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REPUBLIC OF ZAMBIA

OFFICE OF THE VICE-PRESIDENT

FINANCE DIVISION

REPORT

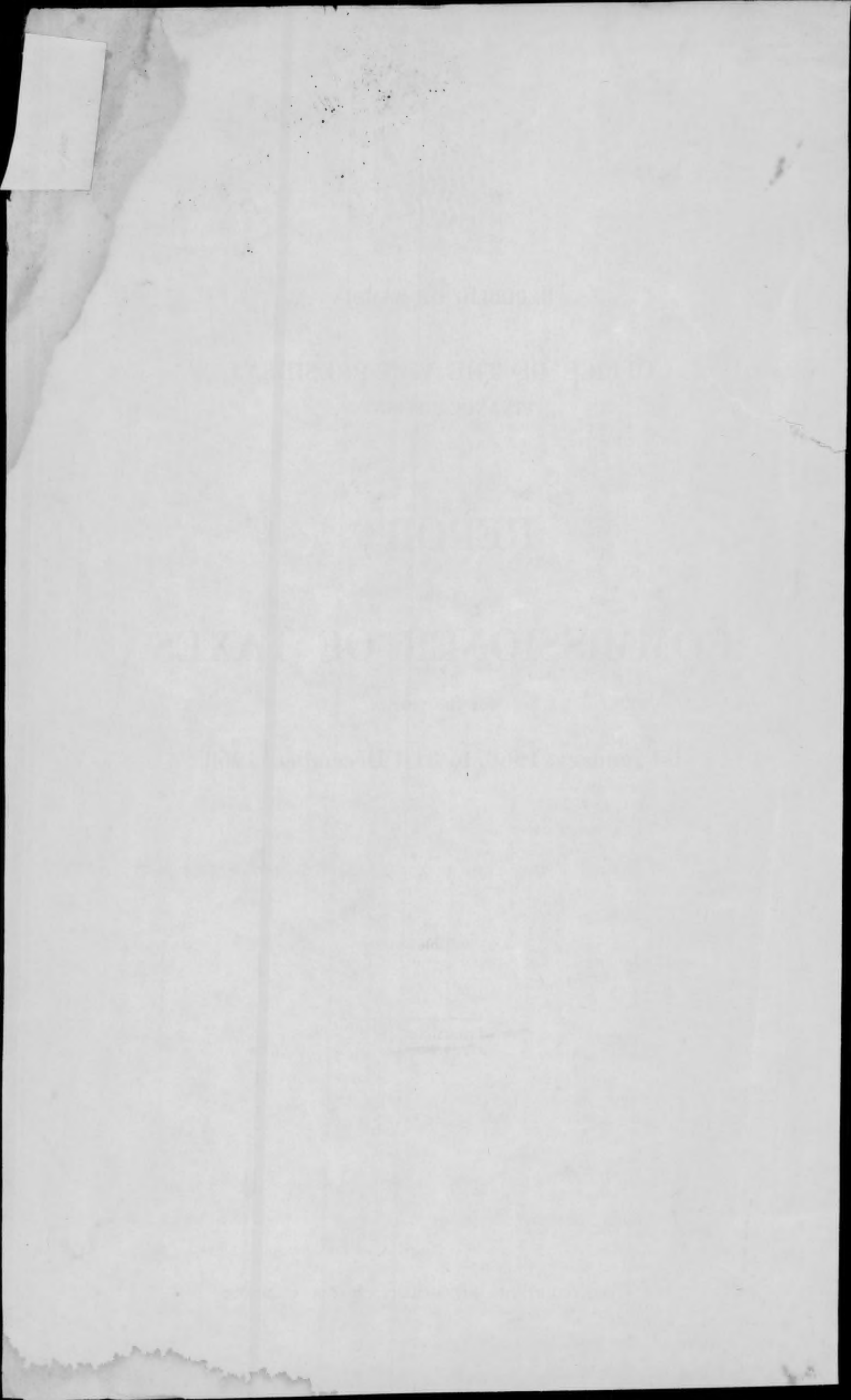
of the

COMMISSIONER OF TAXES

for the year

1st January, 1968, to 31st December, 1968

Price: 10n



DEPARTMENT OF TAXES

REPORT

for the year ended 31st December, 1968

1. To His Honour the Vice-President as Minister responsible for Finance.

I have the honour to submit my report relating to the Department of Taxes for the year ended 31st December, 1968.

