

JCTR VISION

A just Zambian society guided by faith, where everyone enjoys fullness of life.

The Centre attempts to realize its vision through research, education, consultancy and advocacy on social and economical issues.

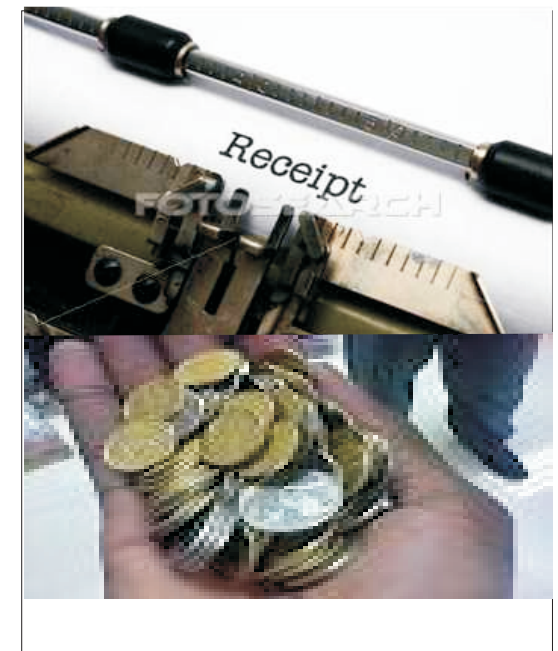
It is the Centre's belief that if all people demand a receipt in respect of every purchase of goods or services, Government will be able to effectively audit transactions and collect more tax revenue for sustainable development.

A receipt should therefore, be viewed not only as a record of transaction but also as a tool that enhances tax revenue collection.



Domestic Resource Mobilization for Sustainable Development

DEMAND A RECEIPT BEARING A TPIN



JESUIT CENTRE FOR THEOLOGICAL REFLECTION
"Promoting Faith and Justice"



JESUIT CENTRE FOR THEOLOGICAL REFLECTION(JCTR)
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Social and Economic Development Programme

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Q: What is a TPIN?

A: TPIN stands for Tax Payer Identification Number. It can be likened to a National Registration Card (NRC) number for a Zambian citizen. It is the official ten (10) digits number that ZRA issues to a Tax registered individual or business for Tax purposes. It is important that the general public demand for a receipt bearing a TPIN when buying goods.

Customer.....		RECEIPT No. 9065		
TPIN No. 1000105621				
REF:	Quotation No.:	Order No.:	Date: / /	
Quantity	Description	Unit Price	Amount	n
Prepared by:.....		Sub Total		
Received by:.....		VAT.....%		
Sign:.....		GRAND TOTAL		
COMMENT:.....				

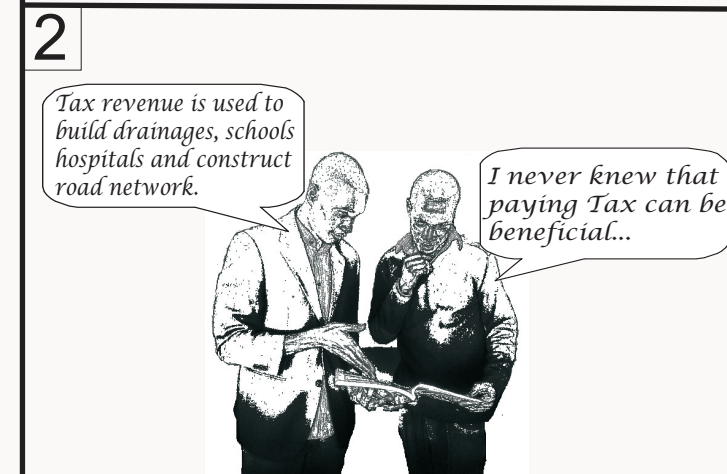


Tax revenue can be used to construct drainages, markets and road network.

