



ZAMBIA REVENUE AUTHORITY

PRACTICE NOTE NO. 1/2024

Increases the Pay-As-You-Earn tax free threshold to K5,100 per month;

Introduces an electronic invoicing system

Increases the tax concession for a Rural Enterprise

Exempts the supply of mains water and sewerage services from Value Added Tax

Suspends excise duty on internet services supplied to Public Higher Education Institutions

Our Mission

To optimise and sustain revenue collection and administration for a prosperous Zambia.

Our Vision

A world class model of excellence in revenue administration and trade facilitation.

Tag Line

My Tax, Your Tax, Our Destiny

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1.0 FOREWORD

This **Practice Note** describes the various changes introduced by the:

1. Income Tax (Amendment) Act No. 22 of 2023
2. Income Tax (Transfer Pricing) (Amendment) Regulations, Statutory Instrument No. 62 of 2023
3. Income Tax (Local Content Allowance) Regulations, Statutory Instrument No. 61 of 2023
4. Value Added Tax (Amendment) Act No. 27 of 2023
5. Value Added Tax (Exemption) (Amendment) Order Statutory Instrument No. 60 of 2023
6. Value Added Tax (General) (Amendment) Regulations, Statutory Instrument No. 59 of 2023
7. Customs and Excise (Amendment) Act No. 25 of 2023
8. Customs and Excise (General) (Amendment) Regulations, Statutory Instrument No. 64 of 2023
9. Customs and Excise (Suspension) (Clear Beer) Regulations, Statutory Instrument No. 66 of 2023
10. Customs and Excise (Suspension) (Internet Services) Regulations, Statutory Instrument No. 68 of 2023
11. Customs and Excise (Suspension) (Clear Beer) Regulations, Statutory Instrument No. 71 of 2023

The commentary in this Practice Note is for general guidance only and is not to be taken as a legal authority in any proceedings. The information provided is not exhaustive and does not affect any person's right of appeal on any point concerning a person's liability to tax, nor does it preclude any discretionary treatment which may be allowed under the law.

Note that regarding Excise Duty, only matters relating to domestic Excise Duty have been included in this Practice Note.

Any enquiries regarding the content of this document may be made through the Zambia Revenue Authority (ZRA) National Call Centre, your nearest Customer Experience Centre or any ZRA Office.

Dingani Banda

COMMISSIONER-GENERAL

PART I:

SUMMARY OF AMENDMENTS

2.0

THE INCOME TAX (AMENDMENT) ACT NO 22 OF 2023

Section

Subject

1	Title and commencement
2	<ul style="list-style-type: none">(i) Deletes the definition of Electronic Fiscal Device;(ii) Extends the scope of rural enterprise to all rural businesses except for those carrying on mining operations or mineral processing activities;(iii) Aligns the definition of electronic invoicing system in the Income Tax Act to the Value Added Tax Act; and(iv) Introduces the definition of special economic zones.
45	<ul style="list-style-type: none">(i) Obligates a person to obtain a Taxpayer Identification Number (TPIN) even when the person is not carrying on business;(ii) Obligates a person carrying on business to obtain a TPIN at the time of registering a business;(iii) Obligates a person carrying on business in a partnership to obtain a TPIN for the partnership at the time of registering a business; and(iv) Clarifies that a person or partnership must register for the appropriate tax type within 30 days of receipt of income liable to tax.
48	Empowers the Commissioner-General to obtain information that was previously protected by other laws.
55B(1)	Mandates taxpayers to use an electronic invoicing system to record sales.
55B(2)	Provides for the Commissioner-General to approve alternative systems to the electronic invoicing system
55B(2A)	Empowers the Commissioner-General to exempt persons or partnerships from the use of the electronic invoicing system.
56(1A)	Provides that accounts submitted by large taxpayers to support their returns should be audited accounts.
82A(11)	Extends the deduction of withholding tax on discount income applicable to treasury bills to other similar financial instruments.

97A(11B)	Provides that the assessment date for cases under litigation, shall be the date of determination or the final ruling.
100(1)(e)(v)	Specifies the penalties applicable to artisanal mining for incorrect returns
100(1)(e)(vi)	Renumbers subparagraph (v) as subparagraph (vi) following the insertion of a new subparagraph (v).
Fifth Schedule Para 10(6)	Extends the option to claim wear and tear allowance, at an accelerated rate to a developer operating in a special economic zone.
Charging Schedule Para 2(1)(c)(d)(e) and (f)	<ul style="list-style-type: none"> (i) Increases the Pay As You Earn tax free threshold for an individual to to K61,200 from K57,600; (ii) Reduces the highest rate of tax applicable to individuals to 37% from 37.5%; and (iii) Adjusts the income bands accordingly.
Charging Schedule Para 5(a)	Increases the tax incentive available to a rural enterprise to 1/5 from 1/7.
Charging Schedule Para 5(m)	Introduces a 0% income tax rate on income earned from producing cotton seed or from ginning of cotton, for the first 5 years the business is carried on
Charging Schedule Para 5(n)	Introduces a 0% income tax rate on income earned from spinning of cotton and weaving of cotton thread, for the first 10 years the business is carried on.

3.0 THE INCOME TAX (TRANSFER PRICING) (AMENDMENT) REGULATIONS, STATUTORY INSTRUMENT NO. 62 OF 2023

Regulation	Subject
1	Title and Commencement
13(3)	Mandates a person to apply to the Commissioner-General to use other transfer pricing methods that are not prescribed.
22A(1)	<ul style="list-style-type: none"> (i) Deletes the definition of reporting accounting year; (ii) Removes reference to a state and replaces it with jurisdiction; and

(iii) Introduces the definition of reporting fiscal year.

General Amendment Replaces the words “reporting accounting year” with the words “reporting fiscal year”.

4.0 INCOME TAX (LOCAL CONTENT ALLOWANCE) REGULATIONS, STATUTORY INSTRUMENT NO. 61 OF 2023

Regulation **Subject**

1 Title and Commencement

2 Includes sorghum and millet to the list of agricultural products that are allowed for the local content allowance.

5.0 THE VALUE ADDED TAX (AMENDMENT) ACT NO. 27 OF 2023

Section **Subject**

1 Title and commencement

2 (i) Deletes the definitions of electronic commerce, electronic fiscal device, electronic fiscal printer, electronic signature device, fiscalised electronic register and fiscal memory;
(ii) Deletes and replaces the definition of electronic service; and
(iii) Introduces the definitions of electronic invoicing system, cross border electronic services and imported service.

8 (i) Excludes supplies that are within the scope of cross border electronic services from the general provision of imported services (reverse VAT);
(ii) Mandates a non-resident supplier to apply for registration of an appointed tax agent; and
(iii) Empowers the Commissioner-General to exclude a non-resident supplier of services from appointing a tax agent.

8A Repeals Section 8A

18(3) Includes all invoices issued from the Electronic Invoicing System and Cross Border Electronic Services, as documentary evidence for input tax deductions.

42(3) Allows mining companies to keep their books of accounts in United States Dollars, upon meeting certain conditions.

General Amendment Deletes and Replaces the words “electronic fiscal device” with “electronic invoicing system.”

6.0 THE VALUE ADDED TAX (EXEMPTION) (AMENDMENT) ORDER STATUTORY INSTRUMENT NO. 60 OF 2023

Paragraph **Subject**

1 Title and commencement

Item 17 Exempts the supply of mains water and sewerage services from Value Added Tax.

7.0 THE VALUE ADDED TAX (GENERAL) (AMENDMENT) REGULATIONS, STATUTORY INSTRUMENT NO. 59 OF 2023

Regulations **Subject**

1 Title and commencement

13(1)(c) Increases the period for an intending trader involved in hydroelectricity generation to claim input tax to 7 years from 4 years.

13(1)(d) Renumbers paragraph (c) as paragraph (d) following the insertion of a new paragraph (c).

8.0 THE CUSTOMS AND EXCISE (AMENDMENT) ACT NO. 25 OF 2023

Section **Subject**

1 Title and Commencement

2 (i) Deletes the definition of electronic fiscal device.
(ii) Aligns the definition of electronic invoicing system in the Customs and Excise Act to the Value Added Tax Act.

41(1) Restricts the importation of alcohol with an alcoholic content of 80% and above to licenced manufacturers of spirits and approved users.

188A Deletes and replaces the words “electronic fiscal device” with “electronic invoicing system”.

Second Schedule Heading 1 Increases the specific excise duty on non-alcoholic beverages to 60 Ngwee per litre from 30 Ngwee per litre.

Second Schedule Heading 6(3) Reduces excise duty on alcohol of HS code 2207.20.90 to 60% per litre from 125% per litre.

Second Schedule Heading 7

- (i) Increases the specific excise duty rates for unmanufactured tobacco and tobacco refuse to K400 per kg from K361 per kg;
- (ii) Increases the specific excise duty rates on cigars, cheroots, cigarillos and cigarettes, of tobacco or tobacco substitutes to K400 per mille from K361 per mille; and
- (iii) Increases the specific excise duty rates on water pipe tobacco, cutrag and other manufactured tobacco and manufactured tobacco substitutes, homogenised or reconstituted tobacco, tobacco extracts and essences to K400 per kg from K361 per kg.

Second Schedule Heading 9(2) Introduces excise duty at 5% on Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated, retort carbon.

Second Schedule Heading 9(3)and(4) Rearranges subheadings (2) and (3) as subheadings (3) and (4) following the insertion of a new subheading (2).

Sixth Schedule Para 1(2) Deletes subparagraph 2

Sixth Schedule Para 1(2),(3),(4) and (5) Rearranges subparagraphs (3), (4), (5) and (6) as (2), (3), (4) and (5) respectively following the deletion of subparagraph (2).

9.0 CUSTOMS AND EXCISE (GENERAL) (AMENDMENT) REGULATIONS, STATUTORY INSTRUMENT NO. 64 OF 2023

Regulation **Subject**

1 Title and Commencement

54(1)(e) Introduces an allowable loss of not more than 1% of cutrag used in the manufacture of tobacco products.

Sixth Schedule Includes Californian Beverages Limited to the list of companies that the Zambia Defence Forces may purchase non-alcoholic beverages free of excise duty.

10.0 CUSTOMS AND EXCISE (SUSPENSION) (CLEAR BEER) REGULATIONS, STATUTORY INSTRUMENT NO. 66 OF 2023

Regulation **Subject**

1 Title and Commencement

2 Application

3 Introduces definitions of brewer, excess quantities, small and medium manufacturer and manufacturing.

4 Reduces the excise duty on clear beer made from malt to 20% from 40% and clear beer made from cassava to 5% from 10%.

11.0 CUSTOMS AND EXCISE (SUSPENSION) (INTERNET SERVICES) REGULATIONS, STATUTORY INSTRUMENT NO. 68 OF 2023

Regulation **Subject**

1 Title and Commencement

2 Introduces the definitions of Public Higher Education Institution and Zambia Research and Education Network.

3 Removes excise duty on internet services when supplied to a public higher education institution that is registered with the Zambia Research and Education Network.

12.0 CUSTOMS AND EXCISE (SUSPENSION) (CLEAR BEER) REGULATIONS, STATUTORY INSTRUMENT NO. 71 OF 2023

Regulation **Subject**

- 1 Title and Commencement
- 1A Introduces definitions of brewer, excess quantities, and small and medium enterprise.
- 1B Excludes clear beer made from sorghum manufactured by a small and medium enterprise or if brewed in excess quantities from the suspension of excise duty.

PART II: COMMENTARY ON AMENDMENTS

13.0 THE INCOME TAX (AMENDMENT) ACT NO. 22 OF 2023

13.1 SECTION 1: TITLE AND COMMENCEMENT

This Act shall come into operation on 1st January, 2024

13.2 SECTION 2: INTERPRETATION

13.2.1 Section 2 (1) of the principal Act is amended by the deletion of the definition of “*electronic fiscal device*”

This amendment deletes the definition of “electronic fiscal device” because the definition of electronic fiscal device has become redundant following the introduction of the electronic invoicing system.

13.2.2 Section 2 (1) of the principal Act is amended by the deletion of the definition of “rural enterprise” and the substitution therefor of the following:

“rural enterprise” means an enterprise located in a rural area except an enterprise carrying on business of mining operations or mineral processing;

This amendment extends the scope of rural enterprise to all businesses operating in a rural area except for enterprises carrying on the business of mining operations or mineral processing activities.

13.2.3 Section 2 (1) of the principal Act is amended by the insertion of the following new definition:

“electronic invoicing system” has the meaning assigned to the words in the Value Added Tax Act;

This amendment aligns the definition of electronic invoicing system in the Income Tax Act to the Value Added Tax Act.

The Value Added Tax Act defines “electronic invoicing system” as follows:

“electronic invoicing system” means the core system and any other system which has a fiscal memory capable of generating and storing fiscal information and transmitting production, invoicing and stock data in real time to the Authority, and has the capacity to generate and record data and other reports and includes software applications and web based applications;

13.2.4 Section 2(1) of the principal Act is amended by the insertion of the following new definition:

“special economic zone” has the meaning assigned to the words in the Investment, Trade and Business Development Act, 2022.

This amendment introduces the definition of special economic zones which are areas that are subject to unique economic regulations.

The Investment, Trade and Business Development Act defines “special economic zone” as follows:

“special economic zone” means an area that is subject to unique economic regulations and includes multi-facility economic zones, industrial parks, inter-country trade zones and export processing zones;

13.3 SECTION 45: TAXPAYER IDENTIFICATION NUMBER AND REGISTRATION FOR TAX TYPE

The principal Act is amended by the deletion of section 45 and the substitution therefor of the following:

- (1) A person shall obtain a taxpayer identification number from the Authority.*
- (2) A person carrying on a business in partnership shall obtain a taxpayer identification number for that partnership from the Authority.*
- (3) A person or partnership shall, within thirty days from first receiving income liable to tax under this Act, register with the Authority for an appropriate tax type.*

The amendment:

- (i) Introduces the obligation for a person to obtain a Taxpayer Identification Number (TPIN) even when the person is not carrying on business;
- (ii) Introduces the obligation for a person carrying on business to obtain a TPIN at the time of registering a business;
- (iii) Introduces the obligation for a person carrying on business in a partnership to obtain a TPIN for the partnership at the time of registering a business; and
- (iv) Clarifies that a person or partnership must register for the appropriate tax type within 30 days of receipt of income liable to tax.

13.4 SECTION 48: FURNISHING OF INFORMATION

Section 48 of the principal Act is amended by the deletion of subsection (1) and the substitution therefor of the following:

- (1) Despite any other written law, 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.*

This amendment empowers the Commissioner-General to obtain information from the Regulators in order to facilitate exchange of information. This means that the Income Tax Act supersedes the provisions of the Banking and Financial Services Act, the Evidence (Bankers Books) Act, the Accountants Act, the Legal Practitioners Act and the Data Protection Act to mention but a few. With this amendment, the Commissioner-General can obtain information from Regulators that was previously protected by other laws.

13.5 SECTION 55B: ACCOUNTS AND RECORDS

13.5.1 Section 55B of the principal Act is amended by the deletion of subsection (1) and the substitution therefor of the following:

(1) A person or partnership carrying on a business shall use an electronic invoicing system to record sales for income tax purposes.

This amendment replaces the words “electronic fiscal device” with “electronic invoicing system”. This change has made it mandatory for taxpayers to use an electronic invoicing system to record sales.

13.5.2 Section 55B of the principal Act is amended by the deletion of subsection (2) and the substitution therefor of the following:

(2) Despite subsection (1), the Commissioner-General may approve the use of a document, device or equipment, other than an electronic invoicing system, for a certain category of persons or partnerships carrying on business.

This amendment provides for the Commissioner-General to approve the use of a document, device or equipment other than an electronic invoicing system for recording transactions by certain categories of persons or partnerships carrying on business.

13.5.3 Section 55B of the principal Act is amended by the insertion of the following new subsection immediately after subsection (2):

(2A) The Commissioner-General may, on prescribed conditions, exempt a person or partnership or a category of persons or partnerships from using the electronic invoicing system.

