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## INTRODUCTION

This leaflet shows categories of goods and services, which qualify for VAT relief as being exempt or zero-rated. Businesses supplying goods or services in the “zero-rate” category are entitled to reclaim input tax on business expenses, while those in the “exempt” category are not (see part 7 of the VAT Guide).

In addition to reproducing the law, this leaflet gives examples of the types of goods and/or services that are considered either relieved from **tax** or **taxable**. **This advice is given as guidance only; suppliers are urged to base their judgement on whether or not to charge tax, on the text of the law.** In cases of particular doubt or difficulty, the ZRA Advice Centre can be consulted.

Relief from VAT is provided in a number of ways. In addition to the exemptions and zero ratings described in this leaflet, there are other circumstances when tax will not be charged. The most common of these is when someone who is not registered for VAT (because their taxable turnover is below the registration threshold) makes a supply. Further details on how VAT operates can be found in the VAT Guide.

The way VAT operates is that supplies by a taxable supplier of **all goods and services** are taxable **unless** exempt. The goods and services, which are exempt, are shown in Schedule 1 of the VAT Act, the text of which is reproduced in the following pages together with some explanatory notes. The goods and services that qualify for zero rating are shown in schedule 2 of the VAT Act. The Zero rating provisions that apply are described in part 2 of this leaflet.

**In case of difficulty, please contact the ZRA Advice Centre, in the new wing of Revenue House, Kabwe Roundabout, and P.O. Box 35710, Lusaka. Tel: 226227/ 236093, Fax 222717, E-Mail: [advice@zra.org.zm](mailto:advice@zra.org.zm).**

## **PART 1**

### **FIRST SCHEDULE**

#### **EXEMPTIONS FROM VAT**

##### **GROUP 1 - Water Supply Services**

###### **Law**

**The supply of mains water and sewerage services, excluding sewerage pump out services.**

###### **Explanatory notes**

The supply of water and sewerage services from a water or sewer mains to a community is exempt provided it is supplied by a local authority or a water utility company, e.g. Lusaka Water and Sewerage Company. This exemption also includes disconnection and reconnection fees arising as a result of the non-payment of water or sewerage bills, and other services directly linked to the mains supply of water or sewerage services. It however, excludes the following:

- the supply of water or sewer pumps, pipes, taps, tanks etc;
- civil engineering work in connection with the supply of water and sewerage;
- drilling of boreholes;
- supply of electric or movable toilets;
- supply of sewerage pump out services;
- supply of distilled water, ice, and de-ionised mineral water; and
- bottled water.

##### **GROUP 2 - HEALTH SERVICES**

###### **Law**

- (a) The supply of health and medical services by a registered medical practitioner, optician, dentist, hospital or clinic.**

- (b) The supply of articles designed for use by the blind or disabled.**

**Explanatory notes**

This group exempts all health and medical services supplied by registered hospitals, clinics, doctors, opticians and dentists. It also exempts the supply of equipment solely designed for use by the blind and handicapped persons.

For medicines and drugs, refer to Group 6 of the Second Schedule.

**GROUP 3 – EDUCATIONAL SERVICES**

**Law**

- (a) Educational services provided to primary or secondary students.**
- (b) Educational services provided to other students otherwise than for profit.**
- (c) Educational services provided to nursery or pre- school children.**

**Explanatory notes**

This group exempts all educational services supplied to nursery or pre-school children, primary and secondary school students. For other students, i.e. post-secondary students, the exemption only applies when it is not carried out for profit. Thus a computer course (for adults) would be exempt when provided by a charity on a non-profit making basis but taxable when supplied by a computer consultancy as part of its business activities.

Educational supplies are taxable, for example writing paper, pens, pencils, school uniforms, school sports equipment, desks and chairs, etc.

**GROUP 4 - BOOKS AND NEWSPAPERS**

**Law**

- (a) Booklets, maps, and charts**
- (b) Newspapers and journals**

**Explanatory notes**

Whether or not books and newspapers are exempt depends mainly on their physical characteristics, and also to a lesser extent, on their content.

School workbooks and other educational texts in question and answer format with spaces for insertion of answers are taxable, unless the provision of the spaces is purely incidental to the essential character of the publication.

The exemption covers all printed maps and charts designed to represent the natural or artificial features of countries, towns, seas, the heavens, etc.

The exemption also covers newspapers and journals. These are issued in a continuous series under the same title with each issue dated and/or serially numbered.

This exemption does not include:

- pamphlets, brochures, forms, examination papers, and other similar commercial printed matter;
- advertisements e.g. in newspapers, journals, periodicals etc.; and
- printing of books, booklets, newspapers etc.

The following are examples of the liability of some common items of printed matter:

### **Exempt**

Antique books  
Antique maps  
Atlases  
  
Booklets  
Charts  
  
Comics  
Diaries (completed)  
Dictionaries  
Encyclopedias  
Correspondence cards

Geological maps  
Hymn Books  
Journals

Manuals  
Maps

Newspapers  
Picture books  
Prayer books  
Recipe books  
Staff journals

### **Standard Rated**

Magazines  
Address books  
Albums  
Appointment Cards  
Ballot Papers  
Bankers draft stationery  
Business cards  
Calendars  
Color cards  
Compliment slips  
Copy Books

Delivery notes  
Diaries (unused)  
Dress making patterns  
Envelopes  
Hard covered notebooks  
Fashion drawings

Globes  
Games  
Greeting cards  
Invitation cards  
Invoices

Text books  
Topographical plans

Lottery tickets  
Manuscript paper  
Manuscripts  
Medical record stationery  
Memo pads  
Order books  
Photographs  
Photograph albums  
Playing Cards  
Receipt books  
Record books  
Registers

## **GROUP 5 - TRANSPORT SERVICES**

### **Law**

- (a) Transportation of persons by road in a bus or coach licensed under the Roads and Road Traffic Act having a seating capacity for fourteen or more adult persons.**
- (b) Transportation of persons by air.**
- (c) Transportation of persons by rail.**
- (d) Transportation of persons by boat.**
- (e) Aircraft licensed to carry passengers.**

### **Explanatory Notes**

This group exempts public transport in licensed buses or coaches having a seating capacity (including the driver) of 14 or more passengers excluding occasional folding seats. Where there is doubt over the seating capacity, the Zambia Revenue Authority will be guided by the seating capacities outlined in manufacturers' literature. Transportation by taxis is taxable.