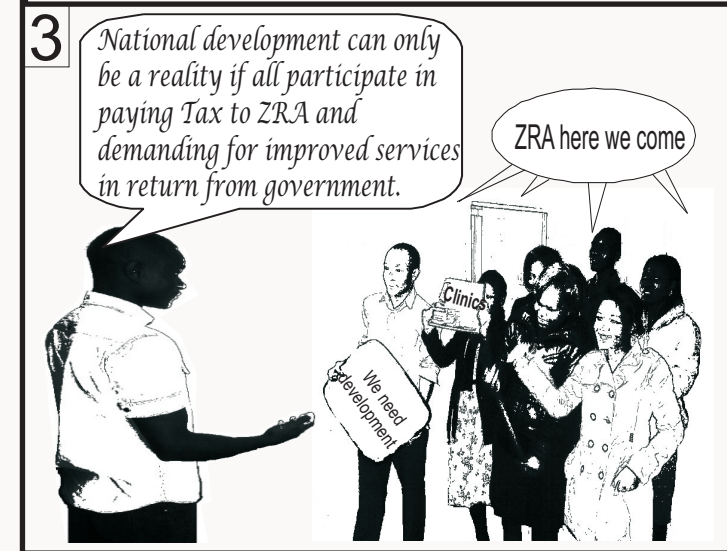
Q. Why should a buyer demand for a TPIN bearing receipt?

A: A receipt (Tax Invoice) is a confirmation of a transaction between the buyer and the seller. JCTR is of the view that if every transaction is receipted then the appropriate Tax will be paid to ZRA. Such revenue will then be channeled to Government treasury to fund developmental projects for the benefits of all citizens.

A ZRA officer (Mr. Tax) explains Tax matters to a member of the public (Mr. Payer)



SOME YEARS LATER



Q: Are there penalties for not issuing a receipt?

A: If a seller refuses to issue a receipt or does not use a till machine he or she can be fined or prosecuted. It is therefore important for businesses to pay tax according to the income earned. A transaction which is not acknowledged by receipt is difficult to monitor by ZRA. This encourages Tax evasion.



Q: What do Tax payers expect from the Government

A: Through various forms of Tax collected, the Government is expected to utilize the funds to benefit Tax payers. In this regard, the general public should hold Government accountable for the prudent application of Tax payers money. If Tax payers and Government work together there will be development across the nation.

Tax Equation

$$\text{Your Tax} + \text{Government Effective utilization of Tax revenue} = \text{National Development}$$

Comparison of Tax contributions by sector

There is an imbalance between the Tax revenue contributed by the Informal Sector and that coming from the Formal Sector

2012 Tax Contribution
(Informal Sector and Formal Sector Employees)



According to the CSO 2012 Labour Force Survey Report, about 4,652,253 (4.6 million) are employed in the informal sector range of businesses. However, the ZRA 2012 annual report reveals that only K62 million out of K11.7 billion in Income Tax was raised from the informal sector. On the other hand about 847,420 employed in the formal sector accounted for K4.9 billion in form of Pay As You Earn (PAYE).

To ensure that there is equity in bearing the Tax burden each Income earner should contribute according to their fair share of Income. This means that the more one earns income, the more the Tax to be contributed.

Equity means

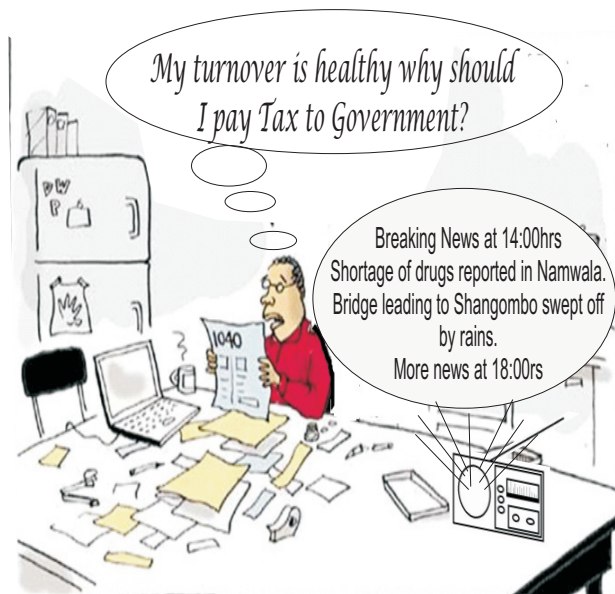
"The more the income
the more the Tax contributions"

"The less the income,
the less the Tax contributions"

Measures To Enhance Informal Sector Taxation

The Zambia Revenue Authority (ZRA) should continue to sensitize informal sector enterprises on the need to register and pay appropriate tax when due.