The amendment empowers the Commissioner-General to exempt persons or partnerships or a category of persons or partnerships from the use of electronic invoicing system if they meet the prescribed conditions.

13.6 SECTION 56: DOCUMENTS IN SUPPORT OF RETURNS

Section 56 of the principal Act is amended by the insertion of the following new subsection immediately after subsection (1):

(1A) The accounts referred to in subsection (1) shall, in the case of a person classified as a large taxpayer by the Authority, be audited accounts.

This amendment provides that accounts submitted by large taxpayers to support their returns should be audited accounts.

NOTE:

Large taxpayers in this context means taxpayers as classified as such by the Authority. Submitting accounts at the time of filing returns is still not a mandatory requirement. What this amendment means is that the accounts supporting the return, in the case of a large taxpayer, must be audited accounts.

13.7 SECTION 82A: DEDUCTION OF TAX FROM CERTAIN PAYMENTS

Section 82A of the principal Act is amended by the deletion of subsection (11) and the substitution therefor of the following:

(11) The payment of an amount in excess of the original issue price for any treasury bill or similar financial instrument sold at a discount from face value shall be considered for the purposes of this section to be payment of interest when the treasury bill or any other similar financial instrument is presented for redemption or rediscount.

This amendment extends the deduction of withholding tax on discount income applicable to treasury bills to other financial instruments that are similar to treasury bills such as government bonds.

NOTE:

This amendment is applicable to treasury bills or similar instruments bought with effect from 1st January 2024.

13.8 SECTION 97A: TRANSFER PRICING

Section 97A of the principal Act is amended by the insertion of the following new subsection immediately after subsection (11A):

(11B) The date of assessment referred to under subsection (11A) shall, where a decision under this section is appealed against or is before a court, be considered to be the date on which the decision on appeal is given or the final ruling is rendered by a court.

The amendment provides that the assessment date for cases under litigation, shall be the date of determination or the final ruling. Prior to this amendment, cases that were assessed but under litigation and concluded beyond 12 months from the date of the assessment were time barred. Therefore, taxpayers were not able to make a claim.

13.9 SECTION 100: PENALTY FOR INCORRECT RETURNS, ETC

13.9.1 Section 100(1)(e) of the principal Act is amended by the insertion of the following new subparagraph immediately after subparagraph (iv):

(v) in relation to artisanal mining—

- (a) in the case of negligence, one-point five percent of the amount;*
- (b) in the case of wilful default, three percent of the amount; and*
- (c) in the case of fraud, four-point five percent of the amount;*

This amendment introduces specific penalties for incorrect declarations in relation to artisanal mining. These specific penalties are lower than the general penalties. Prior to this change, penalties for incorrect declarations of artisanal mining were based on the general penalties for incorrect declarations provided in the Income Tax Act. Table 1 indicates the penalties for incorrect declarations applicable from 1st January 2024 and the periods prior to 2024.

Table 1: Penalties for incorrect returns for artisanal mining

Offence	2024	Prior to 2024
Negligence	1.5% of the under declared amount	17.5% of the under declared amount
Wilful Default	3% of the under declared amount	35% of the under declared amount
Fraud	4.5% of the under declared amount	52.5% of the under declared amount

13.9.2 Section 100(1)(e) of the principal Act is amended by the renumbering of subparagraph (v) as subparagraph (vi).

The amendment renumbers subparagraph (v) as subparagraph (vi) following the insertion of a new subparagraph (v).

13.10 FIFTH SCHEDULE – CAPITAL ALLOWANCES FOR BUILDINGS, IMPLEMENTS, MACHINERY AND PLANT, AND PREMIUMS

The Fifth Schedule to the principal Act is amended in paragraph 10, by the deletion of subparagraph (6) and the insertion of the following new subparagraph:

(6) Despite the other provisions of this Act, a person operating a business in a priority sector and a developer in a special economic zone, may claim on a straight-line basis,

wear and tear at an accelerated rate, not exceeding 100 percent in respect of any new implement, plant or machinery acquired and used by the business for the purposes of that business.

The amendment extends the option to claim wear and tear allowance, at an accelerated rate not exceeding 100%, to a developer operating in special economic zones. Where the person elects to claim the wear and tear allowance over a period of time, such amount shall be claimed in equal amounts (straight-line basis).

Prior to this amendment, the incentive was only applicable to a person operating in a priority sector. In order to qualify for the incentive, the following conditions must be met:

- (i) The implement, plant or machinery should be new. The term “new” as used in this context means implement, plant or machinery that is acquired to be used in the business for the first time; and
- (ii) The implement, plant or machinery should be used by the developer for the purposes of the business.

Example 1: Claiming the Wear and Tear Allowance at an Accelerated Rate

Company X, a developer operating in a special economic zone, has acquired machinery worth K100,000,000. Following the amendment of the law, the company can elect to claim the wear and tear allowance at an accelerated rate of 100% in one year or to spread it equally for a period of two years (straight-line basis). The illustrations are as shown in table 2 and 3:

Table 2: Option 1 – Allowance Claimed at 100%

100% allowance Claimed in the first year	
Charge year	2024
	ZMW
Total Expenditure	100,000,000
100% allowance	100,000,000
Qualifying Allowance	100,000,000

Table 3: Option 2 – Allowance Claimed at 50%

Allowance Claimed at an accelerated rate of 50% i.e for a period of 2 years with total Expenditure of ZMW 100,000,000		
	Qualifying Allowance	WDV
	ZMW	ZMW
Year 1	50,000,000	50,000,000
Year 2	50,000,000	0.00
Total Allowance Claimed	100,000,000	

Option 1 shows a situation where a taxpayer claims the wear and tear allowance at an accelerated rate of 100% in one year.

Option 2 illustrates where a taxpayer elects to claim the wear and tear allowance at an accelerated rate of 50% (for a period of 2 years). Meaning, in Year 1 a K50 million is claimed then in year 2 another K50 million is claimed, thus exhausting the claim fully in 2 years.

13.11 CHARGING SCHEDULE

13.11.1 PAY AS YOU EARN – PARAGRAPH 2(1)(c)(d)(e) and (f)

The amendment increases the annual income band taxable at zero percent for individuals (those in employment and self-employed) to K61,200 from K57,600 and the income bands have been adjusted accordingly. This amendment gives relief by increasing the income band taxable at 0%. This means that an individual who earns up to K5,100 per month or up to K61,200 per annum shall not pay tax because the income is taxed at 0%.

Further, the amendment reduces the highest rate of tax applicable to individuals to 37% from 37.5% on the balance of an individual's income that exceeds K9,200 per month or K110,400 per annum.

The income bands have been adjusted as shown in the tables 4 and 5:

Table 4: Comparison of Personal Income Tax Bands – Annual

2024 CHARGE YEAR income bands	2024 RATES	2023 CHARGE YEAR income bands	2023 RATES
First K61,200	0%	First K57,600	0%
Above K61,200 up to K85,200	20%	Above K57,600 up to K81,600	20%
Above K85,200 up to K110,400	30%	Above K81,600 up to K106,800	30%
Above K110,400	37%	Above K106,800	37.5%

Table 5: Comparison of Personal Income Tax Bands – Monthly

2024 CHARGE YEAR income bands	2024 RATES	2023 CHARGE YEAR income bands	2023 RATES
First K5,100	0%	First K4,800	0%
Above K5,100 up to K7,100	20%	Above K4,800 up to K6,800	20%
Above K7,100 up to K9,200	30%	Above K6,800 up to K8,900	30%
Above K9,200	37%	Above K8,900	37.5%

Example 2

This example illustrates how an employee earning K10,000 per month is taxed in the charge year 2023 and in the charge year 2024.

Table 6: Comparison of PAYE payable for 2023 and 2024

2024 CHARGE YEAR			2023 CHARGE YEAR		
Income Band	Tax Rate	Total Payable	Income Band	Tax Rate	Total Payable
First K5,100	0%	K0	First K4,800	0%	K0
Above K5,100 - K7,100	20%	K400	Above K4,800 - K6,800	20%	K400.00
Above K7,100 upto K9,200	30%	K630	Above K6,800 upto K8,900	30%	K630.00
Above K9,200	37%	K296	Above K8,900	37.5%	K412.50
Total Tax Payable		K1,326	Total Tax Payable		K1,442.50

The table shows that for the same income of K10,000, employees will pay less tax in 2024 compared to what they paid in 2023.

13.11.2 The Charging Schedule to the principal Act is amended in paragraph 5 item (a), by the deletion of the words “one-seventh” and the substitution therefor of the words “one-fifth”.

The new paragraph 5 (a) now reads as follows:

(a) the tax chargeable on income received from a rural enterprise shall be reduced for each of the first five charge years for which that business is carried on, by such amount as equal to one-fifth of the tax which would otherwise be chargeable on that income;

The amendment increases the tax incentive available to a rural enterprise to one-fifth (1/5) or 20% from one-seventh (1/7) or 14.3%, for each of the first five charge years of operation of a business. This means that a rural enterprise shall only pay 80% of the tax which would be chargeable on the income for each of the first five charge years of operation of the business.

However, this incentive does not apply to businesses operating in rural areas whose turnover is K800,000 and below. This means that taxpayers that operate in a rural area but are registered on Turnover tax do not qualify for this incentive.

NOTE:

This incentive applies to businesses that are within the first 5 years of operations. Refer to example 4 for an example on how to compute the tax payable by a rural enterprise following this amendment.

13.11.3 The Charging Schedule to the principal Act is amended in paragraph 5 by the insertion of the following new item immediately after item (l):

(m) maximum rate of tax charged on the income earned by a producer of cotton seed or from ginning of cotton shall be zero percent for the first five charge years for which that business is carried on;

This amendment introduces a 0% income tax rate on income earned from producing cotton seed or from ginning of cotton, for the first 5 years of operation of the business.

NOTE:

This incentive will apply to businesses that are within the first 5 years of operations. This means that for a business that earns income from cotton seed or from ginning of cotton thread that commenced operations on 1st January 2024, it will pay income tax at 0% for the next 5 years. Further, for businesses that are already in operation, the incentive will apply on the residual period leading to 5 years. For example, if a business has been in operation for 3 years, it can only enjoy the incentive for the next 2 years.

13.11.4 The Charging Schedule to the principal Act is amended in paragraph 5 by the insertion of the following new item immediately after item (m):

(n) maximum rate of tax charged on the income earned from spinning of cotton and weaving of thread shall be zero percent for the first ten charge years for which that business is carried on.

This amendment introduces a 0% income tax rate on income earned from spinning of cotton and weaving of cotton thread, for the first 10 years of operation of the business.

NOTE:

This incentive will apply to businesses that are within the first 10 years of operations. This means that for a business that earns income from spinning of cotton and weaving of cotton thread that commenced operations on 1st January 2024, it will pay income tax at 0% for the next 10 years. Further, for businesses that are already in operation, the incentive will apply on the residual period leading to 10 years. For example, if a business has been in operation for 7 years, it can only enjoy the incentive for the next 3 years.

14.0 THE INCOME TAX (TRANSFER PRICING) (AMENDMENT) REGULATIONS, STATUTORY INSTRUMENT NO. 62 OF 2023

14.1 REGULATION 1: TITLE AND COMMENCEMENT

These Regulations come into operation on 1st January 2024.

14.2 REGULATION 13: CHOICE OF TRANSFER PRICING METHOD

Regulation 13(3) of the principal Regulations is amended by the deletion of the word “may” and the substitution therefor of the word “shall”.

The new sub regulation (3) now reads as follows:

A person shall apply in writing to the Commissioner-General for use of a method other than those under regulation 12(3), and where the Commissioner-General is satisfied, the Commissioner-General shall grant approval.

This amendment makes it mandatory for a person to apply to the Commissioner-General to use other transfer pricing methods that are not prescribed by the Commissioner-General, when pricing transactions between related parties.

14.3 REGULATION 22A: SUBMISSION OF COUNTRY BY COUNTRY REPORT

14.3.1 Regulation 22A of the principal Regulations is amended in subsection 1, by the deletion of the definition of “reporting accounting year”.

This amendment deletes the definition of “reporting accounting year” because of the introduction of the definition of “reporting fiscal year”. This is in order to align with international best practice.

14.3.2 Regulation 22A of the principal Regulations is amended in subsection 1, by the deletion of the definitions “reporting entity” and “surrogate parent entity” and the substitution therefor of the following:

“reporting entity” means a constituent entity that is required to file a country by country report in the constituent entity’s jurisdiction of tax residence on behalf of a multi-national enterprise group, and includes an ultimate parent entity, a surrogate parent entity, or an entity described in sub-regulation (5);

“surrogate parent entity” means one constituent entity of the multi-national enterprise group that is appointed by a multinational enterprise group, as a sole substitute for the ultimate parent entity, to file a country by country report in that constituent entity’s jurisdiction of tax residence, on behalf of the multinational enterprise group, when one or more of the conditions set out in sub-regulation 5(b) is applied;

This amendment removes reference to a State and replaces it with jurisdiction. This is because the term “State” is restrictive as it refers to a country or a particular region in the case of a federal system of governance. The term “jurisdiction”, however, is broader because it encompasses states and also other territories that have varying degrees of autonomy or self-governance. Therefore, it is possible to have a tax jurisdiction that is not a State.

14.3.3 Regulation 22A of the principal Regulations is amended in subsection 1, by the insertion of the following new definition in the appropriate place:

“reporting fiscal year” means a fiscal year whose financial and operational results are reflected in the country by country report in accordance with sub-regulation 3;

This amendment introduces the definition of reporting fiscal year in order to align with international good practice.

14.3.4 Regulation 22A of the principal Regulations is amended by the deletion of the words “reporting accounting year” wherever the words appear, and the substitution therefor of the words “reporting fiscal year”

This amendment replaces the words “reporting accounting year” with the words “reporting fiscal year”.

15.0 INCOME TAX (LOCAL CONTENT ALLOWANCE) REGULATIONS, STATUTORY INSTRUMENT NO. 61 OF 2023

15.1 REGULATION 1: TITLE AND COMMENCEMENT

These Regulations shall come into operation on 1st January, 2024.

15.2 REGULATION 2: LOCAL CONTENT ALLOWANCE FOR AGRICULTURAL PRODUCTS

The Schedule to the principal Regulations is amended by the insertion of the following new items immediately after item 4:

5. Sorghum

6. Millet

NOTE:

This amendment introduces a Local Content Allowance at the rate of 2% for manufacturers or agro-processors that utilise the prescribed agricultural products. The local content allowance will be based on the cost of the prescribed agricultural products. The taxpayers may claim the allowance:-

- (a) If they are carrying on agro-processing or manufacturing business;
- (b) If the prescribed agricultural products are grown in Zambia or the taxpayer purchased the products grown in Zambia;
- (c) within a charge year and can only be claimed for a maximum of 3 years; and
- (d) based on the revenue expenditure incurred.

The agricultural products allowed for the local content allowance as prescribed by the Minister of Finance are Sorghum and millet in addition to the already approved products i.e Cassava, Pineapple, Mango and Tomato.

16.0 THE VALUE ADDED TAX (AMENDMENT) ACT NO. 27 OF 2023

16.1 SECTION 1: TITLE AND COMMENCEMENT

This Act comes into operation on 1st January 2024.

16.2 SECTION 2: INTERPRETATION

- 16.2.1** Section 2 of the principal Act is amended by the deletion of the definitions of “electronic commerce”, “electronic fiscal device”, “electronic fiscal printer”, “electronic signature device”, “fiscalised electronic register” and “fiscal memory”.

The amendment deletes the definitions of electronic fiscal device, electronic fiscal printer, electronic signature device, fiscalised electronic register and fiscal memory. These definitions have become redundant following the introduction of the electronic invoicing system.

Further, the amendment deletes the definition of electronic commerce following the repeal of section 8A.

- 16.2.2** Section 2 of the principal Act is amended by the deletion of the definition “electronic service” and the substitution therefor of the following:

“electronic service” means a service provided or delivered on or through the internet, electronic or digital network.

The amendment deletes and replaces the definition of electronic service with a definition that broadens the scope of electronic services.