Rail passenger transport is also exempted (but the carriage of freight or unaccompanied luggage within Zambia is taxable).

The exemption of transportation of persons by boat only covers the ferry charges. It does not extend to trips on, or hiring of pleasure boats, rafting or the like.

Air travel is also exempted whether on international or domestic, scheduled or charter flights.

However aircraft hire within Zambia is taxable.

Transportation of freight within Zambia by air, including unaccompanied baggage is taxable at standard rate (check Group 2 Item [c] of the Second Schedule for transportation services directly linked to exports).

The exemption also covers the purchase and importation of all aircraft licenced to carry passengers.

## **GROUP 6 - CONVEYANCE, ETC. OF REAL PROPERTY**

### **Law**

- (a) The sale, lease or rental of an interest in land other than the sale, lease or rental of a commercial property.**
- (b) The sale or lease of domestic buildings.**
- (c) Any fee, royalty or similar right to explore or remove any natural resource.**

### **Explanatory notes**

This group provides exemption for the sale or lease of land other than the sale, lease or rent of commercial property. "Commercial Property" means a building that is used for commercial purposes and includes an office building, industrial building, health facility, hotel, shopping mall, retail store, shopping centre, warehouse, garage, recreation centre, dwelling house and multi – family dwelling apartment. The exemption includes all domestic rents. However office, factory, and other commercial rents are taxable. Where a rental payment covers both domestic and commercial property an apportionment of the rental charge should be made; where domestic property is rented for use other than domestic purposes (e.g. as offices or a workshop or studio), tax should be charged. Construction of domestic and commercial buildings is taxable at standard rate.

This exemption also covers the royalties or any other fees charged to explore or remove natural resources (not intellectual rights); and these include:

- the supply of exploration rights for minerals including natural gases and petroleum oils,
- the supply of royalties and rights to mine minerals, natural gases or petroleum products
- the supply of felling rights to cut natural trees for timber logs, charcoal and other products; and
- the supply of park entry fees to national parks and game reserves but does not include entry fees to Zoos and like establishments

## **GROUP 7 - FINANCIAL AND INSURANCE SERVICES**

### **Law**

- (a) The arrangement, provision or transfer of ownership of any contract of insurance or re-insurance,**
  
- (b) The provision of the following financial services:**
  - (i) commission on certified vouchers;**
  - (ii) manager's or banker's cheques;**
  - (iii) up country cheques;**
  - (iv) returned cheques;**
  - (v) buying and selling of foreign currency;**
  - (vi) commission on on-line and telegraphic transactions;**
  - (vii) commission on local and foreign drafts and transfers;**
  - (viii) bills negotiable;**
  - (ix) electronic transfers;**
  - (x) special clearance;**
  - (xi) traveller's cheques;**
  - (xii) letters of credit;**
  - (xiii) commission on guarantees negotiable;**
  - (xiv) commission on invoices discounted;**
  - (xv) own acceptances;**
  - (xvi) cable charges;**
  - (xvii) interest on lending to bank;**
  - (xviii) interest on lending to customers;**
  - (xix) administrative charges imposed on a customer who exceeds an overdraft limit;**
  - (xx) stop payments;**
  - (xxi) standing orders;**
  - (xxii) savings account;**
  - (xxiii) transaction services, maintenance activities or ledger fees;**
  - (xxiv) account maintenance;**
  - (xxv) closure of accounts;**
  - (xxvi) cheque books;**
  - (xxvii) interest banking;**
  - (xxviii) commission on lost connect cards;**
  - (xxix) commission on status enquiries;**
  - (xxx) excess withdrawal fees;**
  - (xxxi) Bank of Zambia treasury bills handling charges;**
  - (xxxii) Commission on postage;**
  - (xxxiii) Commitment fees; and**
  - (xxxiv) Arrangement fees in the provision of credit; and**

- (c) **The provision of credit and the interest component of finance leases excluding the-**
  - (i) **principal and other finance charges charged on finance leases;**
  - (ii) **principal, interest and other finance charges charged on operating leases; and**
  - (iii) **principal, interest and other finance charges charged by institutions engaged in hire purchase**
- (d) **The operation of any account at a bank or other financial institution,**
- (e) **The issue, allotment or transfer of ownership of shares in a company registered or incorporated under the Companies Act,**
- (f) **Uncirculated new kwacha notes.**

### **Explanatory notes**

- (a) The provision of insurance including ancillary services such as insurance brokerage, loss adjusting, assessment of losses, claims agency, insurance agency, etc, is exempt.
- (b) Dealings with money include the exchange of legal tender for an equivalent amount in different denominations or a different currency. This covers normal domestic transactions in banks and bureaux de change. It also includes foreign currency transfers.
- (c) The making of loans, interest charges on loans and finance leases and granting of credit are exempt except the principal on finance and operating leases, interest on operating leases and hire purchase transactions.
- (d) There will be no tax incurred when a customer purchases a chequebook, pays to obtain a bank statement, incurs bank charges, or receives interest.

