late submission of Returns**

Failure to submit or late submission of the monthly mineral royalty return attracts penalties as follows:

- Individual – 1000 penalty units (K300.00) per month or part thereof; or
- Limited Companies – 2000 penalty units (K600.00) per month or part thereof.

3. **Incorrect Returns**

- Negligence – 1.5% of the gross value or norm value;
- Willful default – 3% of the gross value or norm value; and
- Fraud – 4.5% of the gross value or norm value.

<u>**Value Added Tax Penalties**</u>

1. **Late return penalty**

1,000 penalty units (K300.00) per day or 0.5% of the tax due, whichever is the greater, for each day the return is late.

2. **Late payment penalty**

0.5% of the tax payable in respect of the period covered by the return, for each day the payment is late. Interest is charged at the Bank of Zambia Discount Rate plus 2%.

3. **Late registration penalty**

10,000 penalty units (K3, 000.00) for each tax period that a taxpayer is eligible to register but remains un-registered. The taxpayer is also liable to an assessment on the sales made in the same period.

Input tax deductions are not allowed.

4. **Failure to issue a tax invoice from an approved computer package, pre-printed tax invoice book or a Fiscalised Cash Register**

300,000 penalty units (K90, 000.00)

5. **Failure to furnish information and produce documents:-**

- Availing incomplete records – 20,000 penalty units (K6,000.00)
- Failure to provide records for inspection – 20,000 penalty units (K6,000.00)
- Failure to provide information requested within the time stipulated by an officer – 20,000 penalty units (K6,000.00)

There is an additional penalty of 2,000 fee units a day for failure to avail records i.e. K600.00.

Note: A penalty unit is equivalent to K0.30.

Insurance Premium Levy Penalties

1. **Late submissions of return**

- 1,000 penalty units per day or 0.5% of the tax due

2. **Late payment**

- 1,000 penalty units per day or 0.5% of the tax due

3. **Interest on late payment**

- Bank of Zambia discount rate plus 2%

A penalty Unit is K0.30

Domestic Excise Duty Penalties

1. **Late submission of returns and late payment of tax will attract**:

- Penalties of 1,000 penalty units with an additional 1,000 penalty units for each day the return is late and;
- Interest at the prevailing Bank of Zambia rate plus (2%) per centum per annum.

A penalty unit is equivalent to K0.30 or 30 ngwee.

Tourism Levy Penalties

1. **Late submission of returns**

- A penalty of 1000 units (equivalent to K300) shall be charged per month or part thereof

2. **Failure to pay Levy on time**

- Penalty of 5% of the unpaid levy per month or part thereof
- Interest charged at the BOZ discount rate plus 2%

3. **Under-declaring Levy**

- Penalty of 5% of the amount omitted or understated

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OTHER LINKS

- National Pension Scheme Authority (https://www.napsa.co.zm/)
- Bank of Zambia (BOZ) (https://www.boz.zm/)
- Patent and Company Registration Agency (https://www.pacra.org.zm/)
- Ministry of Finance (https://www.mof.gov.zm/)
- Ministry of Commerce Trade and Industry (https://www.mcti.gov.zm/)
- Zambia Trade Portal (https://www.zambiatradeportal.gov.zm)
- Zambia Development Agency (http://www.zda.org.zm/)
- Common Market for Eastern and Southern Africa (https://www.comesa.int/)

- World Customs Organisation (http://www.wcoomd.org/)
- World Trade Organisation (https://www.wto.org/)
- Southern African Development Community (https://www.sadc.int/)
- Organisation for Economic Co-operation and Development (https://www.oecd.org/)
- Buy Insurance (https://clients-zra.inshuwa.com/)

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