- 16.2.3** Section 2 of the principal Act is amended by the insertion of the following new definitions in the appropriate places in alphabetical order:

“electronic invoicing system” means the core system and any other system which has a fiscal memory capable of generating and storing fiscal information and transmitting production, invoicing and stock data in real time to the Authority, and has the capacity to generate and record data and other reports and includes software applications and web based applications;

“cross border electronic services” means electronic services supplied in the Republic by a supplier who is resident or carries on business outside the Republic; and

“imported service” means a service rendered by a supplier who is resident outside the Republic and—

(a) performed or undertaken in the Republic; or

(b) the benefit of the service is for a recipient in the Republic.

The amendment introduces the definitions of electronic invoicing system and cross border electronic services in order to support the implementation of the electronic invoicing system and the taxation of cross border electronic services, respectively.

Further, the amendment introduces the definition of an imported service.

16.3SECTION 8: IMPOSITION AND SCOPE OF TAX

The principal Act is amended by the repeal of section 8 and the substitution therefor of the following:

8. (1) A tax shall be charged, levied, collected and paid, in a prescribed manner, in respect of a—

(a) taxable supply of goods or services, other than zero rated supply, made in the Republic in furtherance of a business by a registered supplier eligible for registration under section 28; and

(b) taxable importation of goods or services into the Republic, that takes place on or after the tax commencement day.

(2) The reference in subsection (1) to a supply of goods or services in the Republic includes a reference to a supply that, by the operation of sections 11 or 12 or, of any rule made under those sections, is to be regarded as taking place in the Republic.

(3) Tax on a supply of goods and services is payable by the supplier of the goods or services and, subject to any other provisions made by or under this Act in relation to accounting, is due and payable at the time of supply.

(4) Tax on an importation of goods shall be charged as if the tax were a duty of customs under the Customs and Excise Act, and is payable, accordingly, by the importer of the goods.

(5) A recipient of an imported service shall pay tax on the importation of that service.

(6) The tax referred to under subsection (5) shall be paid if the—

(a) recipient of the imported service has not paid tax due in the country of exportation;

*(b) the supplier who is resident outside the Republic has not appointed a tax agent;
or*

(c) services supplied are not under the scope of cross border electronic services.

(7) The input tax corresponding to the tax paid under subsection (5) shall be excluded from a claim, deduction or credit under section 18.

(8) A supplier who does not have a registered office or permanent address of business in the Republic shall appoint a person resident in the Republic as a tax agent to act on behalf of that supplier in matters relating to tax.

(9) A supplier shall apply to the Commissioner-General for registration of the tax agent appointed by that supplier under subsection (8) in a manner determined by the Commissioner-General.

(10) Despite subsection (8), the Commissioner-General may, on application by a supplier, exclude a supplier from appointing a tax agent.

(11) Where the Commissioner-General registers a tax agent appointed under subsection (8), any liability of the taxable supplier under this Act, other than any liability subsisting before the agent's appointment, shall on and from the date of appointment, and without affecting such liability of that supplier, subsist to a like extent and severally against the tax agent until a time as the Commissioner-General may determine.

(12) The liability of the taxable supplier that extends to a tax agent includes the liability to—

(a) keep and preserve, or produce records or accounts;

(b) furnish a tax return;

(c) pay tax or interest under the Act; and

(d) comply with any requirement of the Commissioner-General in respect of the business.

(13) For the purposes of this section, "supply of services" includes the supply of a service that is made by a supplier who is resident outside the Republic to a recipient who is resident in the Republic.

This amendment:

- i. Excludes supplies that are within the scope of cross border electronic services from the general provision of imported services (reverse VAT);
- ii. Makes it mandatory for a non-resident supplier to apply for registration of an appointed tax agent; and
- iii. Empowers the Commissioner-General to exclude a non-resident supplier of services from appointing a tax agent, upon application.

16.4 REPEAL OF SECTION 8A

The principal Act is amended by the repeal of section 8A.

This amendment deletes Section 8A which made it mandatory for non-resident suppliers to account for tax through tax agents. However, with the amendment of Section 8 and the introduction of

subsidiary legislation (Statutory Instruments and VAT General Rules) for the taxation of electronic services, non-resident suppliers will now account for tax arising from electronic services.

Further, a non-resident supplier wishing to account for tax through a tax agent should apply to the Commissioner-General.

16.5 SECTION 18: TAX DEDUCTIONS AND CREDIT

Section 18 of the principal Act is amended by the deletion of subsection (3) and the substitution therefor of the following:

(3) A supplier shall not deduct, credit, or claim input tax, unless the supplier at the time of lodging the return in which the deduction, credit or claim is made, is in possession of—

(a) a tax invoice issued from a serially numbered invoice book;

(b) a tax invoice issued from a computer package authorised by the Commissioner-General for the purpose of invoicing taxable supplies;

(c) an invoice issued from the approved invoicing system;

(d) an invoice with contents in accordance with the administrative rule made by the Commissioner-General; or

(e) in the case of imported goods, import bills of entry and documentary evidence of the payment of tax that the Commissioner-General may, by administrative rule, determine.

This amendment includes invoices issued from the electronic invoicing system and invoices issued in respect of cross border electronic services, as documentary evidence for input tax deductions.

16.6 SECTION 42: RECORDS AND ACCOUNTS

Section 42 of the principal Act is amended by the insertion of the following new subsection immediately after subsection (2):

(3) A person carrying out any mining operations may keep books of accounts, in United States Dollars, of all transactions relating to, connected with, or incidental to, such operations if the Commissioner-General is satisfied that not less than seventy-five percent of that person's gross income from mining operations is earned in the form of foreign exchange from outside the Republic.

The amendment aligns the provision with the provisions in the Income Tax Act. In order to be allowed to keep the books of accounts in United States Dollars, the following conditions will apply:

(1) The person must be carrying on mining operations;

- (2) An application must be made to the Commissioner-General; and
- (3) The Commissioner-General must be satisfied that 75 percent or more of the gross income in form of foreign exchange from mining operations is earned from outside the Republic.

NOTE:

- (1) Mining Operations means an operation carried out under a mining right, excluding an operation carried out under a mineral processing licence only or an exploration licence.
- (2) Taxpayers that are already keeping their books in United States Dollars following approval (for income tax purposes) by the Authority are not required to make new applications.
- (3) Once approval has been granted, the taxpayer cannot elect to start keeping the book of accounts in Zambian Kwacha without Commissioner General's approval.

16.7 GENERAL AMENDMENT

The principal Act is amended by the deletion of the words “electronic fiscal device” wherever the words appear and the substitution therefor of the words “electronic invoicing system”.

This amendment deletes and replaces the words “electronic fiscal device” with “electronic invoicing system”. This is because the electronic fiscal devices have been phased out following the introduction of the electronic invoicing system.

17.0 THE VALUE ADDED TAX (EXEMPTION) (AMENDMENT) ORDER STATUTORY INSTRUMENT NO. 60 OF 2023

17.1 TITLE AND COMMENCEMENT

This Order comes into operation on 1st January 2024.

17.2 Item 17: Water Supply Services

The Schedule to the principal Order is amended by the insertion of the following new item immediately after item 16:

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

The amendment exempts the supply of mains water and sewerage services from Value Added Tax. However, this exemption does not include sewerage pump out services. This means that sewerage pump out services remain standard rated.

**18.0 THE VALUE ADDED TAX (GENERAL) (AMENDMENT) REGULATIONS,
STATUTORY INSTRUMENT NO. 59 OF 2023**

18.1 TITLE AND COMMENCEMENT

These Regulations come into operation on 1st January, 2024.

18.2 REGULATION 13: TAX PAID PRIOR TO REGISTRATION

18.2.1 Regulation 13 of the principal Regulations is amended in subregulation (1) by the insertion of the following new paragraph immediately after paragraph (b):

(c) seven years from the date of registration as an intending trader for hydroelectricity generation;

This amendment increases the period for an intending trader involved in hydroelectricity generation to claim input tax to 7 years from 4 years. “Intending trader” means a supplier who is registered in anticipation of commencing trading activities. With this amendment, businesses registered with effect from 1st January 2024 in anticipation of commencing hydroelectricity generation can now claim input tax for a period of up to 7 years before they start making taxable supplies.

NOTE:

This amendment is only applicable to intending traders involved in hydroelectricity generation.

18.2.2 Regulation 13 of the principal Regulations is amended in subregulation (1) by the renumbering of paragraph (c) as paragraph (d).

This amendment renumbers paragraph (c) as paragraph (d) following the insertion of a new paragraph (c).

19.0 THE CUSTOMS AND EXCISE (AMENDMENT) ACT NO. 25 OF 2023

19.1 SECTION 1: TITLE AND COMMENCEMENT

This Act comes into operation on 1st January, 2024.

19.2 SECTION 2: INTERPRETATION

19.2.1 Section 2 of the principal Act is amended by the deletion of the definition “electronic device”;

This amendment deletes the definition of “electronic fiscal device” because the definition of electronic fiscal device has become redundant following the introduction of the electronic invoicing system.

19.2.2 Section 2 of the principal Act is amended by the insertion of the following new definition in the appropriate place in alphabetical order:

“electronic invoicing system” has the meaning assigned to the words in the Value Added Tax Act;

This amendment aligns the definition of electronic invoicing system in the Customs and Excise Act to the Value Added Tax Act.

The Value Added Tax Act defines “electronic invoicing system” as follows:

“electronic invoicing system” means the core system and any other system which has a fiscal memory capable of generating and storing fiscal information and transmitting production, invoicing and stock data in real time to the Authority, and has the capacity to generate and record data and other reports and includes software applications and web based applications.

19.3 SECTION 41: RESTRICTED IMPORTATIONS

Section 41(1) of the principal Act is amended by the insertion of the words “alcohol with an alcoholic content of above eighty percent”, immediately after the words “Zambia of”.

The new section 41(1) now reads as follows:

Except with the written permission of the Commissioner-General and under such conditions as he may consider it necessary to impose, the importation into Zambia of alcohol with an alcoholic content of above eighty percent, stills and all apparatus or parts of apparatus designed for or intended to be used for the production or refining of alcohol is prohibited.

This amendment restricts the importation of alcohol with an alcoholic content by volume of eighty percent (80%) and above to licenced manufacturers of spirits and approved users that may be authorised by the Commissioner-General. Prior to this amendment, any taxpayer was allowed to

import ethanol including those without a manufacturers licence. With this amendment, only licenced manufacturers and users approved by the Commissioner-General are allowed to import ethanol.

19.4 SECTION 188A: USE OF ELECTRONIC INVOICING SYSTEM BY LICENSEE AND SERVICE PROVIDER

Section 188A of the principal Act is amended by the deletion of the words “electronic fiscal device” wherever the words appear and the substitution therefor of the words “electronic invoicing system”.

This amendment deletes and replaces the words “electronic fiscal device” with “electronic invoicing system”. This is because the electronic fiscal devices have been phased out following the introduction of the electronic invoicing system.

19.5 SECOND SCHEDULE: EXCISE TARIFF

19.5.1 The Second Schedule to the principal Act is amended in heading 1, in the Duty Rate Column opposite subheadings 2009.11.00, 2009.12.00, 2009.19.00, 2009.21.00, 2009.29.00, 2009.31.00, 2009.39.00, 2009.41.00, 2009.49.00, 2009.50.00, 2009.61.00, 2009.69.00, 2009.61.00, 2009.69.00, 2009.71.00, 2009.79.00, 2009.81.00, 2009.89.00 and 2009.90.00 by the deletion of the figure “K0.30” and the substitution therefor of the figure “K0.60”.

This amendment increases the specific excise duty on non-alcoholic beverages to 60 Ngwee per litre from 30 Ngwee per litre. However, the applicable duty rate for locally produced non-alcoholic beverages with the listed HS codes is nil.

19.5.2 The Second Schedule to the principal Act is amended in heading 6(3) in the Duty Rate Column opposite subheading 2207.20.90, by the deletion of the figure “125%” and the substitution therefor of the figure “60%”.

This amendment reduces excise duty on alcohol of HS code 2207.20.90 to 60% per litre from 125% per litre.

19.5.3 The Second Schedule to the principal Act is amended in heading 7, in the duty rate column opposite heading 24.01, by the deletion of the figure “K361” and the substitution therefor of the figure “K400”.

This amendment increases the specific excise duty rates for unmanufactured tobacco and tobacco refuse to K400 per kilogram from K361 per kilogram.

19.5.4 The Second Schedule to the principal Act is amended in heading 7, in the duty rate column opposite heading 24.02, by the deletion of the figure “K361” and the substitution therefor of the figure “K400”.

This amendment increases the specific excise duty rates on cigars, cheroots, cigarillos and cigarettes, of tobacco or tobacco substitutes to K400 per mille from K361 per mille.

19.5.5 The Second Schedule to the principal Act is amended in heading 7, in the duty rate column subheadings 2403.11.00, 2403.19.10, 2403.19.90, 2403.91.00 and 2403.99.00, by the deletion of the figure “K361” and the substitution therefor of the figure “K400”.

This amendment increases the specific excise duty rates on water pipe tobacco, cutrag and other manufactured tobacco and manufactured tobacco substitutes, homogenised or reconstituted tobacco, tobacco extracts and essences to K400 per kilogram from K361 per kilogram.

19.5.6 The Second Schedule to the principal Act is amended in heading 9 by the insertion of the following new subheading immediately after subheading (1):

Table 7: Excise Duty Applicable on Coal of HS Code 2704.00.00

Heading	Description of Goods	Harmonised Commodity description and Coding system Heading	Statistical Unit of Quantity	Duty Rate
9	(2) coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon.	2704.00.00	tonne	5%

The amendment introduces excise duty at 5% on Coke and semi-coke of coal under HS Heading 2704.00.00.

19.5.7 The Second Schedule to the principal Act is amended in heading 9 by the re-numbering of subheadings (2) and (3) as subheadings (3) and (4), respectively.

The amendment rearranges subheadings (2) and (3) as subheadings (3) and (4) following the insertion of a new subheading (2).

19.6 SIXTH SCHEDULE:

19.6.1 The Sixth Schedule to the principal Act is amended in paragraph 1 by the deletion of subparagraph (2).

The amendment deletes subparagraph 2 which provided for the valuation of spirits, liqueurs and other spirituous beverages to be based on the value of the input alcohol, where such input alcohol is of an alcoholic strength by volume of 80 percent or higher.

With this amendment, the basis of valuation for excise purposes of spirits, liqueurs and other spirituous beverages changes from using the value of the input alcohol to the market or selling price of the items produced. This is because the excise duty on the input alcohol is claimable.

NOTE

The example below illustrates the computation of excise duty before and after 2024.

Example: 3

A company imported ethanol for use in the manufacturing of potable spirits. The value for excise duty purposes per litre at importation was K25. Therefore, excise duty per litre at importation is K15 (60%*K25).

The analysis relates to potable spirits in a case containing 20 X 200mls bottles of alcohol by volume of 40%. Such a case will contain 1.6 litres of absolute alcohol.

Table 8: Computation of Excise Duty Payable Before and After 2024

TREATMENT FROM 2024 CHARGE YEAR	TREATMENT PRIOR TO 2024
Selling Price for a case is K350	Selling Price for a case is K350
VAT payable is $350 \times 16\% / 116\% = \mathbf{K48.28}$	VAT payable is $350 \times 16\% / 116\% = \mathbf{K48.28}$
VAT taxable base is $350 - 48.28 = \mathbf{K301.72}$	VAT taxable base is $350 - 48.28 = \mathbf{K301.72}$
Excise duty payable is $301.72 \times 60\% / 160\% = \mathbf{K113.14}$	Excise duty payable is $K25 \times 1.6 \text{ litres} \times 60\% = \mathbf{K24}$
Excise duty paid at importation for 1.6 litres of absolute alcohol is $1.6 \times K15 = \mathbf{K24}$	Excise duty paid at importation for 1.6 litres of absolute alcohol is $1.6 \times K15 = \mathbf{K24}$
Net Excise Payable is $K113.14 - K24 = \mathbf{K89.14}$	Net Excise Payable is $K24 - K24 = \mathbf{K0.00}$

The table illustrates that prior to the amendment, potable spirits that are locally manufactured were not paying local excise duty. With this amendment, manufacturers will be able to pay excise duty on potable spirits.