TAXATION DUTIES

2. The Income Tax Act, 1966, places the general care and management of taxation duties on the Commissioner of Taxes.

3. The primary function of the Department is the management and collection of the direct taxes. The direct taxes at present in force are:

Income Tax
Estate Duty
Copper Export Tax

OUTLINE OF THE TAXES

Income Tax on Individuals

4. Broadly speaking, income tax is charged on—

- (a) all income arising in Zambia to an individual irrespective of his place of residence or his nationality; and
- (b) interest and dividends, wherever originating, accruing to an individual resident in Zambia.

There are some exceptions to these broad principles:

- (i) certain types of income are wholly exempt from tax: these include lump sum withdrawals from approved pension funds at retirement age or death;
- (ii) war disability pensions and old age pensions;
- (iii) pioneer company dividends;
- (iv) passage and housing benefits;
- (v) interest earned on certain savings bank accounts.

5. In general, the incomes of husband and wife are aggregated for tax purposes and tax on the combined incomes is assessed on the husband, but where the wife is in employment the tax attributable to her earnings is normally collected by deduction from those earnings.

Income Tax on Companies

6. Any company trading in Zambia is liable to income tax in respect of income arising in Zambia and if the company is a resident company, it is also liable to income tax in Zambia on foreign interest and dividends.

Income Chargeable

7. The Income Tax Act does not contain a general definition of income as such, but specifies in sections 14 to 28 and in the First Schedule to the Act what income shall be taxed.

8. Income tax is chargeable for charge years which run from 1st April in one year to 31st March in the next year.

COLLECTION OF THE TAX

Deduction at Source

9. The P.A.Y.E. system of collection which applies to emoluments came into operation on 1st April, 1966. Normally under this system each employee is given a code number representing his income tax allowances, and the employer, when he makes any payment of wages, salary, bonus, pension, etc., deducts tax by reference to the code number and the official tax tables. The tax tables are constructed so that the total tax deducted since the beginning of the year keeps as nearly in step as possible with the accruing liability. The employer pays the tax he has deducted to the Collector of Taxes monthly.

There are also provisions whereby the payer of interest or royalties may be instructed by the Commissioner to deduct tax at a rate to be specified by the Commissioner and to pay such tax to the Collector of Taxes.

Direct Collection

10. The chief classes of income in respect of which tax is collected directly from the person to whom the income belongs are as follows:

- (a) profits from a trade or profession carried on by an individual either alone or in partnership;
- (b) rents and other receipts from land;
- (c) profits from a business carried on by a company or trust.

Where tax is collected directly from an individual, the tax assessed is, so far as possible, the amount actually due after the allowance of various personal allowances and reliefs. But, as the total income of any individual taxpayer may be made up of several separate items—some taxable by deduction at source and others by direct collection—the amount collected directly often has to be adjusted to restrict the total tax payable to the amount proper to the individual's actual circumstances. If the tax deducted at source exceeds an individual's true liability for the year he can claim repayment of the excess.

Income tax charged by direct assessment is normally due and payable within thirty days of the service of the notice of assessment. On application, the Commissioner may extend the time limit for payment.

RATES OF TAX

11. Individual Rate—Charge Year ending 31st March, 1969

- (a) The rate of tax at which an individual is charged for a charge year on income received by way of lump sum payments is 10 per centum.
- (b) The rate of tax at which an individual is charged for a charge year on each part of the balance of his income (except income charged under (a) above), after the deduction of the personal allowances appropriate to his case, being a part specified in the First Column of the following table is the rate per centum set out in the Second Column of that table opposite to the reference to that part of the said balance.

	<i>First Column</i> <i>Parts of the balance of income</i>	<i>Second Column</i> <i>Rates per centum</i>
The part of the balance of income that—		
Does not exceed K1,040	5.0
Exceeds K1,040 but does not exceed K2,080	22.5
Exceeds K2,080 but does not exceed K4,160	27.5
Exceeds K4,160 but does not exceed K6,240	32.5
Exceeds K6,240 but does not exceed K8,320	40.0
Exceeds K8,320 but does not exceed K10,400	50.0
Exceeds K10,400	60.0

12. Company Rate—Charge Year ending 31st March, 1969

- (a) In respect of so much of its income as does not exceed K200,000 ... 37.5 per centum
- (b) In respect of the remainder of its income ... 45.0 per centum

13. Rates for Trusts, Deceaseds' Estates, Bankrupts' Estates

The rate at which tax is charged on its income is 35.0 per centum

PERSONAL ALLOWANCES

14. An individual who is resident in Zambia is entitled to the following personal allowances which are deductible from total income liable to tax.