Further, businesses operating under the ladder of informality should take it upon themselves to register for tax purposes.



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Domestic Resource Mobilization

for Sustainable Development

Informal Sector Taxation in Zambia



JESUIT CENTRE FOR THEOLOGICAL REFLECTION

Q: What is meant by the Informal Sector?

A: Defining the informal sector is a complex issue. However the Informal sector refers to that part of an economy that is not registered by Statutory bodies such as PACRA, ZRA, NAPSA and Councils. It is difficult to be included in the calculation of the Gross National Product (GNP).

In the Zambian context, all those economic activities that are not regulated and taxed are regarded to be in the informal sector and mostly include Small and Medium Enterprises (SMEs) that have the following characteristics :

- Small labour force (usually less than 10)
- Workers are not salaried (earn wages)
- Do not keep accounting record
- Do not maintain Bank accounts
- May not bother to issue Tax invoices or receipts
- Mainly include peasant farmers, shop owners, bus owners, and small scale contractors



Farmers are required to pay Tax



Marketeers are required to pay Tax

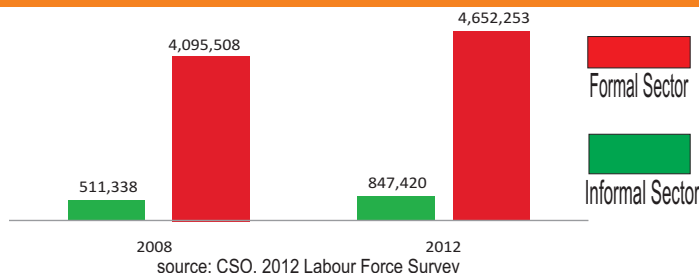
Cross Border traders are required to pay tax

BASIC FACTS ABOUT ZAMBIA'S INFORMAL SECTOR

- Zambia's informal sector has been growing since the mid 90's after the privatization programme which saw a lot of formally registered firms close.

- According to the Central Statistical Office (CSO), majority of the working population is employed in the informal sector. As of 2012, there were 4,652,253(84.6%) working in the informal sector compared to 847,420(15.4%) employed in the formal sector.

GRAPH: NUMBER OF FORMAL AND INFORMAL EMPLOYEES



The graph shows that there are more people employed in the informal sector than the formal

Q: What Taxes are applicable to the Informal Sector

A: It is often argued that if the Informal Sector is appropriately Taxed, the Sector is capable of increasing the tax revenues and widening of the tax base. The following taxes have since been introduced for the Informal Sector.

1. Turnover Tax

This is Taxed on businesses whose annual Turnover does not exceed K800,000. The Tax rate applicable is 3% of the total turnover. Businesses whose turnover exceed K800,000 should register for income Tax.

2. Presumptive Tax

this applies to all unincorporated transport operators, these include mini buses and taxis. The rates are based on the setting capacity and can be paid per day or per year as shown below:

SEATING CAPACITY	TAX (Per Year) ZMW	TAX (Per day)ZMW
Below 12 - setter (Including Taxis)	600	1.60
12-17 - setter	1,200	3.30
18-21 - setter	2,400	6.60
22-35 - setter	3,600	10.00
36-49 - setter	4,800	13.20
50-63 - setter	6,000	16.40
64 setter and above	7,200	19.70

3. Base Tax

Base Tax is aimed at collecting Taxes from persons who cannot produce accounting records or where there is very little information. It is currently pegged at 50ngwe per day for instance those trading in markets.

