



# COUNTRY GUIDE: ZAMBIA

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# ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record ( EOR ) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

We also assist with onboarding and termination of both local or expatriate employees.

## BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



# WORK PERMITS AND VISAS



Foreign nationals can apply for a variety of visas from the Zambian government. In addition to these visas, the government issues work permits to foreign nationals who work for Zambian companies. Foreigners can obtain two types of Zambian work permits:

- **Short-term work permit:** A short-term work permit allows a foreign employee to work in Zambia for up to three months at a time. This permit can only be renewed once, allowing the holder to stay in Zambia for a maximum of six months.
- **Long-term work permit:** Also known as an employment permit. An employment permit allows the holder to stay in Zambia and work for up to two years.

# EMPLOYMENT CONTRACTS



## **Probation period**

According to Zambia's Employment Code Act of 2019, a probationary period of up to three months is required but can be extended for another three months.

## **Notice period**

According to Zambia's Employment Act, the minimum period of notice is as follows:

- 24 hours for a contract of employment lasting less than 30 days.
- Fourteen days' notice is required for a one- to three-month employment contract.
- For a contract of more than three months, thirty days' notice is required.

## **Minimum wage**

The monthly legal minimum wage for a domestic worker is 250,000 Kwacha.

## **Working hours and overtime**

48 hours per week. Overtime pay of one and a half times the worker's hourly rate is to be paid for work performed more than 48 hours per week.

## **Termination**

In Zambia, termination of employment contracts is governed by the Employment Act No. 3 of 2019.

- Termination by written notice: A written notice of termination may be given by either the employer or the employee. Both parties must agree on the notice period, which should not be less than one month for workers with less than five years of service and two months for those with five years or more of service.
- Termination without cause: If an employee participates in egregious misbehavior, such as theft, fraud, or sexual harassment, or commits a major breach of the employment contract, the employer may terminate the employee's employment without cause.
- Termination by mutual consent: Both the employer and the employee may decide to end the work relationship. In these situations, both parties should agree on the terms and conditions of termination.
- Redundancy: When an employer no longer needs an employee's services owing to a decrease in staff, a restructuring, or the closing of a firm, the employer may terminate an employment contract due to redundancy.

# EMPLOYMENT CONTRACTS



## Severance

The Employment Code Act of 2019 defines severance pay as "wages and benefits paid to an employee upon contract termination." The Act mandates severance pay in the following circumstances:

- Termination of a fixed-term employment contract: at least 25% of the employee's basic pay earned during the contract period;
- Employment termination due to redundancy: 2 months' basic pay for each completed year of service
- Employee death in service: 2 months' basic pay for each year of service completed;
- Medical discharge: at least three months' basic pay for each year of service completed.

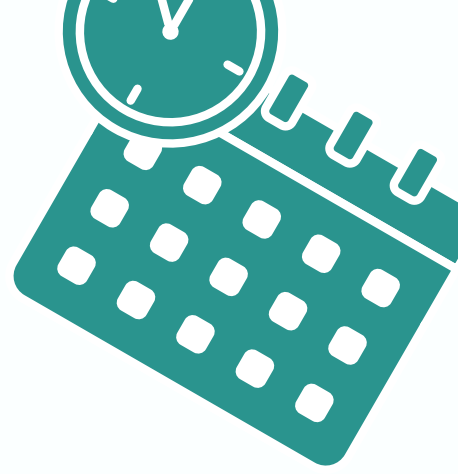
## Non-compete clause

In Zambia, non-compete clauses in employment contracts are generally enforceable if they are reasonable and necessary to protect the legitimate business interests of the employer.

## Collective bargaining

Unless the latter is more favorable to the worker, the provisions of an established collective bargaining agreement take precedence over the terms of any contract, and it makes no difference whether the contract was concluded before the collective bargaining agreement.

# PAID TIME OFF



## **Annual Vacation**

24 days of leave per year.

## **Sick**

Employees with at least 12 months of service are eligible for up to six months of employer-paid sick leave, with the first three months paid at 100% and the last three at 50%.