The exemptions under this group also include dealing with securities for money; the issue of or any dealing as principal in promissory notes in the form of commercial paper; the issue or encashment of travellers' cheques; and money received from interest rate swaps and currency swaps transactions.

- (e) The exemption includes any income earned or payment made for providing auxiliary services for the supply of shares in a company registered under the Securities Act, such as commissions, brokerage fees, etc.
- (f) Importation of uncirculated new Kwacha notes, though treated as an importation of a physical item 'cash' and not as a transfer of money, is exempt.

The following are some examples of supplies linked with financial services:

**Exempt Supplies (not exhaustive)**

- Up - country cheques
- Returned cheques
- Buying and selling of foreign currency
- Exchange gains and loses
- Commission on Cvs, Managers/Bank cheques
- Commission on on-line and TT transactions
- Commission on drafts and transfers
- Commission on foreign drafts and transfers
- Bills negotiable
- Swift transfer (electronic transfers)
- Traveler's cheques
- Special clearance
- Letter of credit
- Commission on invoices discounted
- Own acceptances
- Cable charges
- Interest on lending to banks
- Interest on lending to customers
- Administrative Charge (imposed on a customer who exceeds overdraft limit)
- EIB Loans
- Stop payments
- Standing Orders
- Savings account
- Transaction services/maintenance Activity or ledger fees
- Account maintenance
- Closure of accounts
- Chequebooks
- Internet banking
- Commission on lost connect cards
- Commission on status enquiry
- Excess withdrawal fees
- Commission on audit letters
- BOZ Treasury Bills Handling charges
- Commission on Postage
- Commitment fees
- Arrangement fees

**Taxable Supplies (not exhaustive)**

- Debt collection, credit control and sales ledger accounting services
- Equipment leasing
- Executor and trustee services and the administration of estates

- Investment, finance and taxation advice
- Management Consultancy
- Management of trust funds
- Merger of trust funds
- Portfolio management
- Registrar services
- Safe custody and transportation services
- Disposal of fixed assets
- Rent of office accommodation (rent of residential accommodation is exempt)
- Commission on guarantees negotiable
- Commission on road traffic license fees
  
- Fees for authentication of documents
- Auxiliary/Other services
- Commission on reports to parties
- Agency Fees
- Commission on Scratch Cards
- Commission on EXD forms issued
- State Lottery handling fees
- Commission on postage
- Arrangement fees (Charged on customers to cover such costs or arranging various facilities as physical inspection of property, consultations with various experts, etc)

## **GROUP 8 - METALS**

### **Law**

**The supply to a bank of gold in bullion form.**

### **Explanatory Notes**

This exemption only applies to gold when in gold bullion form, when supplied to a bank, including when one bank sells gold bullion to another bank. It does not apply to gold coins, fine gold, gold jewellery or to gold in any other form, and all aspects of VAT apply whether the payment for the sale is in Kwacha or foreign exchange and whether actually paid in Zambia or abroad.

## **GROUP 9 - FUNERAL SERVICES**

### **Law**

**Supply of any goods or services in the course of a person's burial or cremation, including the provision of any licence or certificate.**

### **Explanatory notes**

This exemption covers all goods supplied in the course of a person's burial and associated services. It covers the supply of any undertaker's services, including the provision of vehicles, coffins, wreaths and tombstones.

## **GROUP 10 - RELIEFS AT IMPORTATION**

### **Law**

- (a) Goods in respect of which a rebate of duty is available under regulation 74, 76, 78, 80, 82, 83,84, 85, 86, and 94 of the Customs and Excise (Rebates, Refunds and Remissions) (General) Regulations of 1996, subject to the same limitations and conditions as pertain to such a rebate, refund or remission.**
- (b) Imported goods in respect of which a funding of duty is available under the Customs and Excise (School, Hospitals, Churches, and General Public) (Funding) Regulation, 1996, subject to the same limitations and to such modification as may be specified therein.**

### **Explanatory notes**

#### Item (a)

Imports exempted from VAT in this group are only those which are entitled to a rebate, refund, or a remission of duty and these include: -

- i. goods which are accidentally destroyed or lost while in custody of ZRA subject to conditions and limitations under Customs Regulation 74.
- ii. goods found to be defective as a result of faulty manufacture or production after being released from Customs Control subject to conditions and limitations under Customs Regulation 76.
- iii. goods, which are temporarily imported into Zambia, may be relieved from VAT subject to approval by the Commissioner-Customs under Regulation 78. Application must indicate the following:
  - the nature, quantity, value and country of origin of the goods; and
  - the purpose for which the goods are to be temporarily imported.
- iv. goods imported in petty consignments. Petty consignments mean:
  - when the value of goods does not exceed US\$500.00;
  - samples of a negligible value; and

- goods sent by post or airfreight by a person residing abroad to a person residing in Zambia of value not exceeding US\$ 500.00

The exemption is subject to the limitations and conditions in Customs Regulation 80.

- v. Goods imported by visitors and foreign tourists for use while in Zambia but do not include goods meant for consumption like food, alcoholic beverages, cigarettes, etc. This exemption is subject to limitations and conditions provided in Customs Regulations 82 and 83.
- vi. Goods imported as samples by a commercial traveler who is representing a firm established out of Zambia for the purpose of taking orders, and not for sale. This exemption is subject to limitations and conditions provided in Customs Regulation 84.
- vii. Household and personal effects (except motor vehicles) of a 'new resident' which were his property before the date of his departure from the country of his previous residence. A new resident is any person (including Zambians) who arrives or returns to Zambia to take up or resume employment or residence as long as he has been out of Zambia for not less than two years. This exemption is subject to limitations and conditions under Customs Regulation 85.
- viii. Goods imported by a returning traveler for personal use of a value not exceeding US\$ 500.00. The exemption is subject to the limitations and conditions under the Customs Regulation 86.
- ix. The exemption also covers goods supplied as aircraft stores and equipment for aircrafts engaged in international air navigation, search or rescue subject to limitations and conditions under Customs Regulation 94.