4. Advance Income Tax (AIT)

Lastly, the country also has for the last three years implemented the advance income tax. This is tax paid in advance based on the expected income from Cross-Border Traders.

All the above types of tax were introduced in order to capture the informal sector businesses in Zambia.

Q: How do I register for Tax

A: It is easy to register any business for Tax purposes as shown below

REGISTER A BUSINESS/COMPANY WITH PACRA



REGISTER FOR TAX PURPOSES WITH ZRA



PAY TAX WHEN IT FALLS DUE, e.g. Turnover Tax is due every 14th day following the month of income



BENEFITS OF PAYING TAX (Roads, Clinics, Schools, etc)

Q: Am I obliged to pay tax even if I don't personally see benefits of paying tax?

A: It is your responsibility to pay tax to Government on your income. "Pay to Cesar what belongs to Cesar". If you don't pay tax, then Government will not be able to provide a service as it can only spend that which it receives.

However, it is also your right to demand Government to spend tax resources in a way that benefit you as a tax payer. This is why organizations like JCTR are encouraging people to be faithful in paying tax and at the same time demand Government to provide a good service that will enable people enjoy decent livelihood.

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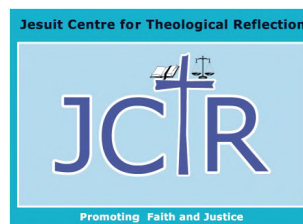
The Centre attempts to realize its vision through
research, education, consultancy and advocacy on
social and economic issues

It is the Centre's belief that resources must be
mobilized in a more equitable and efficient
manner for national development

This is achievable only if all people pay their fair
share of taxes to government treasury. The level
of understanding of tax system has a bearing on that.
It is the objective of this brochure to simplify taxation
matters in order to enhance compliance.



IT IS FOR YOUR BENEFIT



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BENEFITS OF PAYING TAX



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THE BENEFITS OF PAYING TAX

Q: What is Tax?

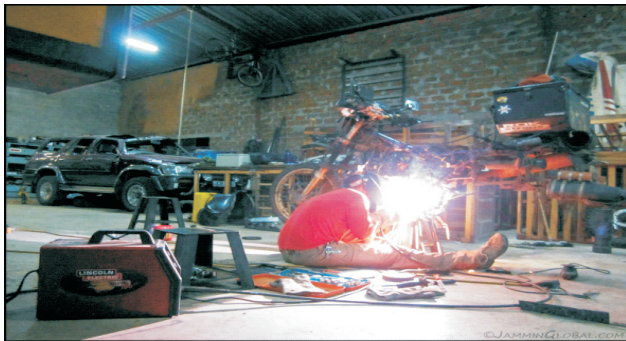
A: Tax is simply money that people pay based on their income to the government to finance its expenditure. Tax is not a voluntary payment but an enforced contribution according to tax laws and non-payment is not only punishable but also deprives the country of development.

For a tax system to work effectively, both the tax collecting agents and the tax payer should fully understand how it operates.

Q: Who should pay Tax?

A: Every person who earns income is required to pay the appropriate and applicable Tax to the Zambia Revenue Authority (ZRA).

In this regard individuals and businesses are Taxable on their income as prescribed by the Tax regime. Any changes in Taxable income is usually announced at budget presentation by the Minister of Finance.



Every employee is required to pay Tax based on their income level

Tax is paid based on the income earned by an individual or business (company). There are different types of Taxes which ZRA collects from individuals and companies, eg. Pay As You Earn (PAYE), Turnover Tax (TOT), Value Added Tax (VAT), Company Tax, etc.

Your tax contribution helps to build a better Zambia and the more people participate the less the tax burden on all citizens.

Q: Where does Tax Revenue go?

A: Taxation is one of the sources that Government uses to finance most of the infrastructure and service delivery. These Include construction of Schools, Roads and health facilities and other social services. Therefore it is everyone's responsibility to contribute to national development.



Tax revenue can be used to improve Education facilities



Tax revenue can be used to construct roads

Q: Who is authorised to collect Tax?