Married Allowance	... ..	K1,600
Single Allowance	... ..	800
Child Allowance	... ..	240
Family Allowance	... ..	600
Insurance Allowance not exceeding	... ..	400
Dependant Allowance not exceeding in any one case	... ..	240

15. The personal allowance in respect of a non-resident individual is K800 unless he elects to have his tax calculated on the basis of his world income, in which case allowances as for a resident are deductible.

DOUBLE TAXATION RELIEF

16. Comprehensive arrangements for the relief of double taxation exist with the following countries:

United Kingdom	United States of America
France	East Africa
Denmark	Netherlands
Norway	Sweden
Switzerland	Republic of South Africa

These arrangements, while varying in detail, follow a general pattern. They provide for the exemption of some classes of income from tax in the country in which the income arises—for example, shipping or air transport profits arising in one country to a concern resident in the other are exempted from tax in the former country. Other classes of income remain taxable in both countries, sometimes, however, at a reduced rate in the country of origin, but the country in which the taxpayer is resident is required to allow relief from its own tax on the doubly taxed income. This is the way in which relief is given, for example, for the double taxation of profits of trading concerns (other than those engaged in shipping or air transport) which are resident in one country and have branches in the other. Arrangements have been made with Malawi to continue the pre-Federation agreement pending negotiation of a new agreement.

No agreement now exists with Rhodesia.

The Canadian agreement was terminated in May, 1965 and the Canadian Government has expressed the wish not to negotiate a new agreement until that Government has completed consideration of the proposals of the Report of the Royal Commission on Taxation (Canada).

During 1967 agreements were negotiated with Ireland, Japan, Kenya, Uganda and Tanzania. The agreements with Tanzania, Uganda and Kenya have been signed but have not yet been ratified by Zambia.

The agreements with Ireland and Japan have not yet been signed.

No progress has been made with the negotiation of agreements with Italy, India, Pakistan and West Germany or with the review of the pre-independence agreements.

The Supplementary Agreement with the United Kingdom was signed in April, 1968, but has not yet been ratified by Zambia.

17. Where there is no comprehensive agreement with another country, relief is given by Zambia unilaterally against the Zambian tax on doubly charged income. This relief is given only to residents of Zambia on income arising abroad.

ESTATE DUTY

18. Estate duty is regulated by the Estate Duty Ordinance, Cap. 76.

It is basically a tax on the capital value of property which changes hands on death, whether under the deceased person's will or intestacy.

If a person dies resident in Zambia, estate duty is levied on his 'world estate' but excluding real estate outside Zambia. However, real estate outside Zambia is also taken into consideration in the determination of the tax rate.

If a person dies resident outside Zambia, duty is chargeable on his Zambian Estate only.

If the value of the estate is K30,000 or less, no duty is payable.

If the value of the estate is over K30,000 duty is charged at the following rates:

<i>Where the principal value of the estate exceeds</i>	<i>And does not exceed</i>	<i>Estate duty shall be payable at the rate of</i>
K	K	
30,000	40,000	4 per centum
40,000	80,000	5 per centum
80,000	140,000	6 per centum
140,000	200,000	7 per centum
200,000	400,000	8 per centum
400,000	600,000	9 per centum
600,000	—	10 per centum

Reduced rates are, however, applied in certain cases, the more important being in respect of property inherited by a surviving spouse and in the case of quick successions.

The total amount of Estate Duty collected during the period of twelve months to 31st December, 1968, was K68,839.

COPPER EXPORT TAX

19. The department is responsible for the collection of the Copper Export Tax which is regulated by The Copper (Export Tax) Act, 1966.

The Act was amended during the year to bring the formula for the calculation of the tax in line with Zambia's new currency.

TAX COLLECTED

20. The cost of collection excluding the Copper Export Tax for the period covered by this report amounted to K580,142 (.667 per centum) compared to K746,368 (.582 per centum) for the previous *eighteen* months.

If the Copper Export Tax is included, the cost of collection becomes .359 per centum of revenue.

