

Note: Output VAT comprises all sales while Input VAT comprises purchases and claimable expenses.

Example .

Choolwe Masole General Dealers a VAT registered supplier buys stationery from Hanyinda Enterprises which is a VAT registered wholesaler. The cost of stationery is K232 VAT inclusive and the selling price is K348 VAT inclusive. Calculate the VAT payable or claimable for Choolwe Masole General Dealers.

Total sale (Output) = K300 Total purchases (Input VAT) = K200

VAT @ 16% = K 48 VAT @16% = K 32

Total amount incl of VAT = K348

Total amount incl of VAT= K232

VAT computation

Output VAT@16%	K48
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Less Input VAT @16%	K32
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VAT Payable is (K48-K32)	K16
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WHAT IS THE VALIDITY PERIOD OF AN INPUT TAX INVOICE?

An invoice for input VAT purposes is valid for Ninety (90) days from the date of generation.

Note: Effective 1st January 2025, input tax claims will be restricted to invoices issued from the Smart Invoice system. However, tax invoices issued outside the Smart Invoice system up to 31st December 2024, will still be valid for input tax deductions in 2025, if they meet the Ninety (90) day validity period and other mandatory features of a tax invoice.

WHEN IS THE VAT RETURN AND PAYMENT DUE?

The VAT return and payment is due on or before the 18th of every month following the month in which the transactions happened. For example, for transactions in the month of January, the return is due on or before the 18th of February. However, for taxpayers appointed as withholding VAT agents the returns and payments are due by the 16th of every month following when the transaction happened.

WHAT ARE THE APPLICABLE PENALTIES FOR

NON-COMPLIANCE OF VAT?

- For late submissions of the return, the penalty is K400, or 0.5% of the tax payable (whichever is greater) for each day that the return is not submitted.
- Late payment penalty – 0.5% of the tax payable in respect of the period covered by the return, for each day the payment is late. Interest is also charged at the Bank of Zambia Discount Rate plus 2%.

Where a repayment return or a 'nil' return is made late, late submission penalties are still chargeable

- In the case of withholding VAT agent late submission of returns attract a penalty of

WHEN IS THE VAT TAX POINT FOR GOODS?

The tax point for VAT purposes is the earlier of the following;

- The time when a payment is received
- The time when a tax invoice is issued
- The time when the goods are removed from the supplier's premises
- The time when the goods made available to the person to whom they are supplied.

WHEN IS THE VAT TAX POINT FOR SERVICES?

The tax point for VAT purposes is the earlier of the following;

- The time when a payment is received;
- The time when a tax invoice is issued
- The time when the service is rendered or performed.

CAN A NON-VAT REGISTERED SUPPLIER ISSUE A TAX INVOICE?

No. Only VAT registered suppliers should issue a tax invoice inclusive of VAT.

For further information refer to;

The VAT guide and VAT liability guide found on the ZRA website www.zra.org.zm under publications(leaflets)

2. Call toll free call centre line 4111
3. Email advice@zra.org.zm



AN INTRODUCTION TO VALUE ADDED TAX (VAT)

WHAT IS VALUE ADDED TAX?

Value Added Tax (VAT) is an indirect tax which was introduced in Zambia on 1st July 1995 to replace Sales Tax. Value Added Tax is a tax levied, charged and collected on taxable supplies of goods and services and on imported goods and services. VAT is charged on taxable goods and services made in the course of or furtherance of a business and it is borne by the final consumer. VAT is charged and collected by a person who is registered for VAT or is required to be registered for VAT.

WHO IS ELIGIBLE TO REGISTER FOR VAT?

- Every person dealing in taxable supply of goods or services other than an exempt supplier.
- A supplier must apply to register if the value of taxable supplies in the furtherance of business exceeds or is likely to exceed the statutory registration threshold of K800, 000.00 in an accounting year.
- A taxable supplier with annual turnover of less than the statutory registration threshold and has an annual turnover above K400,000 has an option to register for voluntary VAT upon meeting the prescribed conditions.

WHAT ARE TAXABLE SUPPLIES?