#### Item (b)

This group also exempts goods imported by non-profit making organisations such as churches, charities, and NGOs which provide education, health, poverty alleviation, general welfare programmes, emergency relief and other similar humanitarian programmes for the benefit of the Zambian community.

This special exemption is provided in line with the Customs and Excise (Schools, Hospitals, Church and General Public Good) (Funding) Regulations of 1996 and it operates as follows:

- i. Charitable organisations and churches concerned are required to apply for approval for funding/refunding to the Permanent Secretary, Ministry of Finance; a single application by the head office of the organisation for the various branches or divisions, but the applicant must indicate the branches or divisions in the application letter.
- ii. In cases where VAT is paid at importation a refund is made to the approved organisation by the Ministry of Finance.

iii. The goods eligible for this funding are those utilised in activities like education, health, poverty alleviation, emergency relief, and other humanitarian activities. The following goods are not eligible for this special exemption:

- saloon cars, station wagons, and twin-cabs;
- all electrical appliances of household type or consumer design TVs, VCRs, radios, CD and radio players, tape recorders, hair dryers, curling irons, and domestic washing machines except kitchen equipment;
- aircraft;
- all non-electrical household goods except beds, mattresses, and linen;
- tobacco products;
- goods, which are imported but are intended for sale such as second hand clothes;
- a printing press for printing church notices, bulletins, magazines etc;
- church pews;
- a church pulpit;
- a public address system or a church organ; and
- items of personal nature such as musical instruments, watches, jewellery and clothing.

For further information or inquiries on this funding scheme contact the Ministry of Finance on telephone number 250544 ext. 402 /260 /268.

## **GROUP 11 - DOMESTIC KEROSENE**

### **Law**

#### **The supply of domestic kerosene (paraffin).**

#### **Explanatory notes**

This group exempts from VAT the supply of kerosene (paraffin) for domestic use. The supply of kerosene for other uses such as in industry or other commercial purposes is taxable.

## **GROUP 12 – TRADE UNION SUBSCRIPTIONS**

### **Law**

#### **Trade union subscriptions**

#### **Explanatory notes**

This relief applies to trade union subscriptions. It does not extend to the supply, to members, of goods and services made available with the payment of membership subscriptions. Additionally, all other subscriptions are standard rated.

## **GROUP 13 – TREATED AND UNTREATED MOSQUITO NETS**

### **Law**

- (a) Finished mosquito nets (treated and untreated)**
- (b) Insecticide kits used to treat mosquito nets**
- (c) Insecticides of public health used for the treatment of mosquito nets**

### **Explanatory notes**

The group exempts both treated and untreated mosquito nets. It also exempts insecticides used for treating mosquito nets. However, agricultural insecticides will remain zero-rated while the rest will remain standard rated.

## **GROUP 14 – ROAD CONSTRUCTION AGREEMENTS ENTERED INTO WITH THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA PRIOR TO 1<sup>st</sup> JULY 1995**

### **Law**

**Road construction agreements entered into with the government of the Republic of Zambia prior to 1<sup>st</sup> July 1995.**

### **Explanatory notes**

This exemption covers all local road construction agreements entered into before 1<sup>st</sup> July 1995. All agreements entered into with effect from 1 July 1995 continue to attract VAT.

## **GROUP 15 – STATUTORY FEES**

### **Law**

**Statutory fees which are prescribed and regulated by an Act of Parliament or Statutory Instrument except when paid as a consideration for a supply or when payment is not for the execution of statutory responsibilities;**

### **Explanatory notes**

This group exempts fees charged mainly by public institutions only to the extent that the fees are covered by an Act of Parliament or Statutory Instrument with the above exception. Any other fees are subject to normal VAT treatment.

## **GROUP 16 - FOOD AND AGRICULTURE**

- (a) **Agricultural products – Fresh edible vegetables, fruits, nuts, maize, Soya beans, millet, cassava, sorghum, including flours produced from them, other cereals, except when any of the above products is-**
- (i) **canned, frozen or freeze dried;**
  - (ii) **supplied by a restaurant, cafeteria, canteen or like establishment; or**
  - (iii) **wheat, cotton seed, seed cotton, lint, baby corn, sweet corn, mange-tout peas (snow peas) sugar snaps, fresh or chilled beans (not dried), carrots, courgettes, patty pans, gem squash, butternut, peppers, leeks, chilies, asparagus, okra, spring onion, peas, tenderstem broccoli, purple sprouting broccoli, mini-savoy cabbage, mixed and sliced vegetables, paprika; or**
  - (iv) **Gooseberries, passion fruit, melons;**
- (b) **Animal products - meat and offal of cattle, swine, sheep, goats, game farm animals, and poultry (including eggs), except-**
- i. **any of the above products that is supplied by a restaurant, cafeteria, canteen or like establishment;**
  - ii. **cooked or smoked meats, meat processed beyond cutting, grinding or mincing including sausages, pate and the fatty livers of geese or ducks; crocodile products, and any other products that the Minister may, by regulations, prescribe.**
- (c) **Milk - milk, except powdered milk and any milk in cans or tins or when supplied by a restaurant, cafeteria, canteen or like establishment.**
- (d) **Fish - uncooked, frozen or dried fish, except shellfish, ornamental fish or any fish supplied by a restaurant, cafeteria, canteen or like establishment.**
- (e) **Agricultural supplies -**
- i. **bulbs, seeds and plants for producing agricultural products of sub-item (a)**
  - ii. **fertilizers, insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant growth regulators and similar products for agricultural use;**
  - iii. **live cattle, swine, sheep, goats, game farm animals and poultry;**
  - iv. **stockfeeds for cattle, swine, sheep, goats, game farm animals, and poultry;**
  - v. **empty jute and polypropylene bags;**
  - vi. **flower seed.**
- (f) **Infant cereals and Infant Formula when prepared and labelled as such.**

