

GOVERNMENT OF ZAMBIA

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# ACT

No. 20 of 2020

Date of Assent: 18th December, 2020

**An Act to amend the Income Tax Act.**

[18th December, 2020]

ENACTED by the Parliament of Zambia.

Enactment

**1.** (1) This Act may be cited as the IncomeTax (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  
commence-1  
ment  
Cap. 323

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

(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

“commodity royalty” means an amount paid by a person resident in the Republic to a non-resident 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;

“purchase price” is the amount paid by a non-resident 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;.

Amendment  
of section 6

**3.** Section 6 of the principal Act is amended by the deletion of subsection (2).

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:

(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

(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

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

(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 Commissioner-General is satisfied that the loan or advance was obtained for capital employed wholly and exclusively for business purposes or in the production of income.

(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.

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.

34B. (1) Despite section 29, where a person carrying on agro-processing or manufacturing incurs in a charge year, expenditure, other than expenditure of a capital nature on the growing or purchase of a prescribed agricultural product, a local content allowance of two percent of the expenditure shall be deducted in ascertaining the gains or profits of that business for the charge year.

Local  
content  
allowance

(2) The prescribed agricultural product referred to under subsection (1) shall be grown within the Republic.

(3) For purposes of this section, the local content allowance shall be claimed in each year that the expenditure is incurred but not exceeding three charge years.

7. Section 43D (2) of the principal Act is amended by the deletion of the word “one” and the substitution therefor of the word “two”.

Amendment  
of section  
43D

8. Section 45B of the principal Act is amended by the insertion —  
(a) in columns 1 and 2 of the following:

Amendment  
of section  
45B

COLUMN 1

COLUMN 2

INSTITUTION

TYPE OF TRANSACTION

regulatory bodies

registration, renewal or issuance of a licence, practicing certificate, permit or similar document; and

(b) of the following new subsection immediately after subsection (1):

(1A) The requirement for a taxpayer identification number by a regulatory body under subsection (1) shall come into operation on a date that the Minister may appoint by statutory instrument.

9. The principal Act is amended by the repeal of section 48 and the substitution therefor of the following section:

Repeal and  
replacement  
of section 48

48. (1) The Commissioner-General may request a person to furnish to the Commissioner-General information, whether relating to the affairs of that person or any other person that the Commissioner-General determines is necessary for the purposes of this Act.

Furnishing  
of  
information