

# Zambia: Navigating the Tax Dispute Resolution Process (Direct Taxes)



# Introduction

Tax dispute resolution serves as a vital mechanism designed to address conflicts between taxpayers and the Zambia Revenue Authority (ZRA) in a systematic and equitable manner. This article delves into the nuanced process of resolving tax disputes, beginning with the initiation of disputes and the instrumental role of the ZRA.

It will explore the procedural steps required to initiate a tax dispute, the operational aspects of the Tax Appeals Office within the Office of the Commissioner-General, and the potential of the Alternative Dispute Resolution Process as a means to reach amicable settlements.

Additionally, the article will provide insights into best practices for taxpayers engaged in disputes, aiming to equip them with the necessary tools to navigate this complex landscape. By offering a detailed overview, this article seeks to shed light on the essential process of tax dispute resolution in Zambia, presenting valuable information for taxpayers.

In 2022, the Zambia Revenue Authority (ZRA) initiated a Tax Amnesty programme to enhance revenue collection and compliance. The IMF explains that tax amnesty programmes aim to raise revenue, encourage future tax compliance, and induce the repatriation of flight capital.

The ZRA's Tax Amnesty Guide outlines its principal aims to enhance compliance, increase revenue collection, and provide relief to taxpayers while also giving them a fresh start.

The expectation is therefore that following the closure of the Tax Amnesty window, taxpayers will now start to witness an increase in the number of audits conducted by the ZRA, as this is in line with the ZRA's objective of enforcing increased compliance in order to enhance revenue collection before 2024.

In previous publications, we have discussed how taxpayers can prepare themselves for a ZRA audit<sup>1</sup>. However, once an audit is complete, it is not uncommon for disputes between taxpayers and the ZRA to sometimes arise, necessitating a clear and fair resolution process.

In this article, we will walk you through the tax dispute resolution process in Zambia, shedding light on how it works and what taxpayers need to know. This article deals predominantly with direct tax disputes (such as corporate income tax) and does not deal with indirect tax disputes such as disputes relating to Value Added Tax or Customs taxes.

## Tax Disputes in Zambia

Tax disputes arise where there is a difference in opinion between taxpayers and the revenue authority with respect to the taxpayers self assessment<sup>2</sup> of their tax liability. In the Zambian context, tax disputes can arise for various reasons. These include, but are not limited to differences in interpretation of tax laws, disputes over tax assessments, or challenges regarding tax liabilities.

Zambia operates under the "Pay Now, Argue Later" principle, as provided for in the Section 77(7) of the Income Tax Act, 1966 as amended ("the Act"), which stipulates that generally, taxes assessed under the

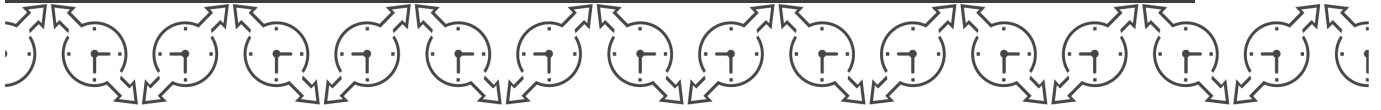
Act should be paid within 30 days of receiving the assessment notice. It is important to note, this applies even if the person assessed disagrees with or appeals the assessment.

Tax disputes are not uncommon in Zambia (as noted above we anticipate a proliferation of tax audits which are likely to lead to more disputes). It is therefore critical that taxpayers know their rights to seek resolution through established procedures. These procedures are provided for in law which we will detail further below.

<sup>1</sup><https://www.pwc.com/zm/en/publications/transfer-pricing-dispute-resolution-in-zambia.html>

<sup>2</sup>Self assessment is a system the ZRA uses in which taxpayers calculate their assessable income and the tax payable during a charge year. Taxpayers file a return declaring their tax due and pay the tax on the due date.

# The Role of ZRA in Tax Dispute Resolution



The ZRA's primary responsibility is to administer tax laws in Zambia fairly and efficiently. One of the ways that this is achieved is by initiatives of the ZRA that promote voluntary compliance through initiatives such as the tax amnesty program, as well as the establishment of the tax dispute resolution process in 2017 .

When disputes arise, the ZRA is committed to providing a mechanism for resolution that is both transparent and equitable. Transparent and equitable dispute resolution procedures apply equally to both domestic and multinational disputes.

## Initiating a Tax Dispute Resolution Process



The Act provides that every assessment raised under it stands, unless proved otherwise by the person assessed upon objection or appeal. In order to dispute a tax assessment or any decision made by the Commissioner-General, a taxpayer must formally initiate the dispute resolution process by submitting a written "Notice of Objection" to the Commissioner-General. This notice should be filed within thirty (30) days from the date of the assessment or decision. In order for an objection to be valid, the objection must:

- be made within thirty days from the date of service of the notice of assessment;
- be in writing, hand delivered or via the TaxOnline Portal; and
- state the grounds on which the objection, review or appeal is based with satisfactory supporting evidence.