19.6.2 The Sixth Schedule to the principal Act is amended in paragraph 1 by the renumbering of subparagraphs (3), (4), (5) and (6) as (2), (3), (4) and (5), respectively.

The amendment rearranges subparagraphs (3), (4), (5) and (6) as (2), (3), (4) and (5) following the deletion of subparagraph (2).

20.0 THE MOBILE MONEY TRANSACTION LEVY ACT NO. 16 OF 2023

20.1 SECTION 1: TITLE AND COMMENCEMENT

This Act comes into operation on 1st January, 2024.

20.2 SECTION 2: INTERPRETATION

In this Act, unless the context otherwise requires—

“Bank” means the Bank of Zambia established under the Constitution;

“betting” has the meaning assigned to the word in the Casino Act;

The Casino Act defines betting as: "betting" means wagering or staking any money or valuable thing by or on behalf of any person, or expressly or impliedly undertaking, promising or agreeing to wager or stake by or on behalf of any person, any money or valuable thing on any horse race, or other race, fight, game, sport, lottery or exercise or any other event or contingency; and "bet" and "to bet" shall be construed accordingly.

“Consolidated Fund” means the Consolidated Fund established under the Constitution;

“electronic money” means the store of monetary value electronically represented by a claim on the mobile money service provider that is—

- (a) issued on receipt of funds in an amount not less in value than the value of the electronic money issued;*
- (b) stored on an electronic device;*
- (c) accepted as a means of payment by persons; and*
- (d) redeemable on demand;*

“levy” means a mobile money transaction levy charged under section 4;

“merchant” means a person or entity that accepts electronic money as a means of payment for goods and services, but does not include betting, and is registered with the Zambia Revenue Authority for tax purposes;

“mobile money service provider” means an entity that is authorised by the Bank to issue electronic money against receipt of funds in accordance with the National Payment Systems Act, 2007;

“person-to-person transfer” means a transfer of electronic money from one person to another person;

“Zambia Revenue Authority” means the Zambia Revenue Authority established under the Zambia Revenue Authority Act.

This section provides definitions of words and expressions used in this Mobile Money Transaction Levy Act.

20.3 SECTION 3: ADMINISTRATION OF ACT

This Act shall be administered by the Bank.

This section provides that the Mobile Money Transaction Levy Act shall be administered by the Bank of Zambia.

20.4 SECTION 4: IMPOSITION OF LEVY

- (1) Subject to the provisions of this Act, a mobile money service provider shall collect a levy set out in the Schedule on a person-to-person transfer.*
- (2) The levy referred to under subsection (1) shall be paid by the sender of the electronic money.*
- (3) The mobile money service provider shall, within ten days after the end of each month, remit the total levies collected for that month to the Bank account specified under subsection (5).*
- (4) A mobile money service provider shall, at the time of remitting a levy under subsection (3), submit a return to the Bank in the prescribed manner and form.*
- (5) The Bank shall, subject to the approval of the Ministry responsible for finance, open and operate a special bank account at the Bank for the purposes of receiving a levy from a mobile money service provider.*
- (6) The Bank shall, on receipt of the levy under subsection (3), deposit that levy in the Consolidated Fund.*
- (7) A mobile money service provider that contravenes subsections (3) and (4) commits an offence and is liable, on conviction, to a fine not exceeding two hundred thousand penalty units or to imprisonment for a term not exceeding two years or, to both.*

This section provides for the following:

- (i) Introduction of a levy on a person-to-person mobile money transfer. This means that the levy will apply on money transferred from one person’s mobile number to another person’s mobile number regardless of whether the persons have Taxpayer Identification Numbers (TPINs) or not. However, the levy will not apply to payments made to a person recognised as a merchant. Further, a transfer from one mobile money agent to another (float) is exempt from the Levy.
- (ii) This levy shall be collected by the mobile money service provider;
- (iii) Accounting period and due date for return filing and payment of the levy; and

- (iv) Penalties for non-compliance, upon conviction.

20.5 SECTION 5: EXEMPTIONS FROM PAYMENT OF LEVY

(1) The levy is not payable on a—

(a) transaction between—

- (i) a person to Government; or*
- (ii) Government to person; and*

(b) payment —

- (i) of utility bills; or*
- (ii) to a merchant; and*

(c) transfer from a bank account.

(2) Despite subsection (1), the Minister may, by statutory instrument, exempt a person from payment of a levy.

This section specifies the mobile money transactions that are exempt from payment of the levy. Further, it empowers the Minister to prescribe exemptions from payment of the levy.

For example, this law exempts an individual paying for land rates, taxes or utility bills such as water or electricity bills.

Furthermore, payment for goods and services purchased from a person or entity registered for taxes with the Zambia Revenue Authority is exempt from the Levy. For instance, payment to a supermarket or shop for groceries and the like using mobile money will not attract a Levy. However, mobile money payments to a betting company will attract the Levy.

Transfer from a bank account to a mobile money account is exempt from the Levy.

20.6 SECTION 6: MONITORING

(1) The Bank shall maintain a mechanism of monitoring person-to-person transfers to which the levy relates.

(2) Despite the generality of subsection (1) the Bank may, for purposes of monitoring—

- (a) verify the returns submitted in accordance with section 4(4);*
- (b) access the mobile money service provider's operations, bank account and data relating to a levy to ensure compliance with the Act; and*
- (c) require the mobile money service provider to submit any other information that the Bank may consider necessary*

This section:

- (i) Mandates the Bank of Zambia to monitor and enforce the levy; and
- (ii) Obligates the mobile money service provider to furnish any information that the Bank of Zambia may request.

20.7 SECTION 7: OFFENCES BY PRINCIPAL OFFICERS OF BODY CORPORATE OR UNINCORPORATE BODY

Where an offence under this Act is committed by a body corporate or unincorporate body, with the knowledge, consent or connivance of a director, manager or shareholder of that body corporate or unincorporate body that director, manager or shareholder is liable, on conviction, to the penalty specified for the offence.

This section specifies persons who may be accountable for the offences committed under this Act. For a body corporate or unincorporate body, the liability extends to a manager, director or shareholder where the offence is committed with the knowledge, consent or connivance of that person.

20.8 SECTION 8: GUIDELINES OR DIRECTIVES

- (1) *The Bank may issue guidelines or directives as the Bank may consider necessary for the administration or better carrying out of this Act.*
- (2) *The Bank shall publish the guidelines or directives issued under subsection (1) in the Gazette.*

This section provides for the Bank of Zambia to issue guidelines or directives for better administration of this Act, through a Gazette Notice.

20.9 SECTION 9: REGULATIONS

The Minister may, by statutory instrument, make Regulations for the better carrying out of the provisions of this Act.

This section empowers the Minister to make Regulations for the better execution of the provisions of this Act.

20.10 SCHEDULE

(Section 4(1))

CHARGEABLE RATES

<i>Amount range (ZMW)</i>	<i>Levy (ZMW)</i>
<i>Between 1 to 150</i>	<i>0.08</i>
<i>Between 151 to 300</i>	<i>0.10</i>
<i>Between 301 to 500</i>	<i>0.20</i>
<i>Between 501 to 1000</i>	<i>0.50</i>
<i>Between 1001 to 3000</i>	<i>0.80</i>
<i>Between 3001 to 5000</i>	<i>1.00</i>
<i>Between 5001 to 10000</i>	<i>1.50</i>
<i>Above 10,000</i>	<i>1.8</i>

21.0 THE CUSTOMS AND EXCISE (GENERAL) (AMENDMENT) REGULATIONS, STATUTORY INSTRUMENT NO. 64 OF 2023

21.1 REGULATION 1: TITLE AND COMMENCEMENT

These Regulations come into operation on 1st January 2024

21.2 REGULATION 54: ALLOWABLE DEFICIENCIES IN QUANTITY OF WAREHOUSED GOODS

Regulation 54(1) of the principal Regulations is amended by the insertion of the following new paragraph immediately after paragraph (d):

(e) in the case of cutrag used in the manufacture of tobacco products, the allowable loss shall not exceed 1.0 per centum.

This amendment introduces an allowable loss of not more than 1% of cutrag used in the manufacture of tobacco products. This implies that a declared loss in excess of 1% will be taxed as though the cutrag was used to manufacture cigarettes.

21.3 SIXTH SCHEDULE: REMISSION OF EXCISE DUTY ON GOODS PURCHASED IN BOND BY ZAMBIA DEFENCE FORCE

The Sixth Schedule to the principal Regulations is amended by the insertion of the following company in the column opposite Non Alcoholic related beverages:

Californian Beverages Limited

The regulation includes Californian Beverages Limited to the list of companies that the Zambia Defence Forces can purchase non-alcoholic beverages free of excise duty.

22.0 THE CUSTOMS AND EXCISE (SUSPENSION) (CLEAR BEER) REGULATIONS, STATUTORY INSTRUMENT NO. 66 OF 2023

22.1 REGULATION 1: TITLE AND COMMENCEMENT

These Regulations come into operation on 1st January 2024 and shall stand revoked on 31st December 2026.

22.2 REGULATION 2: APPLICATION

(1) These Regulations shall apply to a small and medium manufacturer and a brewer who manufactures clear beer in excess quantities.

(2) These regulations shall not apply to clear beer whose duty is under remission.

22.3 REGULATION 3: INTERPRETATION

In these Regulations, unless the context otherwise requires

“brewer” has the meaning assigned to the word in the Act:

“excess quantities” means clear beer manufactured by a brewer from cassava in excess of 458,138 hectolitres and 2,287,102 hectolitres manufactured from malt per annum;

“small and medium manufacturer” means a licensed small scale local brewery manufacturing not more than 500,000 hectolitres of clear beer per annum; and

“manufacturing” has the meaning assigned to the word “manufacture” in the Act and cognate expressions shall be construed accordingly.

This regulation introduces the preceding definitions.

22.4 REGULATION 4: SUSPENSION OF EXCISE DUTY

The excise duty on clear beer of HS Code 2203.00.90 is reduced to the extent shown in the Schedule where the clear beer is-

- (a) manufactured by a small and medium manufacturer; or*
- (b) manufactured by a brewer in excess quantities*

Schedule (Regulation 3)

HS Code	Description of Goods	Effective Duty Rate
EX2203.00.90	Other, including ale, lager and stout, made from malt	20%
EX2203.00.90	Other, including ale, lager and stout, made from cassava	5%

The amendment reduces the excise duty on clear beer made from malt to 20% from 40% and clear beer made from cassava to 5% from 10% if manufactured by a small and medium manufacturer.

Further, the amendment reduces the excise duty on clear beer made from malt to 20% from 40% and clear beer made from cassava to 5% from 10% where a brewer manufactures these products in excess of the prescribed quantities. The reduced rates, in this case, only apply to the excess quantities.

NOTE:

This reduction in excise duty on clear beer is only applicable up to 31st December 2026.

23.0 THE CUSTOMS AND EXCISE (SUSPENSION) (INTERNET SERVICES) REGULATIONS, STATUTORY INSTRUMENT NO. 68 OF 2023

23.1 REGULATION 1: TITLE AND COMMENCEMENT

These Regulations come into operation on 1st January 2024.

23.2 REGULATION 2: INTERPRETATION

In these Regulations unless the context otherwise requires—

“public higher education institution” has the meaning assigned to the words in the Higher Education Act, 2013.

“Zambia Research and Education Network” means the company incorporated under the Companies Act, 2017 for purposes of providing internet services and information and communication technology solutions for higher education and institutions and public research institutions.

The regulation introduces the preceding definitions.

The Higher Education Act, 2013 Act defines public higher education institution as follows:

higher education institution which is owned by the Government or a local authority and is financed out of public funds.

23.3 REGULATION 3: SUSPENSION OF EXCISE DUTY ON INTERNET SERVICES

The excise duty on internet services of HS Code 0000.13.00 is suspended to zero when supplied to a public higher education institution registered with the Zambia Research and Education Network.

The regulation reduces to 0%, the excise duty on internet services when supplied to a higher education institution that is owned by the Government or owned by a local authority and financed using public funds.

24.0 THE CUSTOMS AND EXCISE (SUSPENSION) (CLEAR BEER) REGULATIONS, STATUTORY INSTRUMENT NO. 71 OF 2023

24.1 REGULATION 1: TITLE AND COMMENCEMENT

These Regulations come into operation on 1st January 2024.

24.2 REGULATION 1A: INTERPRETATION

In these Regulations, unless the context otherwise requires-

“brewer” has the meaning assigned to the word in the Act:

“excess quantities” means clear beer manufactured by a brewer from cassava in excess of 458,138 hectolitres and 2,287,102 hectolitres manufactured from malt per annum; and

“small and medium enterprise” has the meaning assigned to the words in the Customs and Excise (Suspension)(Clear beer) Regulations, 2023.

The regulation introduces the preceding definitions.

24.3 REGULATION 1B: APPLICATION

These Regulations shall not apply to a small and medium enterprise and to a brewer that manufactures beer in excess quantities.

The amendment excludes from the suspension of excise duty, clear beer manufactured from sorghum by a small and medium enterprise or if brewed in excess quantities by a brewer. This means that the suspension of excise duty will not apply to clear beer made from sorghum.

PART III: OTHER MATTERS

25.0 TAX TREATMENT OF EMPLOYMENT BENEFITS

Any payments made by the employer for the benefit of employees that cannot be converted into money or money's worth is non-deductible in the hands of the employer in accordance with section 44 (l). The tax treatment of employment benefit will depend on whether it is convertible into money or money's worth. If it is capable of being converted into money or money's worth it is subject to tax under PAYE whereas, if it is not convertible (not translated into actual money) then it will be non-deductible on the employer subject to section 44(l).

“Money or money's worth” is any expenditure that is of direct monetary value to a person and may relate to money, security, tangible property, intangible property, or services that can be reduced to money's value. Therefore, the monetary value may be applied whether or not it is convertible into money or money's worth.

Factors to consider for benefits that cannot be converted into money or money's worth are dealt with under (iii).

(i) Payment of employees' bills (benefits convertible into money's worth)

Where an employer discharges the liability of an employee by paying his or her private bills or expenses such as electricity, phone or water bills, rent, school fees, school association fees, club membership fees and similar payments, the employer is required to add such payments to the employee's emoluments and deduct tax under Pay As You Earn (PAYE). Such expenses will be an allowable deduction in the hands of the employer.

Rental of Accommodation Owned by the Employer

Where an employer pays a housing allowance to an employee and the employee in turn rents accommodation owned by that employer, the employee's allowance shall be subjected to PAYE while the payment of rent shall be liable to tax.

NOTE:

It is expected that the rent charged reflects the economic value of accommodation based on the type of structure and the location.

(ii) Benefits that cannot be converted into money or money's worth

Benefits which cannot be converted into money or money's worth are not taxable on employees. However, no deduction in respect of the cost of providing the benefit may be claimed by the employer [section 44(l) of the Income Tax Act].

Non-money fringe benefits are those benefits or advantages that cannot be converted into money or money's worth where any three or more of the following factors apply:

- Not capable of being converted into actual money by the employee

- Not capable of being converted into a pecuniary benefit by the employee
- Not capable of disposal or transfer by the employee
- Not owned by the employee
- Received with restrictive terms and conditions
- One can use it or forfeit.

Examples:

Free Housing:

Where an employer provides free housing to an employee, an employee can only live in the house and is not allowed to lease out. The employee cannot therefore convert the free housing benefit into cash or any other pecuniary benefit nor can they transfer or dispose of the benefit or advantage of free housing.

Airtime:

Where an employer buys airtime for an employee with a condition that the airtime so credited to the employee, is for the sole use of the employee, the benefit or advantage is not convertible into money or money's worth as the employee cannot convert the airtime into cash, or any other pecuniary benefit nor can the employee transfer or dispose of the airtime.