## Explanatory notes

The exemption in this group generally covers basic foodstuffs and certain agricultural outputs. This primarily centres on unprocessed basic foodstuffs and agricultural outputs but does not include export-oriented vegetables, fruits, nuts and basic foods that are either frozen, canned, or freeze dried. In this group poultry means chickens, ducks, geese, and turkeys but does not cover ostriches. The exemption of insecticides and pesticides does not extend to household products e.g. spray cans or fly killers.

The list below gives examples of exempt foodstuffs to show the extent of the relief:

<b>EXEMPT</b>	<b>STANDARD RATED</b>
Cut portions of meat	Sausages
Offal	
Minced meat	
Uncooked Gammon	Smoked or cooked bacon
	Polony
	Cooked Ham
Chicken portions	Pate
Game Farm Meat	Game Meat
	Crocodile products
Whole uncooked fish (fresh or dried)	Tinned Fish
Fish Fillets	Cooked fish, e.g. trout, salmon, etc
Portions or pieces of fish	Lobster
	Oysters
	Other shellfish, e.g. mussels, ornamental fish
	Potato crisps
	Herbs
	Packets of tea and teabags
	Mushroom
	Tinned fruit and jams
	Currants, sultanas, etc.
	Fruit juices
	Roasted nuts
	Coffee including roasted coffee beans and coffee substitutes
Milk except when powdered or canned	Cornflakes
	powdered milk (except Infant formula) whether canned, in sachets, plastics, or sacks
	Ice cream and yoghurts
	Condensed milk, canned milk, cheese, butter and like products

	Cooking oils, margarine, and fats Golden syrup treacle
Infant cereals	White sugar, brown sugar, icing sugar and any other forms of sugar, sugar cane.
Infant Formula	Pet foods (canned, packed or prepared)
	Timber Cotton Tobacco Popcorns Beverages such as soft drinks, spirits, beer, wine (chargeable with any excise duty)
Other cereals and flours Produced from them	Wheat and wheat flour Bread, buns, scones, cakes and other bakers ware
Live cattle, swine, sheep, goats chickens, ducks, geese, turkey and game farm animals	Game animals, donkeys, horses, dogs, crocodiles and pets
Potatoes, cassava, and cassava meal	
Soya beans Dried beans	

The exemption does not apply to food supplied in, or provided by any restaurant, hotel, cafe, bar, or similar establishment. It also excludes canned; frozen or freezes dried foods.

**Listed below are agricultural inputs that are exempt**

- a) fertilisers;
- b) insecticides;
- c) fungicides
- d) rodenticides;
- e) herbicides;
- f) anti-sprouting products and plant growth regulators; and
- g) stock feeds for cattle, swine, sheep, goats, game farm animals, and poultry.

**Where a trader has difficulty in categorising any agricultural outputs, agricultural inputs, and foods into their respective tax liability, please consult the ZRA Advice Centre (Address on the cover or phone 226227/ 236093 or fax 222717).**

## **PART 2**

### **SECOND SCHEDULE**

#### **ZERO-RATED SUPPLIES**

##### **GROUP 1 - EXPORT OF GOODS**

###### **Law**

- (a) Export of goods from Zambia by or on behalf of a taxable supplier, where such evidence of exportation is produced as the Commissioner General may by rule require.**
- (b) The supply of ancillary services, which are provided at the port of exportation of the goods under paragraph (a) and includes transport and packaging.**
- (c) The supply of freight transport services from or to Zambia, including transshipment and ancillary services that are directly linked to the transit of goods through Zambia to destinations outside Zambia.**
- (d) The supply of goods by a duty free shop, approved under the Customs and Excise Act (General Regulations Part 6 section 51), for export by passengers on flights to destinations outside Zambia.**
- (e) The supply of goods, including meals, beverages, and duty free goods, for use as aircraft stores on flights to destinations outside Zambia.**
- (f) The supply of aviation fuel.**
- (g) The supply of services, which are physically rendered outside Zambia.**
- (h) The supply, by a tour operator or travel agent, licensed as such by the Zambia National Tourist Board, to a tourist of an inclusive tour, subject to such conditions as the Commissioner-General may require.**

- (i) The supply by a licenced tour operator to tourists of the following services:
- |                           |                                      |
|---------------------------|--------------------------------------|
| (i) Game viewing;         | (xiii) walking safaris;              |
| (ii) Abseiling;           | (xiv) clay pigeon shooting;          |
| (iii) Bungee jumping;     | (xv) elephant back safari;           |
| (iv) Canoeing             | (xvii) gorge swinging or flying fox; |
| (v) Hot air ballooning;   | (xviii) paint ball shooting;         |
| (vi) Hang gliding;        | (xix) quad biking safari             |
| (vii) Para-sailing;       | (xx) steam train excursion ; and     |
| (viii) River boarding;    | (xxi) walking with lions.            |
| (ix) White water rafting: |                                      |
| (x) Boat cruising;        |                                      |
| (xi) Micro lighting;      |                                      |
| (xii) Helicopter tours;   |                                      |

Provided that accommodation, food and beverages, shall be excluded unless these have been pre-booked as a package tour and are inclusive in the total price of the package tour, or have been approved by the Commissioner General.

