

THE INCOME TAX (AMENDMENT) (No. 2) BILL, 2025

MEMORANDUM

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

- (a) introduce income tax concessions for public-private partnership projects in the railway sector;
- (b) remove carry forward time limitation of disallowed interest;
- (c) increase the amount allowed as a deduction for a business that employs a person with disability to two thousand five hundred Kwacha per annum from two thousand Kwacha per annum;
- (d) extend the requirement to keep books of account in United States Dollars to a person carrying out mineral processing;
- (e) allow a business that qualifies for voluntary registration under the Value Added Tax Act, Cap. 331 to register for turnover tax;
- (f) increase the turnover tax threshold for artisanal and small-scale mining from eight hundred thousand Kwacha to five million Kwacha to align with the standard turnover tax threshold;
- (g) align the legal framework with international standards governing disclosure of information received under an international agreement in respect of exchange of information;
- (h) reduce the penalty for an overdue payment of turnover tax from five percent per month or part of the month to zero point five percent per month or part of the month;
- (i) introduce an anti-fragmentation rule that treats related business activities carried out by an enterprise at one or more fixed locations in the Republic, as a single permanent establishment, where the combined business activities are not of a preparatory or auxiliary nature;
- (j) extend the charging of advance income tax on foreign remittances above two thousand United States Dollars to financial institutions and other platforms;

- (k)* remove penalties chargeable on a taxpayer that has made a voluntary disclosure to the Authority;
- (l)* increase the turnover tax and rental income tax exempt threshold to thirty thousand Kwacha per annum from twelve thousand Kwacha per annum; and
- (m)* provide for matters connected with, or incidental to, the forgoing.

M. MUCHENDE,
Solicitor-General

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) (No. 2) Act, 2025, 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, 2026.

2. Section 14A of the principal Act is amended by the deletion of subsection (5) and the substitution therefor of the following:

Amendment of section 14A

(5) This section shall not apply to a—

10 (a) person or partnership that is liable to pay presumptive tax or turnover tax under this Act; or

(b) special purpose vehicle in the railway sector for the first twelve years of operation of a public-private partnership project.

3. Section 29 of the principal Act is amended by the—

Amendment of section 29

15 (a) insertion of the following new subsection immediately after subsection (1B):

20 (1C) Despite subsection (1B), in ascertaining business gains or profits of a special purpose vehicle in the railway sector in a charge year, a deduction shall not be allowed on gross interest expense that exceeds seventy percent of the tax earnings before interest, tax, depreciation and amortisation.; and

N.A.B. 19, 2025

(b) deletion of subsection (4) and the substitution therefor of the following:

(4) Interest on which a deduction is not allowed under this section may be treated as incurred during the next charge year and carried forward. 5

Amendment
of section 30

4. Section 30 of the principal Act is amended by the—

(a) insertion of the following new subsection immediately after subsection (1):

(1A) Despite subsection (1), a loss incurred by a special purpose vehicle in the railway sector in a charge year from a source shall be deducted from seventy percent of the income of that special purpose vehicle from the same source on which the loss was incurred.; 10

(b) insertion of the following new subsection immediately after subsection (2): 15

(2A) Where a loss referred to under subsection (1A) exceeds seventy percent on income of a special purpose vehicle in the railway sector from a charge year, the excess shall, as far as possible, be deducted from seventy percent of the income of that special purpose vehicle from the same source on which the loss was incurred in the following charge year.; and 20

(c) insertion of the following new subsection immediately after subsection (3): 25

(3A) Despite subsections (1A), (2A) and (3)(b), a loss incurred by a special purpose vehicle in the railway sector shall not be carried forward beyond twelve subsequent charge years after the charge year in which the loss was incurred. 30

Amendment
of section
43D

5. Section 43D of the principal Act is amended by the deletion of subsection (2) and the substitution therefor of the following:

(2) The amount of the deduction referred to under subsection (1) shall be two thousand five hundred Kwacha.

6. Section 55 of the principal Act is amended by the deletion of subsection (4) and the substitution therefor of the following: Amendment
of section 55

5 (4) Despite subsection (1A), a person carrying out mining operations or mineral processing may keep books of account in United States Dollars of all transactions relating to, connected with, or incidental to the mining operations or mineral processing if the Commissioner-General is satisfied that not less than seventy-five per centum of that person's gross income from the mining operations or mineral processing is earned in
10 the form of foreign exchange from outside the Republic.

7. Section 64A of the principal Act is amended— Amendment
of section
64A

(a) by the insertion of the following new subsection immediately after subsection (1):

15 (1A) Subsection (1) shall not apply to income earned from a public service vehicle for the carriage of persons with a seating capacity of fifty seats and above.;

(b) by the deletion of subsection (2) and the substitution therefor of the following:

20 (2) The Commissioner General may make a standard assessment requiring a person carrying on a business, other than the business referred to under subsection (1), with an annual turnover of five million Kwacha or less, to pay tax on turnover at the rate set out in Part II of the Ninth Schedule, except that this
25 subsection shall not apply to income earned by a business from the provision of consultancy services or from mining operations.; and

30 (c) in subsection (2A), by the deletion of paragraph (b) and the substitution therefor of the following:

(b) a holder of a mining licence carrying out artisanal mining or small-scale mining, with an annual turnover of five million kwacha or less, to pay tax on turnover as set out in Part IV of the Ninth Schedule.