Free Fuel:

Where an employer provides fuel to an employee which may be bought through credit in a fuel card and the condition is that the amount can only be used on a specific fuel type and in some cases also on a specific car, the benefit or advantage in this case is not convertible into money or money's worth because the employee cannot exchange the fuel for anything nor can the fuel be transferred or disposed of.

- (a) In the case of residential accommodation provided to an employee by the employer in a house owned by that employer, 37.5% of the taxable income paid to the employee shall be disallowed in the employer's tax computation, provided that where an independent and objective valuation is made for such accommodation, the cost to be disallowed shall be the value of that accommodation. For the purpose of verifying the rental value, the Commissioner-General may use assessments done by the Government Valuation Department or other registered valuation surveyors.

Payments for utilities such as electricity, phone or water bills, security and similar payments are not included in the meaning of free housing.

NOTE:

Where the employee pays a below-market rate (peppercorn rent) to the employer, the cost to be disallowed in the employer's tax computation is 37.5% of the total taxable emoluments paid to the employee.

(b) In the case of housing leased by the employer and provided to an employee:

- (i) Where housing is occupied by a single employee, the amount of rentals will be added to the employee's emoluments and taxed under PAYE.
- (ii) Where housing is occupied by more than one employee, the total amount of the rentals will be disallowed in the employer's tax computation.

(c) Taxation of Fringe Benefits

1) Provision of Services below market price.

Where the employer provides services to their employees below the open market value, the benefit or advantage that the employee enjoys shall be treated as below:

- The difference between the open market value and the value at which the services are provided to the employee will be disallowed in the hands of the employer

2) Provision of Goods below market price

Where the employer provides goods to their employees below the open market value, the benefit is convertible to money or money's worth and shall be treated as below:

- The difference between the open market value and the value at which the goods are provided to the employee will be taxable under PAYE. The employer may thus gross up and account for the tax accordingly.

(d) In the case of the provision of motor vehicles to employees on a personal-to-holder basis, the benefit to be disallowed in the employer's tax computation is as follows:

Engine capacity of motor vehicle

- 2800cc and above - K48,000.00 per annum
- 1800cc and below 2800cc - K36,000.00 per annum
- Below 1800cc – K21,600.00 per annum

A personal-to-holder vehicle means a vehicle provided to an employee for both business and personal use and usually involves payment by the employer of all the expenses associated with the running and maintenance of the vehicle.

(iii) Cash benefits paid in the form of allowances.

All cash benefits paid in the form of allowances are taxable on the employee under PAYE.

Examples of such cash benefits are:

- Education allowance;
- Housing allowance;
- Transport/fuel allowance;
- Domestic utility allowances e.g. for electricity, phone and water;
- Commuted car allowance;
- Settling in allowance;
- Allowances paid in recognition of an employee's professional qualifications etc.

25.1 PAYMENTS THAT ARE NOT SUBJECT TO PAY AS YOU EARN (PAYE)

The following payments are exempt (not chargeable to income tax) and need not be included in the taxable emoluments.

(i) Ex-Gratia Payments:

A voluntary, non-contractual, non-obligatory payment made by an employer to the spouse, child or dependant of a deceased employee is exempt (Paragraph 7(t) of the Second Schedule to the Income Tax Act).

(ii) Medical Expenses:

Medical expenses paid or incurred by an employer on behalf of an employee or refunds of actual medical expenses incurred by an employee are exempt (Statutory Instrument No. 104 of 1996).

(iii) Funeral Expenses:

Funeral expenses paid or incurred by an employer on behalf of an employee are exempt (Statutory Instrument No. 104 of 1996).

(iv) Sitting Allowances for Councillors:

Payments by Local Authorities to Councillors as Sitting Allowances are exempt (Paragraph 7(s) of the Second Schedule to the Income Tax Act).

(v) Labour Day Awards:

Labour Day awards paid to employees either in cash or in kind are non-taxable.

(vi) Per Diem or Travel Allowances:

Per diem or subsistence allowances, including lunch allowances paid while working out of the office are not subject to PAYE as these are not emoluments. Emoluments are earned as a consequence of rendering a service to an employer or for holding office while per diem is paid for working away from home.

26.0 TAX TREATMENT OF CERTAIN EXPENSES

26.1 TAX TREATMENT OF EXPENSES INCURRED ON ENTERTAINMENT, HOSPITALITY AND GIFTS

Expenses incurred on entertainment, hospitality and gifts are not allowable, subject to the following exceptions:

- a) where the business is one whose purpose is to provide entertainment or hospitality e.g. hotels, restaurants, cinemas and theatres, the cost of providing those services is allowable;
- b) where entertainment is provided free of charge with the purpose of obtaining publicity from the general public e.g. free seats for critics at a cinema;
- c) where an employer provides entertainment such as Christmas Party for employees or hospitality for employees in form of meals, accommodation etc. on business trips;
- d) where a person gives gifts which bear an advertisement for the donor, e.g. calendars, pens, key holders, diaries and other such like items, as long as the cost of the gift(s) to any one person does not exceed K100 in a charge year. The cost of gifts in excess of K100 to the same person is disallowable.

NOTE:

- (i) Employees receiving entertainment allowances will be taxed under PAYE and the amount would be disallowable to the employer.
- (ii) Where an employer defrays entertainment expenses directly, the cost will be disallowable to the employer but there will be no charge on the employee unless the normal rules regarding benefits apply.

26.2 TAX TREATMENT OF CANTEEN EXPENSES, REFRESHMENTS AND FOOD RATIONS

Where the employer incurs expenditure on the provision of refreshments, canteen meals, food rations or any other meals (except on business trips) to employees, the benefit arises in the hands of the employees. As the benefit cannot be converted into money's worth, it is not taxable on the employee.

Under the provisions of Section 44(l) of the Income Tax Act, the whole expenditure on refreshments, canteen meals etc. is disallowable on the employer.

However, where an employer is obliged to provide meals to employees either under any other law or circumstances peculiar to the employer, the cost may be deductible.

Where the provision of such food is a legal obligation, the full cost of providing the food ration may be an allowable deduction.

27.0 PAYMENTS ON CESSATION OF EMPLOYMENT

The following payments may be made on cessation of employment by way of dismissal, resignation, end of contract term, redundancy/retrenchment, retirement or death:

- (a) Pension
- (b) Refund of employee's pension contributions
- (c) Withdrawal of employer's pension contributions
- (d) Gratuity
- (e) Redundancy pay
- (f) Severance pay or compensation for loss of office
- (g) Salary in lieu of notice
- (h) Repatriation allowance
- (i) Service bonuses eligible for payment only at the end of employment
- (j) Monthly salary
- (k) Commutation of accrued leave days
- (l) Accrued service bonuses

Following the amendment to the Constitution, with effect from 5th January 2016, the payments below are exempt from tax as they fall within the definition of pension benefit:

- (a) Pension;
- (b) Refund of employee's pension contributions;
- (c) Withdrawal of employer's pension contributions;
- (d) Gratuity;
- (e) Redundancy pay;
- (f) Severance pay or compensation for loss of office;
- (g) Salary in lieu of notice;
- (h) Repatriation allowance; and
- (i) Service bonuses eligible for payment only at the end of employment.

On the other hand, the following payments are taxable under the applicable PAYE bands:

- (j) Monthly salary;
- (k) Commutation of accrued leave days; and
- (l) Accrued service bonuses.

The monthly salary, commutation of accrued leave days and accrued service bonuses are taxable because they are emoluments that have been earned during the course of one's employment. Note that accrued service bonus is one which is linked to performance and is taxable in the period in which it accrues.

27.1 TAX TREATMENT OF PAYMENTS MADE ON MEDICAL DISCHARGE

Where the employer, on advice from a registered medical practitioner or medical institution, determines that an employee is permanently incapable of discharging his/her duties through infirmity of mind or body, the employer may terminate the services of such an employee.

A payment made to an employee on termination of employment on medical grounds is exempt from tax.

28.0 TAX TREATMENT OF ADVANCE AGAINST GRATUITY, PENSIONS AND EMPLOYEE PENSION WITHDRAWALS BY AN INDIVIDUAL CONTINUING IN EMPLOYMENT

Payments in the form of advances against gratuity, pensions and employee pension withdrawals are exempt from tax because they constitute pension benefits.

29.0 TAX TREATMENT OF SETTLING IN ALLOWANCES

Settling in allowances, by whatever name called, paid to new employees and employees on transfer constitute an individual's income and should be subjected to tax under the PAYE Scheme.

30.0 TAX INCENTIVES FOR A RURAL ENTERPRISE

An enterprise operating in a location classified as a rural area is entitled to tax incentives.

Paragraph 5(a) of the charging schedule provides that an enterprise operating in an area classified as a rural area is entitled to claim a reduction by one fifth of the tax which would be chargeable on its income for each of the first five charge years for which that business is carried on.

Section 2 of the Income Tax Act defines a "rural enterprise" as –

"rural enterprise" means an enterprise located in a rural area except an enterprise carrying on business of mining operations or mineral processing;

Furthermore, the Income Tax Act defines rural area as;

"any area which is not an area declared or deemed to have been declared an area of any city or municipality under the Local Government Act (Cap 281) but excluding the area declared to be the area of the Kafue township under the said Act";

Example 4: Tax Payable by a Rural Enterprise

ABC Lodge commenced operations in 2024 and is located in a rural area. It has taxable income of K10,000 for the 2024 charge year.

In the first year, the calculation will be as follows:

Tax payable: $30\% \times 10,000 = 3,000$
Rural enterprise incentive: $1/5 \times 3,000 = 600$
Final tax payable: $3,000 - 600 = 2,400$

Therefore, ABC Lodge shall pay K2,400 which is less by 1/5 of the tax payable.

31.0 TREATMENT OF FORFEITURE AND SURRENDER OF SHARES

When a shareholder forfeits or surrenders a share to the company it will not attract Property Transfer Tax (PTT) since the forfeiture or surrender does not amount to a transfer.

If the share is subsequently transferred to another person by the company, PTT is payable and assessment of the tax is dependent on the value at which the share could have been sold on the market at the time of the transfer.

Furthermore, the shareholder whose shares have been forfeited or who has surrendered shares, will not be required to submit a provisional return. On the other hand, a company selling previously surrendered or forfeited shares, is required to furnish a provisional return of tax and account for the PTT applicable.

NOTE

In order for a transaction to qualify as a surrender or forfeiture, the following conditions must be fulfilled:

- (i) No consideration;
- (ii) Shares were not paid up for; and
- (iii) There has been a call on the shares that have not been paid for

32.0 REFUND OF OVERPAID PAY AS YOU EARN

Tax paid as PAYE is non-refundable except where it has been overcharged in a charge year as in the following circumstances:

1. Errors

The errors may include:

- Payroll errors;
- Use of wrong tax bands and rates;
- Arithmetical errors in calculating tax; and
- Taxation of exempt income e.g Taxation of pension benefits.

2. Unemployment
A tax refund may arise upon cessation of employment, and the person remains unemployed until the end of the charge year.
3. Eligible deductions such as professional subscriptions and donations to approved Public Benefit Organisations.

How overpaid Pay As You Earn is calculated

PAYE is paid in graduating bands with the lowest band taxed at 0% for the year e.g the lowest annual band for the 2024 charge year is K61,200. The tax bands are simplified into monthly bands because of the frequency of payments that employees receive with the first K5,100 taxed at 0%. At the end of the year, the tax calculated from monthly bands should be equal to the tax calculated using annual bands.

In a case where an employee did not work or receive an income for all the months in that charge year, the cumulative tax from the monthly calculations will not equal to the tax calculation from annual bands. In such an instance, one may apply to ZRA for an assessment of the tax payable based on the annual bands; at the end of the charge year, using the ZRA prescribed forms. Any resulting difference between the tax payable and the tax paid is either refundable to the employee or payable to ZRA.

Example 5: Calculation of Pay As You Earn Refund

An employee has been in employment and receives a monthly pay of K14,000 starting from January 2024. To assess the amount refundable to the employee, if he stops work in August and remains unemployed for the rest of the year, the tax refund shall be calculated as follows:

Table 11: Taxable amount in month 1 (January) K14,000

	Chargeable Income (K)	Rate of Tax	Tax Due (K)
First band	5,100	0%	-
Next band	2,000	20%	400
Next band	2,100	30%	630
	4,800	37%	1,776
Total	14,000		2,806

If the salary remains constant, the tax payable for each of the months the employee remains in employment will remain the same at K2,806.

Table 12: Total cumulative taxable amount in month 8 (August) for a monthly income of K14,000: K112,000

	Chargeable Income (K)	Rate of Tax	Tax due
First band	40,800	0%	-
Next band	16,000	20%	3,200
Next band	16,800	30%	5,040
	38,400	37%	14,208
	112,000		22,448 (tax due)

Table 13: Total cumulative taxable amount in month 12 (December): K112,000

	Chargeable Income (K)	Rate of Tax	Tax Due (K)
First band	61,200	0%	-
Next band	24,000	20%	4,800
Next band	25,200	30%	7,560
Balance	1,600	37%	592
	112,000		12,952 (tax due)
Tax paid (for 8 months)			22,448
Tax claimable (refund)			(9,496)

Since the employee left employment in month 8, the income earned as at month 8 will be taxed as though it was income earned up to month 12.

Subjecting the K112,000 to tax using month 12 tax tables results in tax due which is less than the cumulative tax due as at month 8. This is because as at month 12 the income taxed at 0% is K61,200 (K5,100 X 12) while as at month 8 the income taxed at 0% is K40,800 (K5,100 X 8). Therefore, this has pushed more of the employee's income into the first band since the tax-free band is applicable for the whole year regardless of whether an employee works for the whole year or not.

In addition, the income taxed at 37% in month 12 (K1,702) is far less than the income taxed in month 8 (K13,616) at that rate.

Tax component of donations to an approved public benefit organisation

At the end of a charge year, an individual can make claims for tax relief on the component of their income from employment which is given as contributions made to an approved public benefit organisation.

However, the allowable deduction on the contribution should not be more than 15% of the taxable income for the given charge year.

Example 6: Calculation of Tax Refund when a donation is made

An employee receives a gross pay of K150,000 for the 2024 charge year and makes a donation to an approved public benefit organisation of K25,000. Calculation of their tax refund will be as follows:

Table 14: Month 12 (December) tax computation before the donation

	Chargeable Income (K)	Rate of Tax	Tax Due (K)
First band	61,200	0%	-
Next band	24,000	20%	4,800
Next band	25,200	30%	7,560
Balance	39,600	37%	14,652
	150,000		27,012

Gross Amount for YTD:	K150,000
Deduction from gross emoluments (15% Gross pay):	(K22,500)
Taxable Amount:	K127,500

Although the amount donated in the year is K25,000, the allowable deduction should not exceed 15% of the taxable income.

The amount due for tax refund will be computed as shown in the table 11:

Table 15: Month 12 (December) tax computation

	Chargeable Income (K)	Rate of Tax	Tax Due (K)
First band	61,200	0%	-
Next band	24,000	20%	4,800
Next band	25,200	30%	7,560
Balance	17,100	37%	6,327
	127,500		18,687
Tax paid			27,012
Tax claimable			(8,325)

33.0 ADMINISTRATION OF THE DISABILITY CREDIT AND DEDUCTION FOR EMPLOYING PERSON WITH A DISABILITY

(i) Disability Credit

Any employee who is registered with the Zambia Agency for Persons with Disabilities is entitled to a credit. The credit is supposed to be granted by the employer as they compute the tax payable for the employee with a disability. Therefore, the employer when computing the tax to be paid by person with a disability should reduce the tax amount by the tax credit which is currently at K7,200 per annum (K600 per month).

Example 7: Computation of Tax credit for persons with disabilities

XY Limited has employed a person who has a disability and is registered with the Zambia Agency for Persons with Disabilities. The said employee gets a monthly salary of K12,000. The tax credit to be granted to the employee will be as follows:

Table 16: Tax credit computation by the employer in the month of January

	Chargeable Income (K)	Rate of Tax	Tax Due (K)
First band	5,100	0%	-
Next band	2000	20%	400

Next band	2,100	30%	630
	2,800	37%	1,036
Total	12,000		2,066
Tax credit			600
Tax payable			1,466

As shown in table 12, the employer will deduct and remit tax of K1,466 instead of K2,066.