## **Maternity**

The Employment Code Act, in Section 41, provides for 14 weeks of maternity leave. Maternity leave will be extended for four weeks if there are multiple births, and reduced to six weeks if there is a miscarriage in the third trimester.

## **Paternity**

Paternity leave is available to employees who have been in continuous employment with the same employer for at least 12 months, and it must last at least five consecutive working days.

## **Family**

Employees with at least six months of service have the right to seven days of paid leave to care for a sick child, spouse, or dependent.

## **National Holidays**

Zambia has a total of 14 public holidays which are paid.

## **Other Paid Time Off**

N/A

# EMPLOYEE BENEFITS



## Statutory

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### Unemployment

N/A

### Workers compensation

Employer bares total cost. Contribution rates vary depending on the assessed degree of risk.

### Social Security

Employee: 5% of gross monthly covered earnings. Employer: 5% of monthly gross covered payroll. The monthly earnings threshold for calculating contributions is 15 kwacha. The maximum monthly earnings for contribution purposes are 21,476 kwacha.

### Retirement

Covered by Social Security.

### Health

Zambia provides free healthcare to all of its citizens.

## Private

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### Workers compensation

Private workers compensation available.

### Retirement

Private pension options available.

### Health

Private health insurance available.

### Life

Private life Insurance available.



# TAX



## Personal Income Tax ( PIT )

- **Tax year** : Tax year runs from January 1st to December 31st.
- **Tax rate** : Rates range between 0-37.5%.
- **Tax method** : Zambia has a source-based income taxation system under the Income Tax Act. Income deemed to be derived from Zambia is generally subject to Zambian income tax. Zambian residents are also taxed on interest and dividends received from sources outside Zambia.
- **Tax residency requirements** : Individuals will be treated as Zambian residents unless they are present in Zambia for a temporary purpose only and do not intend to establish residence in Zambia. Any person who is present in Zambia for 183 days or more during a charge year is considered a Zambian resident for that year.
- **Double taxation agreements ( DTA's )** : Zambia has multiple double taxation agreements.

## Investment Income Tax

Capital gains are not taxed in Zambia because the country lacks a capital gains tax regime.

## Taxable Income

Zambia has a source-based income taxation system under the Income Tax Act. Income deemed to be derived from Zambia is generally subject to Zambian income tax. Zambian residents are also taxed on interest and dividends received from sources outside Zambia. In general, both Zambian and non-Zambian residents pay the same rates. In practice, the only way for non-Zambian residents' income to be taxed at these rates would be on Zambian-source emoluments from employment or office under pay-as-you-earn (PAYE). Non-Zambian residents' other Zambian-sourced income may be subject to withholding tax (WHT).

# PAYROLL



## Payroll Elements

- **Income:** Salary, earnings, bonuses, overtime pay, taxable benefits, allowances, and certain lump sum perks are examples of remuneration (revenue from employment). Profits or losses made by a company or trade. Income or profits derived from an individual's status as a trust beneficiary.
- **Deductions:** If an expense is incurred wholly and exclusively for the purpose of that source of income and is not capital in nature, it is deductible against taxable earnings. In practice, where an employee incurs an expense, this test is difficult to meet. In some cases, capital allowances may be available. Business expenses are generally deductible as long as they are not capital and are incurred solely for the purposes of the business.
- **Benefits in Kind:** The 2019 Employment Act No. 3 regulates benefits in kind in Zambia. Benefits in kind are defined by the Act as non-cash benefits that a company offers to a worker in addition to a pay. Benefits in kind include things like lodging, transportation, health care, and food.
- **Employer contributions:** Workers compensation, social security.

## Payroll Taxes

The 'Pay-As-You-Earn' (PAYE) Regulations require employers to deduct and remit income tax on behalf of their employees.

Levy for skill development (SDL)

Employers must pay a monthly levy equal to 0.5% of the gross emoluments paid to their employees

## Payroll Calendar

Wages are normally paid on the final working day of the month, according to the payroll cycle.

# LEGISLATION AND STATUTORY BODIES



## LEGISLATION

- The Employment Act

## STATUTORY BODIES

- Parliament of Zambia
- Ministry of Finance
- Ministry of Labor and Social Security



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information or a **FREE**  
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