21. Total revenue collected for the year to 31st December, 1968, amounted to K155,179,517.

22.	TAX AND PENALTIES COLLECTED				K	K
<i>Mining Companies</i>						
Tax collected	42,793,763.67	
Tax refunded	596,669.16	
NET TAX COLLECTED						42,197,094.51
<i>Other Companies</i>						
Tax collected	18,480,186.69	
Tax refunded	410,876.22	
NET TAX COLLECTED						18,069,310.47
<i>Self-employed Individuals</i>						
Tax collected	4,685,012.92	
Tax refunded	332,729.95	
NET TAX COLLECTED						4,352,282.97
<i>Other Individuals</i>						
Tax collected	2,168,334.11	
Tax refunded	937,036.15	
NET TAX COLLECTED						1,231,297.96
<i>P.A.Y.E.</i>						
Tax collected	21,131,704.91	
Tax refunded	23,846.39	
NET TAX COLLECTED						21,107,858.52
<i>Estate Duty</i>						
Amount collected	70,872.38	
Amount refunded	2,033.31	
NET AMOUNT COLLECTED						68,839.07
<i>Copper Export Tax</i>						
Tax collected		68,145,611.72
<i>Miscellaneous Unclaimed Revenue</i>						
Amount Collected		7,222.30
TOTAL NET REVENUE COLLECTED						155,179,517.52

23.

TAX RESERVE CERTIFICATES

T.R.C.s issued and uncleared as at 31-12-67	...	...	...	...	...	K384,778.00
T.R.C. sales to 31-12-68	...	...	...	...	...	379,976.00
Total to 31-12-68	...	...	...	...	...	764,754.00
T.R.C.s surrendered	...	...	...	...	...	355,838.00
NET T.R.C.s UNCLEARED AT 31-12-68	...	...	...	...	...	<u>408,916.00</u>

24.

INCOME TAX ASSESSED

<i>Mining Companies</i>					K	K
Tax charged	...	...	...	...	24,277,459.81	
Tax discharged	...	...	...	...	—
NET TAX CHARGED	...	...	...	...		24,277,459.81
<i>Other Companies</i>						
Tax charged	...	...	...	...	21,596,790.34	
Tax discharged	...	...	...	...	881,198.42	
NET TAX CHARGED	...	...	...	...		20,715,591.92
<i>Self-employed Individuals</i>						
Tax charged	...	...	...	...	9,777,467.89	
Tax discharged	...	...	...	...	1,060,185.41	
NET TAX CHARGED	...	...	...	...		8,717,282.48
<i>Other Individuals</i>						
Tax charged	...	...	...	...	2,802,924.90	
Tax discharged	...	...	...	...	1,463,680.05	
NET TAX CHARGED	...	...	...	...		1,339,244.85
TOTAL TAX ASSESSED	...	...	...	...		<u>55,049,579.06</u>

25.

TAX WRITTEN OFF

Mining Companies	...	...	...	Nil
Other Companies	...	...	...	Nil
Self-employed Individuals	...	...	...	0.78
Other Individuals	...	...	...	1.05
TOTAL TAX WRITTEN OFF	...	...	...	<u>1.83</u>

The tax written off bears no relation to the tax due for write off as the processing of remissions was held in abeyance in 1968 pending a revision of procedure. The amounts of tax awaiting remission are:

Mining Companies	...	...	K1,800,000.00
Other Companies	...	...	66,355.28
Self-employed Individuals	...	...	238,388.76
Other Individuals	...	...	246,427.34
TOTAL	...	...	<u>K2,351,171.38</u>

26.

INTEREST/ADDITION CHARGED

					K	K	K
<i>Mining Companies</i>	...	...	...	...	Nil	Nil	
<i>Other Companies</i>							
Interest charged	...	...	...	...	3,759.80		
Addition charged	...	...	...	...	101,035.51		
TOTAL PENALTIES	...	...	...	...		104,795.31	
Interest waived	...	...	...	...	893.05		
Addition waived	...	...	...	...	6,399.37		
TOTAL PENALTIES WAIVED	...	...	...	...		7,292.42	
NET INTEREST/ADDITION CHARGED							97,502.89
<i>Self-employed Individuals</i>							
Interest charged	...	...	...	...	34,465.97		
Addition charged	...	...	...	...	63,091.09		
TOTAL PENALTIES CHARGED	...	...	...	...		97,557.06	
Interest waived	...	...	...	...	1,869.26		
Addition waived	...	...	...	...	14,064.41		
TOTAL PENALTIES WAIVED	...	...	...	...		15,933.67	
NET INTEREST/ADDITION CHARGED							81,623.39
<i>Other Individuals</i>							
Interest charged	...	...	...	...	17,119.90		
Addition charged	...	...	...	...	15,295.49		
TOTAL PENALTIES CHARGED	...	...	...	...		32,415.39	
Interest waived	...	...	...	...	1,079.02		
Addition waived	...	...	...	...	490.55		
TOTAL PENALTIES WAIVED	...	...	...	...		1,569.57	
NET INTEREST/ADDITION CHARGED							30,845.82
NET TOTAL INTEREST/ADDITION CHARGED							209,972.10

INVESTIGATIONS—UNDER ASSESSMENT OF PROFITS

27. The position regarding the uncovering of under-assessments of tax by the Investigation Branch is shown in the table below.