NOTE:

Where an employee has not enjoyed the tax credit during the year, at the end of the charge year, such an employee shall only get a refund to the extent of the tax paid. For example, if the employee paid tax of K2,400 in a charge year, the difference between K7,200 (tax credit) and K2,400 (tax paid), which is a K4,800, is not what the employee will be refunded at the end of the year. Instead the K2400 is the tax which will be refunded.

(ii) Deduction for Employing a Person with a Disability

An employer is entitled to a deduction of K2,000 per annum in ascertaining the gains or profits of the business in respect of each person with a disability who has been employed on a full-time basis.

The person with a disability in respect of whom a deduction is claimed should be registered with the Zambia Agency for Persons with Disabilities.

Example 8: Allowable deduction for employers with employees with disabilities

Assuming XY Limited in the example above has business profits of K300, 000 in the charge year 2024 and has 3 employees with disabilities. XY Limited has also incurred expenses amounting to K30,000, that are wholly and exclusively for the purpose of the business.

The taxable income will be calculated as follows:

Table 17:

Income	K300,000
Business expenses	(K30,000)
Deduction for employing a person with disability (3 X K2,000)	(K6,000)
Taxable Income	K264,000

34.0 TAXATION OF PAYMENTS TO NON-RESIDENT CONTRACTORS FOR HAULAGE OPERATIONS

The tax treatment of payments made to non-resident contractors (foreign hauliers or importers) will depend on the facts of the case. Some of the common scenarios and tax treatment will be as follows:

Where a Zambian Taxpayer hires non-resident transporter to-

- (i) Load goods from Zambia to Country A - the income is deemed to have its source in Zambia in accordance with Section 18 of the Income Tax Act and therefore the income due to the non-resident is liable to income tax computed in accordance with Section 28. However, withholding tax is still applicable on the respective payments to non-resident contractors in accordance with Section 81A of the Income Tax Act. The WHT in this case is not a final tax.
- (ii) Transports goods from Country A to Country B – the source or deemed source in this case is not Zambia. Therefore, no withholding Tax is deductible by the Zambian payer and no income tax is payable in Zambia by the transporter.
- (iii) Transports goods from Country C to Zambia - the source is not in Zambia and thus no withholding tax is deductible by the Zambian payer and no income tax is payable by the transporter.
- (iv) Transports goods from Kitwe to Lusaka (within Zambia) – the source in this case is Zambia and withholding tax is deductible by the Zambian payer. No income tax is payable by the transporter. However, where the activities of the non-resident transporter create a Permanent Establishment (PE), the profits attributed to the PE become taxable in Zambia at 30% of taxable profits.

35.0 TAX TREATMENT OF EMPLOYMENT INCOME EARNED IN ZAMBIA FROM NON-RESIDENT EMPLOYERS

Zambia primarily taxes at source in line with section 14 of the Income Tax Act. Therefore, where the source of the employment income is Zambia, it is consequently subject to tax in Zambia at the applicable tax rates, irrespective of the period spent in Zambia. Furthermore, Section 18(1)(b) of the Income Tax Act deems income to be from a source within the Republic if the income is remuneration from employment or office held in Zambia or by virtual of any service rendered, or work, or labour done by a person in Zambia.

Therefore, an employee who is based in Zambia whether a Zambian resident or not will be liable to Pay As You Earn (PAYE) on the income earned from exercising employment in Zambia. This is irrespective of whether payment is made outside the Republic or by a non-resident.

36.0 MIGRATION FROM TURNOVER TAX TO INCOME TAX

A person who is on Turnover Tax (TOT) and exceeds the TOT threshold (i.e turnover above K800,000) during the course of the charge year is required to notify the Commissioner General immediately. However, the taxpayer will continue to pay TOT until the end of the charge year. At the beginning of the following charge year, they will be deregistered from Turnover Tax and migrated to Income Tax. The taxpayer will be required to file an annual Income Tax Return by 21st June, for the preceding charge year in which they were falling under TOT. ZRA will assess the migrated taxpayer under income tax and grant the tax credits in respect of the TOT that was already paid.

NOTE:

Regulation 6 of the TOT Regulations, SI No.47 of 2009 (Change from Income Tax to Turnover Tax or Vice Versa) allows the change to take place at the beginning of the year or at a date that may be determined Commissioner-General through a notice. However, Zambia Revenue Authority will only effect the change in the system at the beginning of the next charge year.

37.0 TAX TREATMENT OF CERTAIN WINNINGS UNDER GAMING AND BETTING

(i) How to compute Net Proceeds where winnings are non-monetary e.g. A car given as a prize for a lottery.

Where prizes are awarded in the form of property or a benefit that is non-monetary, the net proceeds in this case will be calculated based on the value as determined by the Commissioner-General. The applicable presumptive Tax rate will be applied on the Net Proceeds in accordance with Section 64 and the Ninth Schedule to the Income Tax Act.

The Net proceeds” means the gross proceeds less sums paid out for the prizes.

(ii) Whether one-time organisers of lotteries should also register and account for Presumptive Tax (PRT) considering that registrations for PRT and ITX are mutually exclusive.

Where a taxpayer whose business is not a lottery but organises a lottery for the purpose of promoting their business, they shall not be required to account for Presumptive Tax if the lottery entry requirement is such that one is supposed to purchase products of the business. However, where the taxpayer sells lottery tickets they shall be required to register for Presumptive Tax and account for it accordingly.

(iii) Who should account for PRT and WHT regarding slot route operations, the gaming machine owners or location owners.

A slot route operator is a business that owns and operates gaming machines in several locations. These locations are usually retail businesses run by other persons. For such gaming operations the absolute owner of the machines is required to account for the Presumptive Tax and Withholding Tax arising from operation of the machines.

38.0 VALUE ADDED TAX TREATMENT OF VARIOUS SERVICES

38.1 HIRE OF EQUIPMENT FOR LOADING AND OFFLOADING OF PASSENGERS FROM AIRCRAFT

The service is not exempt from VAT and is not zero-rated as such should be subject to VAT at standard rate. It should be noted that this service is distinct from transportation of persons by air which is exempt.

38.2 LOADING OF CARGO FOR EXPORT FROM ZAMBIA

The service of loading cargo for export, including exports out of bond, is standard rated.

38.3 OFFLOADING OF CARGO FROM OUTSIDE ZAMBIA

The service of offloading imports into Zambia is standard rated.

38.4 ANCILLARY SERVICES RELATING TO GOODS TRANSITING THROUGH ZAMBIA

The law relating to freight transport services is provided in Group 1(b) of the Value Added Tax Zero-Rating Order and states as follows:

Group 1 - Export of Goods

(b) the supply of freight transport services-

(i) from or to the Republic; and

(ii) from outside the Republic to other places outside the Republic transiting through the Republic including transshipment.

Effective 1st January 2020, ancillary services provided in relation to transit of goods through Zambia from outside the Republic to destinations outside the Republic are standard rated with the exception of transshipment.

Therefore, services such as escort security services, clearing services and storage services are standard rated.

NOTE:

Transshipment is the moving of cargo that is in transit from one vessel of transportation to another under customs control.

In light of the definition above, it means that the services that are zero-rated under transshipment are charges for cranes, folk lifts and other services utilised in moving cargo from one vessel of transportation to another under customs control.

38.5 COLD CHAIN SERVICES

Services that are rendered to facilitate the exportation of perishables from Zambia to destinations outside Zambia are standard rated.

38.6 CLEARING AND FORWARDING SERVICES

Clearing and forwarding services are standard rated.

Table 18: Summary of Value Added Tax treatment of ramp services

TYPE OF SERVICE	TREATMENT PRIOR TO JANUARY 2014	CURRENT VAT TREATMENT
EQUIPMENT HIRE FOR EMBARKING AND DISEMBARKING PASSENGERS	STANDARD RATED	STANDARD RATED
LOADING OF CARGO FOR EXPORT	ZERO RATED	STANDARD RATED
OFFLOADING OF CARGO INTO ZAMBIA - IMPORTS	STANDARD RATED	STANDARD RATED
ANCILLIARY SERVICES RELATING TO GOODS TRANSITING THROUGH ZAMBIA (EXCEPT TRANSSHIPMENT)	ZERO RATED	STANDARD RATED

NOTE:

Transshipment is the process of moving cargo that is in transit from one vessel of transportation to another.

39.0 PARTIAL APPORTIONMENT FOR LEASING

A Finance Lease comprises the following:

- (i) the principal (capital) which is standard rated; and
- (ii) the interest that is exempt.

In accordance with Section 18 and Rule 10, a taxable supplier carrying on the business of finance leasing is required to apportion the input tax using methods provided in Second Schedule to the VAT Administrative Rules. Therefore, input tax on the asset and other expenses incurred for the purpose of rendering finance leasing should be apportioned.

40.0 VAT TREATMENT OF IMPORTED SERVICES (REVERSE VAT)

Where a person imports a service from a foreign supplier, the following tax treatment will apply.

1. An importation of an exempt service by a taxable supplier is not liable to reverse VAT;
2. An importation by a person not eligible to register based on nature of supplies (exempt supplies) or nature of person (privileged person) is outside the scope of reverse VAT; and
3. A supplier dealing in taxable supplies but not registered due to not meeting the registration conditions under Section 28 (taxable turnover below threshold), is outside the scope of reverse VAT administration.

NOTE:

One of the conditions that must be fulfilled in order for reverse VAT not to be chargeable on the recipient of a service is that the foreign provider of the service should have paid the tax in the country of exportation. The evidence required is payment receipt issued by the tax authority of the country of exportation.

41.0 RECOVERY OF VAT CHARGED ON EXEMPT SUPPLIES OR VAT CHARGED BY A NON-REGISTERED SUPPLIER

Where a registered supplier charges VAT on exempt supply of goods or services, and such tax is shown on an invoice as tax chargeable on such supplies, the tax charged is recoverable by the Government. In the same vein, where a non-registered supplier issues an invoice with an amount shown as tax chargeable on the supply of goods or services, such amount is recoverable as tax due.

42.0 INVOICES TO SUPPORT INPUT CLAIM

A registered supplier is required to have a valid tax invoice to support input claim at the point of filing a return. A valid tax invoice is the one that has mandatory features as prescribed in the Commissioner-General's Rules.

43.0 VAT ZERO-RATING LOCAL PURCHASE ORDERS

A registered supplier is required to charge VAT on goods and services that are standard rated. However, a privileged person can purchase standard rated supplies with tax charged at the rate of zero per cent (0%) using VAT zero-rating Local Purchase Orders (VAT LPOs). In an event that a person who qualifies to obtain and issue an LPO does not avail an LPO to the supplier at the time of purchase, the supplier is mandated to charge VAT at the standard rate. Such VAT, as correctly charged in the absence of a VAT LPO, will not be refunded in a case where such a person subsequently avails an LPO to prompt the refund.

NOTE:

Supplies to privileged persons not supported with VAT LPOs will be regarded as standard rated supplies and will be assessed as such.

44.0 COMMISSION EARNED BY INSURANCE BROKERS

Where an insurance broker earns commission from insurance companies in the course of arranging insurance services (brokerage services), the commission earned is not subject to Insurance Premium Levy (IPL). This is because IPL is charged on insurance premiums and commission earned does not qualify to be considered an insurance premium.

45.0 CLEARING OF GOODS USING GOVERNMENT VOUCHERS

The Government in some cases provides relief wherein the Government pays for the applicable duties and taxes using Government vouchers. This type of relief is most commonly applied when clearing motor vehicles from bonded warehouses. Although the motor vehicles are physically in the country they have not yet been cleared for local consumption. Therefore, the clearance process is similar to the process for clearing goods which are being brought across the borders.

NOTE:

For goods supplied out of bond, VAT zero-rating Local Purchase Orders (VAT LPOs) are not applicable since the goods have not been final cleared.

46.0 PENALTY FOR UNDERDECLARING TOURISM LEVY

Example 9: Calculation of Penalty for Under declaration of Tourism Levy

SELF-ASSESSMENT BY TAXPAYER

A taxpayer declares tourism levy in their return as follows:

	K
(i) Accommodation for 2 nights at K750.00	1,500.00
(ii) Meals and beverages	600.00
(iii) Conference room	<u>1,000.00</u>
Total	3,100.00
Tourism levy at 1.5%	46.50

RECOMPUTED TOURISM LEVY

After an audit, it is discovered that the taxpayer had understated the amounts and the return should have been as follows:

	K
(i) Accommodation for 5 nights at K750.00	3,750.00
(ii) Meals and beverages	1,000.00
(iii) Conference room	<u>1,500.00</u>
Total	6,250.00
Tourism Levy due (1.5%)	93.75
Tourism Levy already declared	<u>(46.50)</u>
Tourism Levy underdeclared	47.25

COMPUTATION OF PENALTY

	K
(i) Accommodation amount omitted (3750 – 1500)	2,250.00
(ii) Meals and beverages amount omitted (1000 – 600)	400.00
(iii) Conference room amount omitted (1500 – 1000)	<u>500.00</u>
Total amount omitted	3,150.00
Penalty (5% of K3,150)	157.50

TOTAL PAYABLE

Penalty due	157.50
Under declared	<u>47.25</u>
TOTAL	204.75

47.0 TAX RATES

(a) Personal Income Tax Rates:

Personal Income tax rates are as follows:

Table 19:

Income Bands	Rates
First K61,200	@ 0%
Above K61,200 up to K85,200	@ 20%
Above K85,200 up to K110,400	@ 30%
Above K110,400	@ 37%

(b) Turnover Tax Rates:

Table 20: Turnover Tax

Turnover per annum	Tax rate
K12,000 or less	0%
K12,000 up to K800,000	4%

Table 21: Rental income

Turnover per annum	Tax rate
K12,000 or less	0%
Above K12,000 up to K800,000	4%
Above K800,000	12.5%

(c) Presumptive Tax:

Tax on motor vehicles for the carriage of persons is as follows:

Table 22: Presumptive Tax on motor vehicles for the carriage of persons

Type of vehicle (sitting capacity)	Amount of tax per vehicle (per annum)
64 seater and above	K12, 960
50-63 seater	K10, 800
36-49 seater	K8, 640
22-35 seater	K6, 480
18-21 seater	K4, 320
12-17 seater	K2, 160
Below 12 seater (including taxis)	K1, 080

(d) Presumptive Tax: Artisanal mining or Small-scale mining

Table 23: Presumptive Tax rate on Artisanal mining or Small-scale mining

Tax rate	Tax base
4%	On gross turnover less mineral royalty paid

(e) Base Tax:

Table 24: Base Tax per annum

Base Tax per annum
K 365

(f) Other Income Tax Rates

Table 25: Other Income Tax Rates

Category	Rate (%)
Mineral processing	30
Mining	30
Manufacturing of products using copper cathodes	15
Electronic Communication business	35
Lapidary and Jewellery facilities (Value addition to gemstones)	25
Manufacturing & other companies	30
Approved Public Benefit Organisation (on income from business)	15
Agro-processing	10
Farming	10
Non-traditional exports – Agro-processing and Farming	10
Non-traditional exports – Others	15
Chemical manufacture of fertilizer	15
Organic manufacture of fertilizer	15
Trusts, deceased or bankrupt estates	30
Rural enterprises	Tax chargeable reduced by 1/5 for 5 years
Cotton seed production or Cotton Ginning	0% the first 5 years the business is carried on
Cotton Spinning and Weaving of Thread	0% for the first 10 years the business is carried on

