

THE INCOME TAX (AMENDMENT) BILL, 2020

MEMORANDUM

The objects of this Bill are to —

- (a) increase the Pay-As-You-Earn tax free threshold for individuals to forty-eight thousand Kwacha per annum;
- (b) increase the amount allowed as a deduction for employing a person with disability to two thousand Kwacha per annum from one thousand Kwacha per annum;
- (c) increase the tax credit for persons with disabilities to six thousand Kwacha per annum from three thousand Kwacha per annum;
- (d) reduce the income tax rate to fifteen percent on income earned by persons providing accommodation and food services;
- (e) reintroduce a local content allowance for utilisation of selected local raw materials to encourage local content, value addition and agro-processing;
- (f) increase the number of years for claiming development allowance to five years from three years on expenditure incurred on the growing of, rose flower, tea, coffee, banana plant, citrus fruit trees or other similar plants or trees;
- (g) increase the tax rate on betting to twenty-five percent of gross takings from ten percent of gross takings;
- (h) provide for the imposition of withholding tax on payments made by a resident company in the Republic to a non-resident company in respect of royalty financing;
- (i) provide for the mandatory maintenance of books of accounts in Zambian Kwacha; and
- (j) provide for matters connected with, or incidental to, the foregoing

A. MWANSA,
Solicitor-General

N.A.B. 20, 2020
26th November, 2020

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, 2020, 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

(2) This Act shall come into operation on 1st January, 2021.

5 (3) Despite subsection (2), section 81B(4A) shall come into operation on a date that the Minister may appoint by statutory instrument.

2. Section 2 (1) of the principal Act is amended by the insertion of the following definitions in the appropriate places in alphabetical order:

Amendment of section 2

15 “commodity royalty” means an amount paid by a person resident in the Republic to a nonresident that is computed by reference to the production, profit, or to the value of production from a mineral deposit or other natural resource in the Republic payable under royalty financing but excludes the repayment of the purchase price for the commodity royalty;

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

“royalty financing” means a financing agreement or arrangement where a purchase price is made and includes an arrangement of a similar nature;

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- Amendment of section 6 **3.** Section 6 of the principal Act is amended by the deletion of subsection (2). 5
- Amendment of section 29 **4.** Section 29 of the principal Act is amended by the—
(a) deletion of subsection (1) and the substitution therefor of the following: 5
(1) Subject to the other provisions of this Part in ascertaining—
(a) business gains or profits in a charge year, there shall be deducted the losses and expenditures, other than of a capital nature, incurred in that year wholly and exclusively for the purposes of the business; and 10
(b) income from a source other than business, only such expenditure, other than expenditure of a capital nature, is allowed as a deduction for any charge year as was incurred wholly and exclusively in the production of the income from that source.; and 15
(b) insertion of the following new subsections immediately after subsection (1): 20
(1A) Despite subsection(1), a deduction shall be allowed on the amount payable by way of interest on money borrowed by any person where the CommissionerGeneral is satisfied that the loan or advance was obtained for capital employed wholly and exclusively for business purposes or in the production of income. 25
(1B) Despite any other provisions of this Act, in ascertaining business gains or profits in a charge year a deduction shall not be allowed on gross interest expense that exceeds thirty percent of the tax earnings before interest, tax, depreciation and amortisation. 30
- Amendment of section 34A **5.** Section 34A (2) of the principal Act is amended by the deletion of the word “three”and the substitution therefor of the word “five”.
- Insertion of new section 34B **6.** The principal Act is amended by the insertion of the following new section immediately after section 34A. 35