- (j) Exportation of goods by a tourist, subject to such evidence and conditions as the Commissioner-General may require.

### Explanatory notes

#### Item (a)

This relief permits an exporter to zero-rate any exports of otherwise standard rated goods that he arranges himself or have been arranged on his behalf. This relief does not apply to goods sold in Zambia to a customer who plans to export the goods independently. The documentary evidence required to support exportation includes:

- i) commercial invoices;
- ii) certified copies of the documents presented to Zambian customs at exportation, bearing a certificate of shipment provided by the Authority;
- iii) certified copies of customs import documents at the country of destination, bearing a certificate of importation into the country of destination by the customs authority for that country; and
- iv) proof of payment by the customer for the goods.

Importers who for genuine reasons may not be in a position to get the required documents are advised to write to the Commissioner General for purposes of making prior arrangements for alternative documentary evidence

#### Item (b)

This relief covers transport, shipping, forwarding and other services which are directly connected with the export of eligible taxable goods under (a). A taxable supplier claiming that a supply is

zero rated under the grounds that the supply is directly linked to an exportation of goods from Zambia shall be required to produce at least the following documents:

- i) the copies referred to in paragraph (ii) and (iii) above; and
- ii) proof of payment by the customer for the goods and the services concerned.  
If transport is provided for export of goods by rail or by road or by air to destinations outside Zambia that supply may be zero-rated provided copies of the above proof are obtained for the ultimate export of the goods.

#### Item (c)

This relief covers international road or airfreight transport services, i.e. freight transport services from Zambia to destinations outside Zambia or from outside Zambia into Zambia; and from outside Zambia in transit through Zambia to destinations outside Zambia. The relief also covers transshipment services and pipeline services. The zero rating relief covers the whole of the journey including any portion within Zambia but the supply of domestic freight transport services i.e. from a place in Zambia to destinations within Zambia is taxable at standard rate even when the goods are subsequently exported.

#### Item (d)

This zero rating covers the sale of goods by duty free shops approved as such by the Commissioner of Customs and Excise at International Airports within Zambia.

#### Item (e)

This zero rating covers goods supplied to airlines for the shipment as aircraft stores on flights to destinations outside Zambia. The airlines are expected to keep records to demonstrate that the stores have been used on international rather than domestic flights.

#### Item (f)

This is zero rated whether supplied to airlines for use on domestic or international flights.

#### Item (g)

This relief only applies when services (other than those covered by Group 2) are rendered outside Zambia. Thus, if a vehicle is repaired in Lusaka for a transport operator from Zimbabwe, tax is chargeable on the service. But if the repair is undertaken in Zimbabwe, there is no VAT liability in Zambia. But where the booking or payment for a service is made e.g. by an agent at Victoria falls in Zimbabwe for a service e.g. hiring a plane travelling in (or) from (or) to Zambia then that service is not zero rated by this provision but it is taxable (for more details on place of supply of services refer to paragraph 5.8 of the VAT Guide). The general rule is that services are regarded as supplied in Zambia if the supplier of the services:

- (i) Has a place of business in Zambia and no place of business elsewhere;
- (ii) Has a place of business elsewhere but his usual place of residence is in Zambia;  
or
- (iii) Has places of business in Zambia and elsewhere but the place of business most directly concerned with the supply of the services in question is the one in Zambia.

Item (h)

Tour packages sold to foreign tourists to visit Zambia are zero-rated when booked before the tourist arrives in Zambia and covers accommodation including the provision of meals and other tourist services not ancillary to accommodation which account for a significant proportion (at least 25%) of the package but only sold or offered for sale at an inclusive price and when the service covers a period exceeding twenty-four hours or includes overnight accommodation. Only a tour operator or travel agent licensed by the Zambia National Tourist Board may zero-rate supplies to a tourist.

Item (i)

The measure zero-rates tourist activities to foreign tourists on game viewing and adventure activities.

Item (j)

Foreign tourists who purchase goods in Zambia will have the VAT paid on those goods refunded. The refund scheme is available for all purchases of taxable goods from approved participants where the VAT paid is at least US\$ 100.00

## **GROUP 2 - SUPPLIES TO PRIVILEGED PERSONS**

### **Law**

- (a) Goods imported by the President.**
- (b) Goods imported by diplomats or a diplomatic mission that is accredited to the Republic of Zambia for the official purposes of that mission, but only, in the case of any diplomatic mission of a foreign country, to the extent that the foreign country grants reciprocal privileges to diplomats and to the diplomatic mission of Zambia in that country.**
- (c) The supply of goods or services to a donor in Zambia for the official purpose of that donor where evidence of purchase is produced by that donor or the Commissioner-General on behalf of the donor as the Commissioner-General may require.**
- (d) Goods or services supplied or imported under a technical aid programme or project which are-**
  - i. paid through donor funding; and**
  - ii. provided by the donor, or by a contractor of the donor, under a written agreement with the Republic of Zambia where evidence of purchase under that agreement is produced by the donor or the Commissioner-General, as the Commissioner-General may require.**

- (e) Supplies or imports under a technical aid agreement providing for exemption from Zambia taxation, which is either: -
  - i. dated on or before 30 June 1996; or
  - ii. approved by the Minister of Finance.**
- (f) Paragraphs (d) and (e) shall not apply to consumables as defined under the Customs and Excise (General) Regulations, 2000.**
- (g) Goods and services supplied to or imported by a developer of a multi-facility economic zone, an industrial park or a business enterprise operating in the multi-facility economic zone or industrial park, licensed as such by the Zambia Development Agency where evidence of purchase is produced by the developer or the Commissioner-General, as the Commissioner-General may require.**

## **Explanatory Notes**

### Item (a)

This item zero rates goods imported by the President of the Republic of Zambia. Goods purchased within Zambia by the President are taxable at standard rate.