Income received by a person providing accommodation and food services (for the charge years 2021 and 2022)	15
Income received by a person carrying on the business of manufacturing ceramic products (for the charge years 2022 and 2023)	0
Income earned from exports of a business enterprise approved by the Zambia Development Agency and carrying on manufacturing activities in a multi-facility economic zone or an industrial park (For ZDA licences obtained after 1 st January 2022)	0% on income earned in the first 10 years from commencement of works Rate reduced by 50% of the applicable rate from year 11 up to year 13 Rate reduced by 25% of the applicable rate in the 14 th and 15 th years
Business enterprise operating in a priority sector declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained prior to 1 st January 2013)	0% for the first 5 years, starting from the first year profits are returned
	Rate reduced by 50% from 6-8 years, after profits are returned
	Rate reduced by 25% from 9-10 years, after profits are returned
	No reduced rate after 10 th year profits are returned.
Small and Micro Enterprises operating in an urban area under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained prior to 11 th October 2013)	0% for the first 3 years
Small and Micro Enterprises operating in a rural area under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained prior to 11 th October 2013)	0% for the first 5 years
Business enterprise operating in a priority sector, multi facility economic zone and industrial park declared under the Zambia Development Agency Act, 2006 (For ZDA	0% for the first 5 years, starting from the year of commencement of

licence holders obtained between 1 st January 2013 and 10 th October 2013)	operations of the approved investment
	Rate reduced by 50% from 6-8 years starting from the year of commencement of operations of the approved investment
	Rate reduced by 25% from 9-10 years starting from the year of commencement of operations of the approved investment
	No reduced rate after the 10 th year starting from the year of commencement of operations of the approved investment
Rural Business, Business enterprise operating in a Multi Facility Economic Zone or Industrial Park declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained between 11 th October 2013 to 31 st December 2014)	0% for the first 5 years from commencement of operations of the approved investment
Business enterprise carrying on manufacturing activities in a rural area, Multi Facility Economic Zone or Industrial Park (For ZDA licence holders obtained between 1 st January 2015 and 31 st December 2016)	0% for the first 5 years from commencement of operations of the approved investment
Business enterprise carrying on manufacturing or electricity generation located in a rural area, Multi Facility Economic Zone or Industrial Park (For ZDA licence holders obtained between 1 st January 2017 and 31 st December 2017)	0 % for the first 5 years from commencement of operations of the approved investment.
Business Enterprises operating in a priority sector declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained on or after 1 st January 2018)	Claim on a straight-line basis, wear and tear at an accelerated rate, not exceeding 100% in respect of any new implement, plant or machinery acquired and used by the business for

	the purposes of that business.
Agro-processing business carrying on manufacturing and processing of corn starch Businesses in a Multi-Facility Economic Zone or Industrial Park.	0% of the standard income tax rate from 2023 to 2032 charge years
	50% of the standard income tax rate from 2033 to 2035 charge years
	75% of the standard income tax rate from 2036 to 2037 charge years
Special purpose vehicle under a Public Private Partnership Project	15% on the first 5 years that a special purpose vehicle makes a profit from a project
Developers in a special economic zone.	Claim on a straight-line basis, wear and tear at an accelerated rate, not exceeding 100% in respect of any new implement, plant or machinery acquired and used by the business for the purposes of that business.

(g) Withholding Tax Rates

Table 26: Withholding Tax Rates

Category	Rate (%)
Distributed income of an income real estate investment trust (REIT)	15
Dividends (Resident)	15
Dividends (Non-Resident)	20
Dividends paid by a company carrying on mining operations	0
Dividends paid to an individual by a company listed on the Lusaka Securities Exchange (LUSE)	0
Dividends paid by a company engaged in the assembly of motor vehicles, motor cycles and bicycles	0 (First 5 years)
Dividends declared from farming income	0 (First 5 years)

Dividends paid by a company operating in a multi-facility economic zone or industrial park under the Zambia Development Agency Act, 2006, on profits made on exports (for licences obtained after 1 st January 2022)	0 (First 10 years from commencement of works)
Dividends paid by a business enterprise operating in a priority sector declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained prior to 1 st January 2013)	0% for the first 5 years from the year profits are declared
Dividends paid by a business enterprise operating in a priority sector, multi facility economic zone and industrial park declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained between 1 st January 2013 and 10 th October 2013)	0 % for the first 5 years from commencement of operations
Dividends paid by a rural business, business enterprise operating in a Multi Facility Economic Zone or Industrial Park declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained between 11 th October 2013 to 31 st December 2014)	0% for the first 5 years from commencement of operations of the approved investment
Dividends paid by a business enterprise carrying on manufacturing activities in a rural area, Multi Facility Economic Zone or Industrial Park (For ZDA licence holders obtained between 1 st January 2015 and 31 st December 2016)	0% for the first 5 years from commencement of operations of the approved investment
Dividends paid by a business enterprise carrying on manufacturing or electricity generation located in a rural area, Multi Facility Economic Zone or Industrial Park (For ZDA licence holders obtained between 1 st January 2017 and 31 st December 2017)	0 % for the first 5 years from commencement of operations of the approved investment
Dividends paid by Agro-processing business carrying on manufacturing and processing of corn starch Businesses in a Multi-Facility Economic Zone or Industrial Park	0% from 2023 to 2032 charge years
Interest on Treasury Bills, GRZ bonds and Corporate Bonds– Residents (Final Tax for Individuals and Exempt Organisations Only)	15
Interest on GRZ bonds and Treasury Bills – Non-Residents	15
Interest from green bonds listed on a securities exchange in Zambia with maturity of at least 3 years.	0
Interest for individuals (interest earned on all interest-earning accounts held by individuals with institutions registered under the Banking and Financial Services Act, 2017)	0
Interest (Residents)	15

Interest (Non-Residents)	20
Interest earned from a Life Insurance policy	0
Interest earned by individuals from loans advanced to members under the savings groups such as co-operatives and village banking	0
Royalties (Residents)	15
Royalties (Non-Residents)	20
Commissions (Residents)	15
Commissions paid to Non-Resident persons (Final Tax)	20
Public Entertainment Fees for Residents	Not applicable
Public Entertainment Fees for Non-Residents (Final Tax)	20
Management and Consultancy Fees to Residents	15
Management and Consultancy Fees to Non-Residents	20
Management or consultancy fees and interest paid to a non-resident contractor by a business enterprise operating in a priority sector declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained prior to 1 st January 2013)	0% for the first 5 years from the first date that the payment was due.
Management or consultancy fees and interest paid to a non-resident contractor by a business enterprise operating in a priority sector, multi facility economic zone and industrial park declared under the Zambia Development Agency Act, 2006 (For ZDA licence holders obtained between 1 st January 2013 and 10 th October 2013)	0% for the first 5 years from commencement of operations of the approved investment
Payments to Non-Resident Contractors (Final Tax)	20
Payment for Distribution of Branch Profits	20
Payment of Winnings from Gaming, Lotteries and Betting	20
Commodity Royalty	15

NOTE:

- (i) Interest includes that awarded by the Courts of Law.
- (ii) The term “Royalty” includes income from leasing and therefore leasing income is subject to withholding tax. This determination is derived from the definition of royalty which recognises a payment for the use of or right to use commercial, industrial, or scientific equipment as a royalty. Payments for hiring of commercial, industrial, or scientific equipment attract royalties. Note that the application of withholding tax excludes a finance lease.
- (iii) Only winnings from gaming, lotteries or betting other than winnings from a brick and mortar casino are subject to withholding tax.

(h) VAT Rates

Table 27: VAT Rates

Category	Rate (%)
Standard Rate	16%

Zero-Rate	0%
Exempt	Not taxable

(i)Local Excise

Table 28: Local Excise Tariff

Excisable Product	Statistical Unit of Quantity	Rate
Tobacco Refuse	Kg	K400 per Kg or 145% whichever is higher
Cigars, cheroots, cigarillos and Cigarettes, of tobacco or tobacco substitutes	Mille	K400 per mille
Pipe Tobacco	Kg	K400 per Kg or 145% whichever is higher
Cutrag & Other tobacco products	Kg	K400 per Kg or 145% whichever is higher
Products containing tobacco, reconstituted tobacco, nicotine or nicotine products.	Kg	145%
Clear Beer Made from Malt.	Litre	60% (Suspended to 40% by SI 81 of 2015) 20% if manufactured by small and medium manufacturers or by a brewer in excess quantities (SI 66 of 2023)
Clear Beer Made from Cassava	Litre	10% 5% if manufactured by small and medium manufacturers or by a brewer in excess quantities (SI 66 of 2023)
Clear Beer Made from Sorghum	Litre	20%
Opaque Beer	Litre	K0.25
Coal, coke and semi coke of coal, of Lignite or peat, whether or not agglomerated; retort carbon	Tonne	5%
Diesel (Gas Oil)	Dekalitre	Fuel Levy K0.66 per litre
Petrol (Motor spirits)	Dekalitre	Excise K2.07 per litre
Heavy Fuel Oil	Kilogram	Excise K9.30 per 10Kg
Hydrocarbon Gases	Litre	Excise K0.48 per litre
Aviation Spirit	Dekalitre	K4.80 per dekalitre

Jet Fuel	Dekalitre	K4.80 per dekalitre
White Spirit	Dekalitre	15%
Kerosene	Dekalitre	K0.48 ltr
Other Light Oils	Dekalitre	15%
Ethyl Alcohol	Litre	60%
Methylated Spirits and Other Ethyl alcohol and other spirits, denatured,	Litre	60%
Wines	Litre	60%
Undenatured Ethyl Alcohol of an alcoholic strength by volume less than 80%	Litre	60%
Ciders	Litre	60% (Suspended to 40% by SI 2 of 2019)
Other Fermented Beverages	Litre	60%
Airtime	Minute for voice calls, Megabyte for data, Count for SMS and Count for Others.	17.5%
Cosmetics	Kg	20%
Plastic Carrier Bags for Shopping	Kg	30%
Floor coverings of plastics, whether or not self-adhesive, in rolls or in the form of tiles; wall or ceiling coverings of plastics, as defined in Note 9 to this Chapter	Kg	15%
Office or school supplies	Kg	15%
Articles and clothing accessories, not elsewhere specified, for use in the textile industry	Kg	15%
Fittings for furniture, coachwork of the like	Kg	15%
Statuettes and other ornamental	Kg	15%
Electric Energy	100kWh	3%

Cement	Tonne	K40 per tonne
Fruit Juices, Unflavoured and Unsweetened Waters, Flavoured or Sweetened Waters	Litre	K0.30 per litre
Reconstituted or recombined milk of a fat content, by weight, of less than 1% up to a maximum of 10%.	Litre	K1.50/ltr
Electronic cigarettes and similar personal Electric vaporising devices	Kg	145%

(j)Property Transfer Tax Rates

Table 29: Property Transfer Tax Rates

Category	Rate (%)
Land (including buildings, structures or improvements there on)	5%
Shares	5%
Intellectual Property (including trademarks, patents, copyright or industrial design)	5%
Mining Right for a mining licence	10%
Mining Right for an exploration licence	5%
Mineral Processing Licence	10%

(k)Mineral Royalty

Table 30: Copper

Norm Price Range	Mineral Royalty Rate
Less than US\$4,000	4.0%
US\$4,000 but less than US\$5,000	6.5%
US\$5,000 but less than US\$7,000	8.5%
US\$7,000 and above	10%

Table 31: Other Minerals

Description	Mineral Royalty Rate
Base Metals (Other than Copper, Cobalt and Vanadium)	5% of norm value
Energy and Industrial Minerals	5% of gross value
Gemstones	6% of gross value
Precious Metals	6% of norm value
Cobalt and Vanadium	8% of norm value

(l)Tax on Betting and Gaming**Table 32: Tax on Betting and Gaming**

<i>Type of Game</i>	<i>Monthly Tax Rate or Monthly Tax Amount</i>
1. Online Casino Live games	20 percent of gross takings
2. Online Casino Machine Games	35 percent of gross takings
3. Casino Games (Brick and Mortar)	K5,000 per table
4. Lottery Winnings	35 percent of net proceeds
5. Online Betting	25 percent of gross takings
6. Betting (Brick and motor) for 2023 and 2024 charge years	15 percent of gross takings
7. Gaming Machines	K500 per machine

(m)Other Rates – Insurance Premium Levy, Skills Development Levy, Tourism Levy**Table 33: Other Rates**

Type of Levy	Rate (%)
Insurance Premium Levy	5
Skills Development Levy	0.5
Tourism Levy	1.5

(n)Penalty Units

A penalty unit is K0.30.

48.0 SCHEDULE

(Regulation 2 of the Income Tax (Local Content Allowance Regulations))

AGRICULTURAL PRODUCTS ALLOWED FOR LOCAL CONTENT ALLOWANCE

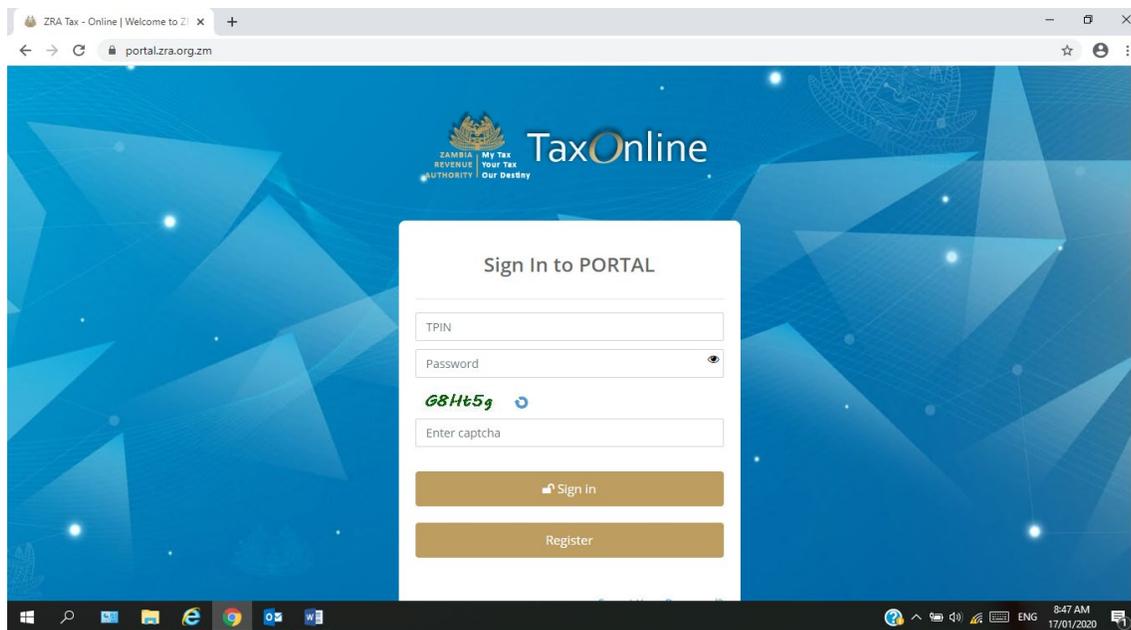
1. Cassava
2. Pineapple
3. Mango
4. Tomato
5. Sorghum
6. Millet

49.0 MISCELLANEOUS MATTERS

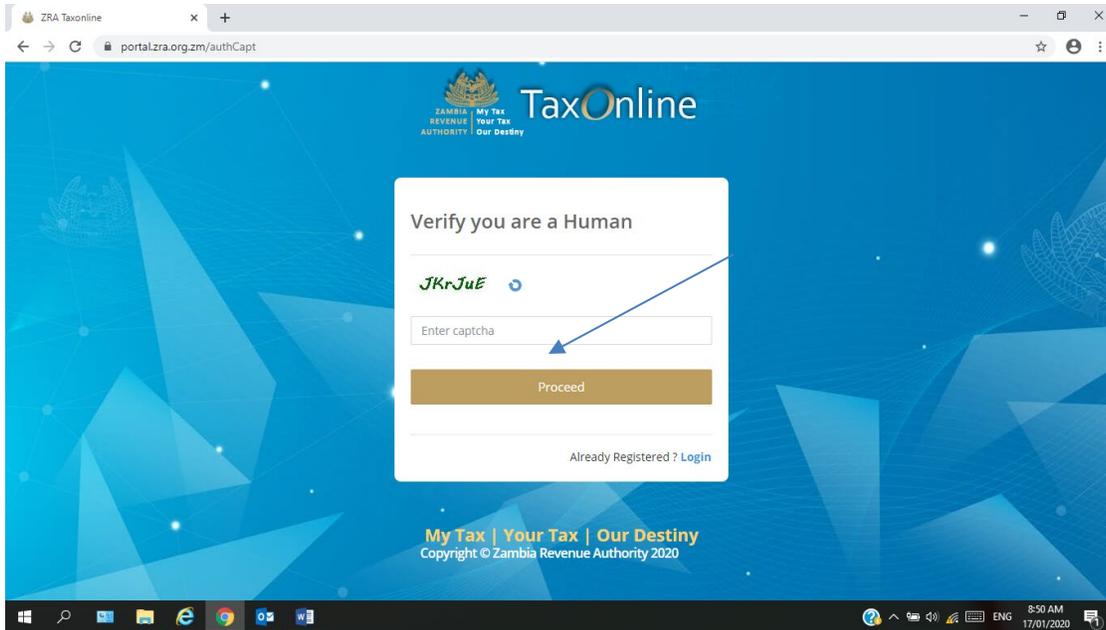
49.1 Application for Taxpayer Identification Number (TPIN)

To apply for a TPIN on the web portal go to the ZRA Home page www.zra.org.zm, ensure that you use **Chrome, Edge or Firefox** as your browser.