Amendment
of section 74

8. Section 74 of the principal Act is amended by the—

(a) deletion of subsection (2) and the substitution thereof of the following:

(2) Any information obtained by the Republic from another country or territory under an agreement entered into under subsection (1) shall be kept confidential and be protected in the same manner as information obtained under the domestic law of that country or territory.; and

(b) insertion of the following new subsection (2A) immediately after subsection 2:

(2A) Despite subsection (2), the information referred to under that subsection shall only be disclosed in accordance with the terms and conditions specified in the agreement referred to under subsection (1).

Amendment
of section 78

9. Section 78 of the principal Act is amended by the insertion of the following new subsection immediately after subsection 2:

(2A) Despite subsections (1) and (2), a person who fails to pay tax in accordance with section 77 (4) on or before the date on which the tax is due or within a period of a notice of assessment during which the tax assessed is due, shall be liable to pay, in respect of each month or part of the month during which the tax or part of the tax remains unpaid, an amount equal to zero point five percent of the tax or part of the tax which remains unpaid during that month or part of the month.

Amendment
of section
81AA

10. Section 81AA of the principal Act is amended by the insertion of the following new subsection immediately after subsection 2:

(2A) For purposes of subsection (2)(e) and (f), a fixed place of business shall not be considered to be of a preparatory or auxiliary character if —

(a) an enterprise, or another enterprise related to that enterprise, carries on business activities at the same fixed place of business or at another fixed place of business in the Republic; and

- (b) the overall activity resulting from a combination of business activities of the related enterprise referred to under paragraph (a), is not of a preparatory or auxiliary character.
- 5 **11.** Section 81C (1A) of the principal Act is amended by the deletion of paragraph (b) and the substitution therefor of the following: Amendment of section 81C
- (c) remitting a transaction above two thousand United States Dollars or Kwacha equivalent.
- 10 **12.** Section 82A (1) of the principal Act is amended by the deletion of paragraph (g). Amendment of section 82A
- 13.** Section 84(7) of the principal Act is amended by the deletion of the words “subsection (7)” and the substitution therefor of the words “subsection (6)”. Amendment of section 84
- 15 **14.** The principal Act is amended by the insertion of the following new section immediately after section 91: Insertion of section 91A
- 91A. A penalty shall not be imposed on a person or partnership where that person or partnership voluntarily discloses to the Commissioner-General an omission, error or mistake in relation to an assessment and the disclosure is made
- 20 by that person or partnership prior to the Commissioner-General finding the omission, error or mistake through an audit or in any other manner. Voluntary disclosure
- 15.** Paragraph (5)(1) of the Second Schedule to the principal Act is amended by the— Amendment of Second Schedule
- 25 (a) deletion of item (l) and the substitution therefor of the following:
- (l) approved collective investment scheme to the extent to which the income is distributed to participants in the collective investment scheme;
- 30 (b) insertion of the following new item immediately after item (l):
- (m) private fund; and
- (c) renumbering of items (m) and (n) as items (n) and (o), respectively.

16. The Ninth Schedule to the principal Act is amended by the deletion of—

(a) Part I and the substitution therefor of the following:

PART I

TAX ON PUBLIC SERVICE VEHICLES FOR THE CARRIAGE OF PERSONS 5

<i>Type of vehicle (seating capacity)</i>	<i>Amount of tax per vehicle (per annum)</i>	
36 – 49 seater	K10,368.00	
22 – 35 seater	K7,776.00	
18 – 21 seater	K5,184.00	10
12 – 17 seater	K2,592.00	
Below 12 seater (including taxis)	K1,296.00;	

(b) Part II and the substitution therefor of the following:

PART II

TAX ON TURNOVER 15

<i>Turnover per annum</i>	<i>Tax Rate</i>
K30,000 or less	0 percent
Above K30,000 up to K5,000,000	5 percent; and

(c) Part III and the substitution therefor of the following:

PART III 20

TAX ON BETTING AND GAMING

<i>Type of Game</i>	<i>Monthly Tax Rate or Monthly tax Amount</i>	
1. Casino Games (Brick and Mortar	K5,000 per table	
2. Lottery Winning (Brick and Mortar	15 percent of net proceeds	25
3. Betting (Brick and Mortar)	15 percent of gross takings	
4 Gaming Machines	K500 per machine	

1. “Net proceeds” means gross proceeds less sum paid out 30 for the prizes.

2. “Gross takings” means the total amount staked by players less the winnings payable and redemptions.

17. The Charging Schedule to the principal Act is amended in paragraph 5 by the—

Amendment
of Charging
Schedule

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

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

(i) zero percent per annum on turnover that does not exceed thirty thousand Kwacha;

10 (ii) four percent per annum on turnover between thirty thousand Kwacha and eight hundred thousand Kwacha; or

15 (iii) sixteen percent per annum on turnover that exceeds eight hundred thousand Kwacha;;

(b) insertion of the following new item immediately after item (l):

20 (m) despite paragraph (l), the maximum rate of tax charged on the income received by a special purpose vehicle in the railway sector shall be—

(i) zero percent for the first five charge years commencing from the first year of operation of a public-private partnership project;

25 (ii) ten percent from the sixth to the fifteenth charge year of operation of a public-private partnership project;

30 (iii) twelve percent from the sixteenth to the twenty-fifth charge year of operation of a public-private partnership project; and

35 (iv) thirty percent per annum or the income tax rate specified under paragraph 3(1)(b), whichever is lower, from the

twenty-sixth to the twenty-eighth 5
charge year of operation of a public-
private partnership project;; and
(c) renumbering of items (m) and (n) as items (n) and (o),
respectively.