In the "Notice of Objection" the taxpayer must clearly state the grounds for objection and specify the particular issues in dispute. Once a Notice of Objection has been submitted in accordance with the Act, the Commissioner-General will undertake a thorough review of the taxpayers objection. During this stage, the ZRA may request for additional information or documentation to better understand the nature of the dispute.

In order to facilitate an efficient and amicable dispute resolution, it is important that taxpayers cooperate with the ZRA and provide any requested information within the timeframe specified by the ZRA.

Following the review, the Commissioner-General will issue a decision in response to the taxpayers objection. The decision will outline whether the taxpayers objection has been accepted or rejected, and if accepted, it may specify any adjustments to the tax assessment or other necessary actions.

If a taxpayer disagrees with the Commissioner-General's decision, Section 109 of the Act provides the option to further escalate the matter. Taxpayers have the right to appeal the decision by submitting an appeal to the Tax Appeals Tribunal within thirty (30) days from the date of the Commissioner-General's decision. This initiates a more formal process, which may require legal representation.



<sup>3</sup><https://www.times.co.zm/?p=99649>

# Administrative Resolution - Tax Appeals office

The Tax Appeals Office serves as an avenue for taxpayers to further challenge and resolve these disputes. The Tax Appeals Office operates as a distinct division within the Office of the Commissioner-General.

This specialised unit is responsible for managing all appeals submitted to the Office of the Commissioner-General.

It comes into play when a taxpayer believes their case is suitable for consideration by the Tax Appeals Tribunal but chooses to initiate the appeals process by lodging an appeal with the Commissioner General first<sup>4</sup>.



## Alternative Dispute Resolution (ADR)

If a taxpayer finds themselves unsatisfied with the outcome of Tax Appeals Office in the dispute resolution process, they are entitled to appeal to the Tax Appeals Tribunal ("the TAT") within 30 days of receiving the decision notice<sup>5</sup>.

The TAT was established by The Tax Appeals Tribunal Act of 2015<sup>6</sup> ("the TAT Act") which replaced the previous Revenue Appeals Tribunal Act of 1998. The Tribunal's primary duties include gathering information, facilitating the resolution of tax-related matters, summoning witnesses and documents, protecting the rights of those involved, providing allowances where applicable, and ensuring timely decisions on cases.

These duties are aimed at promoting fairness and efficiency in the tax appeal process. When a matter is brought before the tribunal, taxpayers may appear

before the tribunal themselves or may opt to have legal representation.

Notably, the TAT Act imposes a time limit of 60 days within which the tribunal must render its decision, in accordance with its provisions. Once a decision is made by the tribunal, this decision must be communicated to taxpayers within 7 days.

Once an appeal is heard by the TAT, taxpayers involved in the appeal have the right to appeal to the Supreme Court. However, it is important to note that such appeals are limited to questions of law or questions that involve both legal and factual elements. The Supreme Court, upon hearing the appeal, can take various actions, including referring the matter back to the TAT for further review, altering the TAT's decision, or issuing additional orders on matters like costs.

<sup>4</sup>[https://www.esseclearing.com/uploads/public\\_documents/Dispute\\_Resolution\\_Process\\_Pamphlet.pdf](https://www.esseclearing.com/uploads/public_documents/Dispute_Resolution_Process_Pamphlet.pdf)

<sup>5</sup>The Income Tax Act, 1966, as amended

<sup>6</sup>The Tax Appeals Tribunal Act, 2015



# Best Practices for Taxpayers



The best practice for taxpayers who find themselves in a tax dispute with the ZRA involves a proactive and strategic approach to effectively resolve the issue.

Firstly, taxpayers must endeavor to maintain accurate and comprehensive records of financial transactions, tax adjustments and tax filings. It is advisable to promptly respond to any inquiries, notices or requests for information from the ZRA. In situations where taxpayers are unsure how to proceed, and it is important to seek professional advice from tax experts or legal counsel. Open communication with the tax authority can help clarify any misunderstandings or errors.

Exploring alternative dispute resolution mechanisms can often lead to quicker and less costly resolutions. If these efforts do not yield a satisfactory outcome, taxpayers should be prepared to follow formal appeal processes as outlined above.

Ensuring compliance with all relevant tax laws and regulations from the outset and seeking professional guidance can go a long way in preventing disputes and maintaining a positive relationship with the revenue authority.

## Conclusion



The ZRA's focus on resolving tax disputes aims to maintain a harmonious relationship with taxpayers. The Tax Amnesty program, which ended in 2023, and established dispute resolution mechanisms provide taxpayers with opportunities to address discrepancies in their tax obligations.

By maintaining accurate records, responding promptly to inquiries, and seeking professional advice, taxpayers can effectively resolve disputes and contribute to a smoother tax administration process.

Compliance with tax laws and proactive engagement with the ZRA not only mitigate potential disputes but also foster a conducive tax environment for economic growth and development in Zambia.



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