### Item (b)

This item zero-rates goods imported by individual diplomats and diplomatic missions accredited to the Republic of Zambia. This zero rating is only available to diplomats and diplomatic missions whose sending country provides reciprocal tax relief to Zambian diplomats and the diplomatic mission accredited to their country of origin. The Ministry of Foreign Affairs has the reserved right to withdraw the tax relief to any mission or diplomat.

### Item (c)

- i. The zero-rating in this group applies to imported goods and services supplied from within Zambia for the official use of diplomatic missions, aid agencies and those under technical aid agreement;
- ii. The zero-rating in this group will only hold if the goods and services are supplied on a valid purchase order issued by the mission or aid agency, or the Commissioner-General.

A valid purchase order must: -

- have the name of the mission or aid agency pre-printed;
- be serially numbered;
- indicate the date the purchase order is issued;
- contain adequate description of the goods or services being procured including quantity;
- be signed by a responsible person approved for the purpose by the mission or aid agency;

- certified that the goods or services are for official use for the mission or aid agency.
  - In the case of imported goods, by the completion of Customs Form CE 20 (import declaration form) and release order signed by a responsible person approved for the purpose by the mission or aid agency. The approving person should also certify on the Customs forms that the goods are imported for the official use of the mission or aid agency.
- iii. The zero-rating in item (c) of this group is only allowed to missions whose country of origin provide similar tax relief to the Zambian diplomat and diplomatic mission accredited to their country. The Ministry of Foreign Affairs has powers to withdraw the tax relief entitlement accorded to a diplomatic mission.

#### Item (d)

The relief includes goods or services supplied under loans, grants and credit agreements.

Supplies under technical aid agreements are zero-rated only when the technical aid agreement signed with the Republic of Zambia expressly provide the tax relief. Aid agencies or contractors of the donor should use a purchase order system in order for the supplies made to them to be zero-rated (for details of a purchase order system refer to item c sub-item ii above). This enables the donor or aid agency to provide the supplier of the goods with a purchases order indicating the quantities, description and value of the goods and services. They should also indicate that the goods or services are paid for using donor or aid funds. Where the donor is not in a position to issue required purchase orders, ZRA is available to issue.

#### Item (e)

This item zero-rates goods imported by technical aid agencies to the extent that the technical aid agreement signed with the Republic of Zambia before or 30<sup>th</sup> June 1996 provides. It also extends to domestic purchases meant for the official use of the aid agency or for eligible employees of the aid agency if the technical aid agreement provides for total exemption from Zambian VAT.

Technical aid agencies eligible for this zero-rating should issue a purchase order to the supplier whenever they purchase taxable goods and services within Zambia (details of a valid purchase order are contained in item (c) sub-item (ii) above. Suppliers should ensure to cross check the tax relief provision in the technical aid agreement before they zero-rate their supplies to aid agencies (where there is doubt on the validity of purchase order, please consult the ZRA Advice Centre).

#### Item (f)

This item excludes consumables from the zero-rating relief that applies to goods and services supplied or imported under a technical aid programme or project which are paid through donor funding or goods and services supplied or imported by technical aid agencies under a technical

aid agreement signed with the Republic of Zambia before 30<sup>th</sup> June 1996. In other words, the supplies listed below will be subject to VAT.

According to the Customs and Excise (General) Regulations, 2000 as amended, "Consumables" means items that are utilized by an organization and are depleted on a regular basis and includes fuel, lubricants, spare parts and tyres but excludes capital items.

Item (g)

This item zero-rates goods or services supplied or imported by a developer of a multi-facility economic zone (MFEZ), an industrial park or a business enterprise operating in MFEZ or industrial park licensed as such by the Zambia Development Agency. These organizations and/or business entities should use a purchase order system (details of a valid purchase order are contained in item (c) sub-item (ii) above) in order for the supplies made to them within Zambia to be zero-rated.

### **GROUP 3 – BUILDING SUPPLIES**

#### **Law**

**The supply of cement, roofing sheets, bricks and blocks to charitable organizations approved by the Minister.**

#### **Explanatory notes**

This zero rating relief is available to charitable organizations which are registered with Ministry of Finance and is restricted to the listed items only.

### **GROUP 4 – HOTEL ACCOMMODATION IN LIVINGSTONE DISTRICT**

#### **Law**

**Accommodation in a hotel, lodge or similar establishment within Livingstone District between 1<sup>st</sup> January 2005 and 31<sup>st</sup> December 2009.**

#### **Explanatory notes**

The zero rating has not been extended beyond 31<sup>st</sup> December, 2009.

### **GROUP 5 – MOSQUITO NETS**

#### **Law**

**The following raw material used for manufacturing mosquito nets:**

- (a) Polyester textured yarn: HS Code 5402.33.00; and**
- (b) Textile dyestuff; HS Code 3204.11.00**
- (c) Long lasting insecticide treated curtains**

**Explanatory notes**

These listed raw materials used in the manufacturing of mosquito nets are zero rated in order to encourage local production of mosquito nets in line with the Abuja declaration of the Roll Back Malaria programme.

**GROUP 6 - MEDICAL SUPPLIES**

**Law**

- (a) Medical supplies and drugs; and**
- (b) The supply to, or importations by, a registered medical practitioner, optician, dentist, hospital or clinic, or to a patient, of equipment designed solely for medical or prosthetic use.**

**Explanatory notes**

“Medical Supplies and Drugs” are defined as “any substance or mixture of substances prepared, sold or represented for use in: -

- i. the diagnosis and treatment of disorder or abnormal physical state, or the symptoms thereof in man or animal; or
- ii. restoring, correcting or modifying organic functions in man or animal.