- Taxable supplies are goods or services that are liable to VAT.
- Every taxable importation of goods or services into Zambia are liable to VAT.

WHAT ARE THE CATEGORIES OF TAXABLE SUPPLIES?

- Standard rated supplies taxed at 16%.
- Zero rated supplies taxed at 0%.

EXAMPLES OF STANDARD RATED SUPPLIES

- The sale of new or second-hand goods.
- Business samples or business gifts for promotional or publicity purposes (of a value above K100 to a person in a particular accounting year).
- The transfer of ownership or possession of goods, or the provision of services to persons involved with a business (employees, directors, partners, etc.).

- The sale of business assets, for example by companies in liquidation and receivership.
- The hiring or loan of goods within Zambia including hiring, leasing or loan of goods outside Zambia.
- Delivery, packing and postage charges.
- Treatments applied to any goods.
- The rendering of services (including building services; professional services; service charges; management and consultancy services
- Imported services (Reverse VAT)

EXAMPLES OF ZERO-RATED SUPPLIES

- Export of goods from Zambia by, or on behalf of a taxable supplier, where such evidence of exportation is produced as the Commissioner General may require.
- Goods imported by diplomats or a diplomatic mission accredited to the Republic of Zambia for the official purposes of that mission, to the extent that the foreign country grants reciprocal privileges to diplomats and to the diplomatic mission of Zambia in that country.
- The supply of goods or services to a donor in Zambia for the official purpose of that donor where evidence of purchase is produced by that donor to the Commissioner General or on behalf of the donor as the Commissioner-General may require.
- The supply of cement, roofing sheets, bricks and blocks to public benefit organisations approved by the Minister under the Income Tax Act, where evidence is provided that such building supplies will be used for construction of buildings for non - profit, humanitarian or poverty alleviation activities.

Note: Any supply that is not mentioned in the Value Added Tax Exemption Order or the Value Added Tax Zero Rating Order issued by the Minister responsible for Finance is to be deemed as standard rated.

WHAT ARE EXEMPT SUPPLIES?

These are supplies of goods, services or importation of goods not subject to VAT such that even when a VAT registered business supplies them, no VAT is chargeable. These are specified in the Value Added Tax Exemption Order issued by the Minister responsible for Finance.

Note: Suppliers of exempt goods and services shall not register for VAT if they solely deal in exempt supplies.

EXAMPLES OF EXEMPT SUPPLIES

- The supply of health and medical services by a medical doctor,

optician, dentist, hospital or clinic registered under the Health Professions Act, 2009;

- Educational services provided to nursery, pre-school, primary or secondary learners, post-secondary learners.
- Funeral services such as Caskets and coffins, Tombstones etc.

Note: For more details refer to the Value Added Tax Exemption Order issued by the Minister responsible for Finance.

WHAT ARE THE REQUIREMENTS FOR VAT REGISTRATION?

Latest bank statements covering a period of three months.

- Note: If the bank account is new then the bank statement is from the effective date of opening the bank account
2. Business plan detailing the taxable goods and services.
 3. Projected cash flow for the next 12 months

HOW TO REGISTER FOR VAT

1. Login to the ZRA taxpayer's portal on www.zra.org.zm using the TPIN and password.
2. Click on the registration module.
3. Then click on tax type amendment.
4. Answer YES to the question that is relating to VAT (i.e. are you dealing with taxable goods and services for VAT purposes?)
5. Continue with prompts and fill in the online application form.
6. Submit the application for review.

Note: A supplier registered under voluntary registration is required to:

1. Renew the registration every twelve (12) months and;
2. Notify the Commissioner-General in writing thirty (30) days before the expiry of the twelve (12) months period of the intention to renew the registration.

WHAT IS THE VAT MECHANISM?

- VAT operates on the principle of Output tax > < Input tax
- The VAT due = total output tax (sales) – total input tax (purchases).
- If the output tax is more than the input tax, the difference is payable to ZRA
- If Input tax is more than the output tax, a VAT refund is due to the taxpayer.