A: The Zambia Revenue Authority (ZRA) is the lead statutory body authorised to collect Tax from citizens in Zambia. It has offices in each province and certain boarder towns like Nakonde, Chirundu and Katima Mulilo. Other institutions that collect levies and fines include the Road Development Agency (RDA), Councils and the Police.



Q: What is Tax Evasion?

A: This is the unlawful disguising of information in a bid to elude paying to the revenue authority. If discovered it is punishable by law. It is therefore our responsibility as citizens to pay all applicable Taxes to ZRA. Offenders can be sent to prison or fined.

Q: What other activities lead to Tax evasion?

A: These include

- Not registering with the Authorities
- Suppressing information
- Not paying taxes due
- Misleading declaration falsifying of tax returns

Q: How can I ensure that others pay Tax?

A: For businesses that sell goods and services, citizens can demand for a receipt which clearly indicates the Tax Payer Identification Number (TPIN). This will allow monitoring of revenue collected which is Taxable. In addition, members of the public can be encouraged by word of mouth to pay Tax.

Q: How do I make government accountable for tax payers money?

A: Tax payers should monitor projects undertaken by government to the effect that social and economic development is achieved.



Madam Moonga goes to obtain rentals

Hello! Mr. Bwalya? Your rent is due. All the others have paid. I want my money!

1

Here's your money!

This money is less 10%. You must be joking.

2

I just realized you've not been paying income tax on the rentals to ZRA. So I decided to pay on your behalf

3

Why? I will find out from ZRA...

Madam Moonga at ZRA

Rental income is taxable at the rate of 10%. It is to be withheld by the Tenant who then remits it to ZRA.

Now I know! Thank you!

Tax revenue is used for road maintenance, essential drugs in clinics and hospitals, schools and teachers houses, road networks and other things.

4

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This brochure highlights the taxation of rental income. If all property owners paid taxes to government according to their rental income, the revenue will be utilized in providing essential goods to the citizens.

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RENTAL INCOME IS TAXABLE



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Q: I have put my house on rent, what do I expect?

A: If a property such as a house is put on rent, the owner called landlord will be receiving rental income from the tenant on a monthly, quarterly or annual basis.



Q: Do I have to pay tax on the income from rent?

A: Yes, the receiver of rental income is required to pay tax called withholding tax (WHT). The tax payable is based on the monthly income and is deducted by the tenant.

Q: How is rental income taxed?

A: The Tenant is required to calculate 10% of the total rental payable and remit this amount to ZRA. The balance (net) is what goes to the Landlord. The tax paid is not final meaning, the landlord will add rental income for the year for tax calculation. However, the tax already suffered will be considered as a deduction.

Q. What does ZRA expect from the Landlord and Tenant?

A: Both the Landlord and the Tenant should register for tax purposes and obtain Tax Payer Identification Numbers (TPINs). These numbers will carry all the details of the landlord and tenant.

Q: Suppose the Tenant does not remit the tax deducted to ZRA, what happens?

A: It is an offense for the Tenant to keep or use the money deducted as rental tax. The Landlord can help track such revenue by demanding an official ZRA receipt as proof of payment. Equally, the Tenant should not accept to pay the whole amount to the Landlord before deducting the tax.

Q: What happens if the Landlord decides to sell the property?

A: The proceeds (money) from the sale of property such as a house or building is taxable. This is called property transfer tax (PTT). From 2014, the tax rate is 10% of the sale value or market value (whichever is higher). Once sold, the previous Landlord ceases to receive rental income, but the new owner will pay withholding tax through the new Tenant.



Q: Why should tax be paid on rental income?

A: Tax is payable on any income such as rental income. The tax revenue is used by Government to construct roads, provide energy (electricity), build schools, purchase drugs in hospitals and clinics, pay civil servants and construct bridges.



Q: Is rent the same as rates?

A: The two terms are not exactly the same. Rent is paid by a tenant who occupies a house or property, whereas property rates is paid by the landlord based on the value of the property. Rent is taxable and paid to ZRA on the other hand, rates are paid to local authorities like councils and Ministry of Lands.