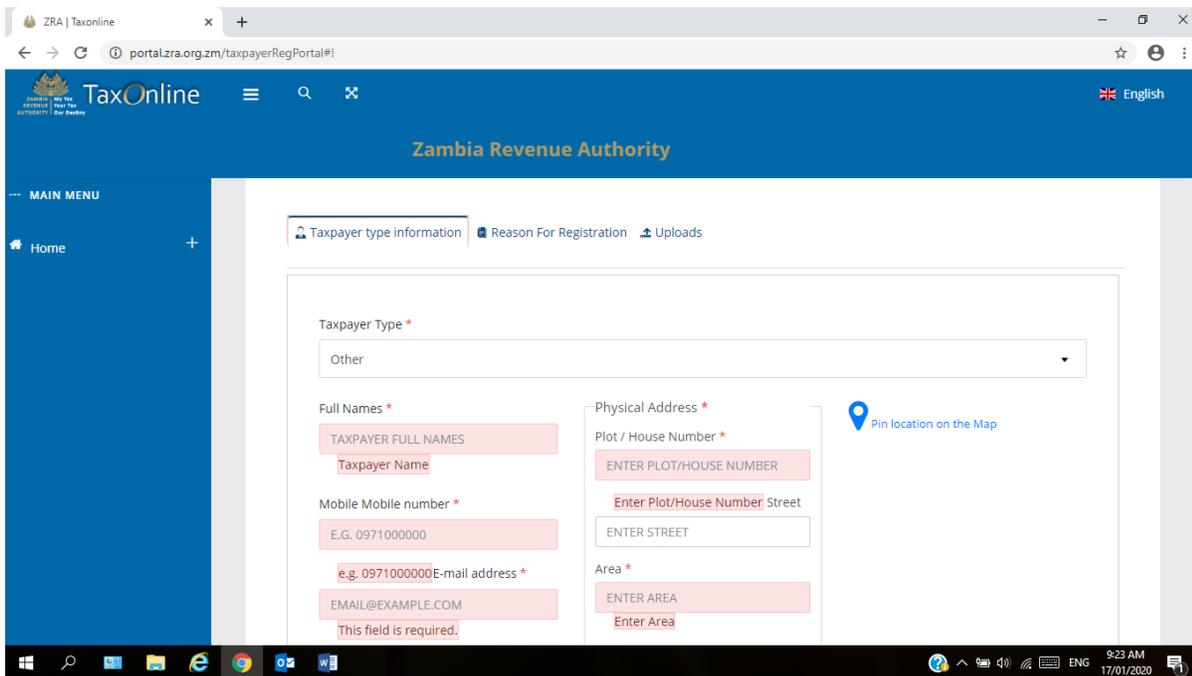
Step 1: Click on TaxOnline at the bottom left of the page, this will redirect you to the screen below:



Step 2: Select **Register** to start your registration, and enter the **CAPTCHA** this is just to verify that you are not a system bug.



Step 3: Select type of taxpayer on the home page and begin your registration. There are a number of options on the dropdown screen. Tax type selection have been automated depending on the Business activity you have selected from PACRA.



Step 4: Complete the taxpayer type information then click next to select the **reason for registration**.

Step 5: Upload documents. This will depend on the type of taxpayer, for example;

(a) Individual resident

1. Copy of NRC
2. Sketch
3. map of physical address

(b) Individual other

1. Passport
2. map of physical address

(c) Company resident

1. Certificate of incorporation
2. Certificate of share capital
3. PACRA form 3
4. Map of physical address **etc.**

➤ The system has a provision for you to pin your location when uploading documents.

NOTE:

- TPINs and Login credentials for Business Names and Limited Companies will be sent to emails and mobile because there is an interface between Zambia Revenue Authority and PACRA.
- When you receive your default password, proceed to our website to complete your Tax type registration.
- Approvals for TPINs have been automated and are approved with immediate effect, and a copy will be sent to your email and a notification to your mobile phone.
- Log in Credentials must be created once the TPIN has been generated in order for you to have access to the online portal.
- All Notices and Certificates generated on the new system are now secured with QR code number and Watermark.

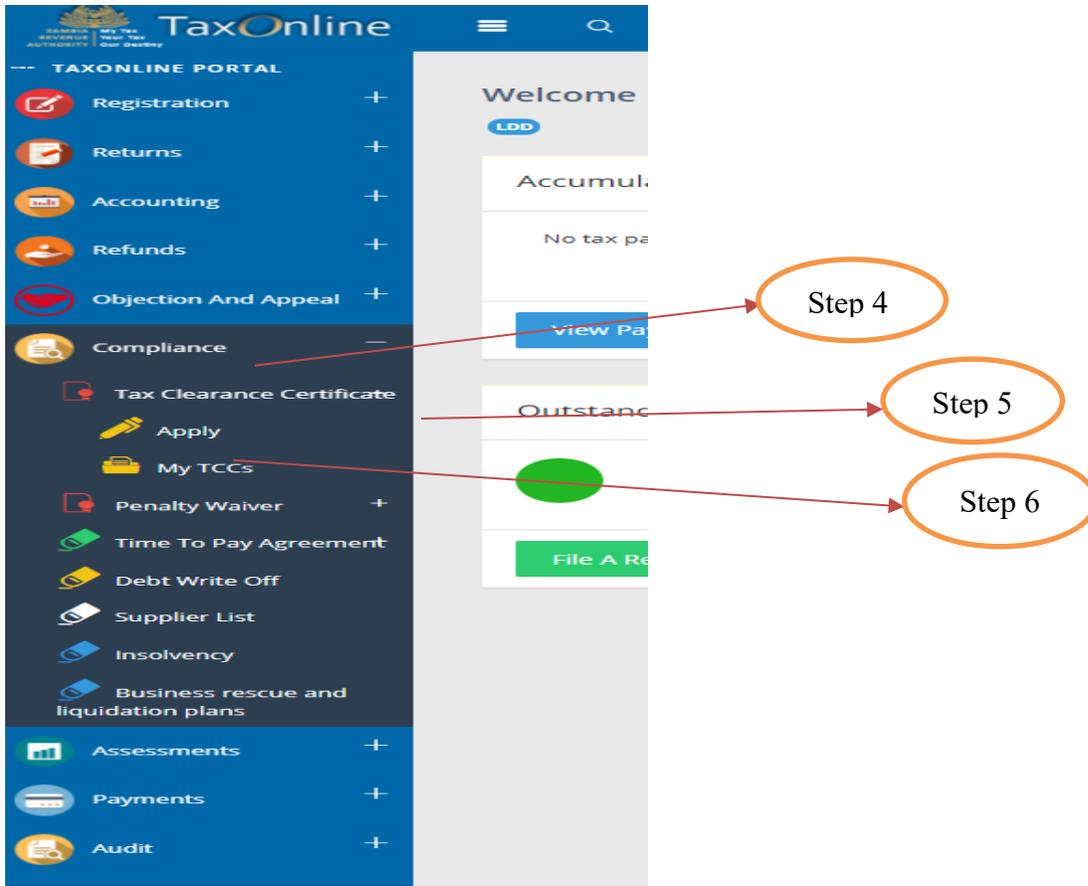
49.2 Platforms for TPIN Registration:

- **All handsets:** Use the USSD Code *858# on Zamtel or Airtel networks, using any handset, click on TPIN Registration and follow the prompts.
Smart phones only: Download “TaxOnApp” from Play Store or from App Store. Once you have clicked on the installed App, click on TPIN Registration and follow the prompts.
Online application: Go to the ZRA website <https://www.zra.org.zm/> and click on the link “INDIVIDUAL” for an individual TPIN or “BUSINESS” for a business TPIN. Under the group Registration, click Get a TPIN and follow the prompts.

49.3 Application for Tax Clearance Certificates (TCC)

To apply for a Tax Clearance Certificates (TCC) Kindly follow the steps below.

- Step 1: Go to the ZRA Home page www.zra.org.zm, ensure that you use Chrome, Edge or Firefox as your browser.
- Step 2 : Select Login
- Step 3 : Log in to your account using your TPIN and password
- Step 4 : Go to Compliance
- Step 5 : Select Tax Clearance Certificate
- Step 6 : Click on Apply



- The TCC will then be generated and can be printed or saved.

49.4EFD information:

Contact email address through which to seek Electronic Fiscal Device or “EFD” assistance or information send an email to efdhelp@zra.org.zm.

49.5 Reporting TaxOnline System Challenges:

Contact email address through which to seek TaxOnline information or assistance– send an email to advice@zra.org.zm.

49.6 Leaflets and other tax information:

To view leaflets and other tax documents, go to the ZRA website <https://www.zra.org.zm/> and click on ‘General Tax Information’

49.7 Tax Video Tutorials:

To access video tutorials on various online tax processes, go to the ZRA website <https://www.zra.org.zm/> and click on ‘Tutorials’

49.8 Reporting complaints of unethical nature:

- Write to: Chairperson – ZRA Integrity Committee, P.O Bos 35710, Lusaka OR
- Email: zraic@zra.org.zm or
- Phone: +260978701701 or;
- Drop your complaints in the Suggestion box at any of the ZRA stations

50.0 ZAMBIA REVENUE AUTHORITY CONTACT ADDRESSES:

If you have any queries concerning your taxes, please contact the Customer Experience Centres or your nearest Direct Tax Office or the Indirect Taxes and Excise Tax Office at the following addresses:

- 1** National Call Centre
New Revenue Hall
P.O. Box 35710
Lusaka
Tel: Zamtel Network: (0211) 381111
MTN Network: 0960 091111
Airtel Network: 0971 281111
Short code: 5972
Website: <http://www.zra.org.zm>
- 2** Taxpayer Services Centre
Nchanga House
P.O. Box 20855
Kitwe
Tel: Zamtel Network: (0211) 384529
MTN Network: 0960 094529
Airtel Network: 0971 284529
Website: <http://www.zra.org.zm>
- 3** Assistant Director
Direct Taxes LSTO – Returns, Payments
& Taxpayer Services
P.O. Box 35710
Lusaka
Tel: Zamtel Network: (0211) 382649
MTN Network: 0960 092649
Airtel Network: 0971 282649
- 4** Assistant Director
Policy & Legislation – Indirect Taxes
P.O. Box 35710
Lusaka
Tel: Zamtel Network: (0211) 382520
MTN Network: 0960 092520
Airtel Network: 0971 282520
- 5** Assistant Director – Indirect Taxes
ISMTO – Returns & Payments, Taxpayer
Services
P.O. Box 35710
Lusaka
Tel: Zamtel Network: (0211) 383201
MTN Network: 0960 093201
Airtel Network: 0971 283201
- 6** Assistant Director
Policy & Legislation – Direct Taxes
P.O. Box 35710
Lusaka
Tel: Zamtel Network: (0211) 383038
MTN Network: 0960 093038
Airtel Network: 0971 283038
- 7** Assistant Director Returns & Payment
Taxpayer Services – DMIR, Direct Taxes
P.O. Box 35710
Lusaka
Tel: Zamtel Network: (0211) 38
MTN Network: 0960 09
Airtel Network: 0971 28
- 8** Assistant Director
Taxpayer Services & Returns &
Payment, Direct Taxes, ISMTO
P.O. Box 35710
Lusaka
Tel: Zamtel Network: (0211) 383219
MTN Network: 0960 093219
Airtel Network: 0971 283219

- 9** Assistant Director
Indirect Taxes Kitwe
P.O. Box 20855
Kitwe
Tel: Zamtel Network: (0211) 384512
MTN Network: 0960 094512
Airtel Network: 0971 284512
- 10** Assistant Director
Direct Taxes Kitwe
P.O. Box 20855
Kitwe
Tel: Zamtel Network: (0211) 384404
MTN Network: 0960 094404
Airtel Network: 0971 284404
Airtel Network: 0971 284200
- 11** Assistant Director
Excise (North)
P.O. Box 70181
Ndola
Tel: Zamtel Network: (0211) 384200
MTN Network: 0960 094200
Airtel Network: 0971 284200
- 12** Assistant Director
Direct Taxes
P.O. Box 70181
Ndola
Tel: Zamtel Network: (0211) 384148
MTN Network: 0960 094148
Airtel Network: 0971 284148
- 13** Provincial Manager – Direct Taxes
Informal Sector and Medium Taxpayer
Office – Southern
P.O. Box 60597
Livingstone
Tel: Zamtel Network: (0211) 383804
MTN Network: 0960 093804
Airtel Network: 0971 283804
- 14** Provincial Manager – Indirect Taxes
Eastern Province
P.O. Box 510632
Chipata
Tel: Zamtel Network: (0211) 381904
MTN Network: 0960 091904
Airtel Network: 0971 281904
- 15** Provincial Manager
Informal Sector and Medium Taxpayer
Office – Central
- 16** Provincial Manager – Direct Taxes
Informal Sector and Medium Taxpayer
Office – North-Western

P.O. Box 80909
Kabwe
Tel: Zamtel Network: (0211) 381005
MTN Network: 0960 091005
Airtel Network: 0971 281005

P.O. Box 110368
Solwezi
Tel: Zamtel Network: (0211) 384900
MTN Network: 0960 094900
Airtel Network: 0971 284900

17 Provincial Manager
Informal Sector and Medium Taxpayer
Office – Northern
P.O. Box 410728
Kasama
Tel: Zamtel Network: (0211) 381812
MTN Network: 0960 091812
Airtel Network: 0971 281812

18 Provincial Manager
Informal Sector and Medium Taxpayer
Office – Luapula
P.O. Box 710112
Mansa
Tel: Zamtel Network: (0211) 381700
MTN Network: 0960 091700
Airtel Network: 0971 281700

19 Provincial Manager
Informal Sector and Medium Taxpayer
Office – Chinsali
P.O. Box 480002
Chinsali
Tel: Zamtel Network: (0211) 381540
MTN Network: 0960 091540
Airtel Network: 0971 281540

20 Provincial Manager
Informal Sector and Medium Taxpayer
Office – Western
P.O. Box 910110
Mongu
Tel: Zamtel Network: (0211) 381601
MTN Network: 0960 091601
Airtel Network: 0971 281601

21 Station Manager
Informal Sector and Medium Taxpayer
Office – Choma
P.O. Box 480002
Choma
Tel: Zamtel Network: (0211) 381300
MTN Network: 0960 091300
Airtel Network: 0971 281300

22 Provincial Manager – Direct Taxes
Eastern Province
P.O. Box 510632, **Chipata**
Tel: Zamtel Network: (0211) 381901
Airtel Network: 0971 281901
MTN Network: 0960 091901

OUR VALUES

Our commitment to serving Government, taxpayers, employees and other stakeholders is reflected in our Corporate Values:

Taxpayer Focus

Integrity

Professionalism

Innovation

Networking