Period	Number of cases settled	Tax charged K	Interest K	Penalties K	Total K
1-7-67 to 31-12-67	32	51,932	4,096	36,616	92,644
1-1-68 to 31-12-68	43	95,128	3,698	56,056	154,882

The Investigation Branch was under-staffed for the whole year and out of a total strength of one Senior Investigation Officer and four Investigation Officers, there are now three posts vacant.

ADMINISTRATION

28. Establishment at 31-12-68

<i>Grade</i>	<i>Authorised</i>	<i>In Post</i>	<i>Vacant</i>
Commissioner	1	1	—
Deputy Commissioner	1	1	—
Assistant Commissioner	2	2	—
Senior Inspector	10	8	2
Senior Investigation Officer	1	1	—
Investigation Officer	4	1	3
Inspector, Grade I }	25	15	10
Inspector, Grade II }			
Inspector Trainee	6	1	5
Management Inspector	3	—	3
Senior Tax Officer	6	4	2
Tax Officer, Grade I	20	25	(5 excess)
Tax Officer, Grade II	16	3	13
Tax Officer Trainee	30	35	(5 excess)
Chief Collector	1	1	—
Senior Collector	2	2	—
Collector, Higher Grade	3	3	—
Collector	4	2	2
Clerical and General	74	55	19
	<u>209</u>	<u>160</u>	<u>49</u>

29. Recruitment of Staff for the inspectorate from overseas has now slowed down to a trickle and is not keeping pace with resignations. It is hoped that the Canadian Government may be induced to second trained tax staff to Zambia, particularly for the Investigation Branch, during the coming year.

30.

ZAMBIANISATION

Inspectorate

One Zambian, selected from the tax officer grade, is now training as Inspector.

Unfortunately, no allocation of University graduates was made to the Department during the year and Zambianisation of the Senior technical posts is likely to take considerable time.

Tax Officer Grades

Prospects of fairly early Zambianisation of these grades have improved considerably during the past year due to the allocation to the Department of the full number of school leavers requested. During the year eleven trainees passed the Lower Examination for Tax Officers. Thirty-five Zambians are now receiving training as Tax Officers and a further increase in the number receiving instruction will take place during 1969.

31.

DISCIPLINE

It has been my policy to exercise strict discipline and this has resulted in several dismissals or transfers during the year. Unfortunately, the disciplinary machinery leaves much to be desired and the long delays which occur cause grave difficulties in cases where gross insubordination is involved. Some officials appear to be extremely reluctant to take action in disciplinary cases and there exists a definite tendency to confuse or equate discipline with racialism.

32.

VOLUME OF WORK

(i) Companies and Accounts Cases

	<i>Companies</i>	<i>Other Accounts Cases</i>	<i>Total</i>
Assessed	3,533	4,782	8,315
To be assessed	2,723	2,784	5,507
TOTAL	<u>6,256</u>	<u>7,566</u>	<u>13,822</u>

(ii) P.A.Y.E.

	<i>Assessed Taxable</i>	<i>Assessed No Liability</i>	<i>No Assess- ment Required</i>	<i>Transfers from Sub- sidiary to Main Source</i>	<i>Total Processed</i>	<i>Balance to be Processed</i>
Lusaka ...	13,724	4,192	5,527	1,380	24,823	35,548
Ndola ...	8,457	7,964	1,807	1,038	19,266	11,621
Chingola ...	11,322	6,938	1,191	808	20,259	21,182
Livingstone	2,592	310	314	187	3,403	4,340
TOTALS	<u>36,095</u>	<u>19,404</u>	<u>8,839</u>	<u>3,413</u>	<u>67,751</u>	<u>72,691</u>

LEGISLATION

33. The Income Tax (Amendment) Act, 1968, was enacted on 24th April, 1968, and the Copper (Export Tax) Amendment Act, 1968, on 17th April, 1968.

LUSAKA,
24th March, 1969

M. KNOETZE,
Commissioner of Taxes