Item (a) zero-rates medical supplies for use in the treatment, diagnosis, mitigation or prevention of a disease, disorder or an abnormal physical state or the symptoms thereof in man or animal or for restoring, correcting or modifying organic functions in man or animal. The definition of medical supplies also includes bandages, cotton swabs and wadding, chemical contraceptives (including sheath contraceptives), medical reagents for diagnosis purposes, spectacles and spectacle lenses and contact lenses.

This relief does not however cover preparations commonly used for toilet purposes or in connection with the care of the human body, whether for cleansing, deodorising, beautifying, preserving or restoring whether or not possessing therapeutic or prophylactic properties; for example, medicated soaps and shampoos, dental creams and mouth washes, etc.

Examples of zero-rated and taxable items:

**ZERO-RATED**

**TAXABLE**

Human blood  
Bull semen and animal embryos  
Chemical contraceptives  
Sheath contraceptives  
Human organs or tissue for  
diagnosis or therapeutic purposes,  
or medical research

Medicaments  
Wadding, gauze, bandages  
plasters, pharmaceutical goods  
such as sterile catguts, suture  
materials, sterile tissue adhesives,  
wound closures  
Injections and syringes  
Blood grouping reagents  
Dental cements  
First Aid Kits  
Opacifying preparation for X-ray  
examinations  
Spectacles, lenses, contact lenses

Medicated soaps and body and face  
creams, and shampoos  
Dental creams, tooth brushes & mouth  
washes  
Hospital linen and articles of  
apparel such as face masks, caps,  
gowns, boots, coats, and etc  
Food and other supplies  
Personal deodorants and anti-  
perspirants  
Sanitary towels and tampons  
Cotton wool  
Disinfectants

Item (b) zero-rates medical equipment designed solely for medical or prosthetic use, but only when imported or supplied direct to a hospital, doctor, clinic, etc. Supplies to or imports by other pharmaceutical companies will not qualify for the zero-rating.

This zero-rating excludes:

- Motor vehicles except vehicles designed and kitted out as ambulances
- importation of medical or prosthetic equipment by any other person other than a registered medical practitioner, optician, dentist, hospital or clinic, or to a patient.

For health and medical services, refer to Group 3 of the First Schedule.

## **GROUP 7 – BOOKS**

### **Law**

#### **Books and school exercise books**

The school exercise books covered by this zero rating are light covered exercise books, which are labeled by the manufacturers as School exercise books.

This zero rating applies to all books that normally consist of text or illustrations, bound in a stiffer cover than their pages. They may be printed in any language or characters, photocopied, typed or handwritten, so long as they are bound in book or booklet form.

## **GROUP 8 – ENERGY SAVING APPLIANCES, MACHINERY AND EQUIPMENT**

### **Law**

- (a) Discharge Lamps, other than ultra violet lamps (energy efficient lighting lamps)**
  - (i) Fluorescent lamps (tubes and bulbs)**
  
- (b) Storage water heater, non electric (solar geysers);**
- (c) Solar panels;**
- (d) Solar batteries –**
  - (i) lead acid, of kind used for starting piston engines;**
  - (ii) other lead acid accumulators;**
  - (iii) nickel cadmium;**
  - (iv) nickel iron; and**
  - (v) other accumulators.**
  
- (e) Static converters (inverters for solar power);**
  
- (f) Electric Generating sets-**
  - (i) Generators with compression ignition, internal combustion piston engine (Diesel or semi diesel generators)**
  - (ii) Generators with spark ignition internal combustion piston engines (Petrol Generators).**

This zero rating relief applies to both the importation and locally supplied energy saving and efficient devices and equipment. Below are the HS codes for respective products:

<i>Heading</i>	<i>Description of Goods</i>
<b>85.39</b>	<b>Energy efficient lighting lamps, Discharge lamps, other than ultra violet lamps:</b>
8539.31.00	Fluorescent lamps (tubes and bulbs)
8519.19.00	Solar Geysers
<b>85.07</b>	<b>Solar Batteries</b>
8507.10.00	Lead acid, of a kind used for starting Piston engines

8507.20.00	Other lead acid accumulators
8507.30.00	Nickel cadimium
8507.40.00	Nickel iron
8507.80.00	Other accumulators

**85.04                    Inverters for solar power**

8504.40.00	Static converters
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**85.02                    Diesel or semi-diesel Generators:**

8502.11.0	Of an output not exceeding 75kVA
8502.12.00	Of an output exceeding 75kVA but not exceeding 375kVA
8502.13.00	Of an output exceeding 375kVA
8502.20.00	Generators with spark ignition internal combustion piston engines (Petrol Generators)

**GROUP 9 – AGRICULTURAL EQUIPMENT AND ACCESSORIES**

**Law**

- (a) **Windmills;**
- (b) **Maize dehullers;**
- (c) **Two- wheeled tractors including ploughs, harrows, disc harrows, planters, seeders, rippers or sub-soilers, cultivators of such tractors;**
- (d) **Tractors up to 90php including ploughs, harrows, disc harrows, planters, seeders, rippers or sub – soilers, and cultivators, of such tractors;**
- (e) **Pump sets and**
- (f) **Knap sack sprayers used for agricultural purposes.**

The zero-rating relief applies to the above products when sold as one whole item.

**GROUP 10 – ETHANOL BASED BIO-FUEL**

**Law**

**Green gel.**

# Value Added Tax

# Added Tax

# Tax

# Added Tax

# Tax



## ***VAT LIABILITY GUIDE***

*Leaflet No. 2*



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