ZAMBIA REVENUE AUTHORITY

My Tax Your Tax Our Destiny

PRACTICE NOTE NO. 2/2024

The Value Added Tax - Electronic Invoicing System

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

The purpose of this Practice Note is to provide guidance to taxpayers, tax practitioners, the general public and officers of the Zambia Revenue Authority on the electronic invoicing system legislation.

This Practice Note describes the changes introduced by:

1. The Value Added Tax (Amendment) Act No. 27 of 2023
2. The Value Added Tax (Electronic Invoicing System) Regulations, Statutory Instrument No. 58 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.

Any enquiries regarding the content of this document may be made through the Zambia Revenue Authority (ZRA) National Call Centre or the nearest ZRA office.

Dingani Banda
COMMISSIONER-GENERAL

SUMMARY OF PROVISIONS

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

Section	Subject	
1	Title and commencement	
2	(i)	Deletes the definitions of electronic fiscal device, electronic fiscal printer, electronic signature device, fiscalised electronic register and fiscal memory;
	(ii)	Introduces the definition "electronic invoicing system".
7A	Deletes and replaces the words "electronic fiscal device" with "electronic invoicing system".	
18	Provides that an invoice issued from the electronic invoicing system is valid as documentary evidence for input tax claim or deduction.	
General Amendment	Deletes and replaces the words "electronic fiscal device" with "electronic invoicing system."	

3.0 THE VALUE ADDED TAX (ELECTRONIC INVOICING SYSTEM) REGULATIONS, STATUTORY INSTRUMENT NO. 58 OF 2023

Regulation	Subject
1	Title and commencement.
2	Introduces the definitions; approved invoicing system, Authority, customer, issue log book, taxable supplier, state institution and electronic invoicing system.
3	Mandates the Commissioner-General to administer an electronic invoicing system.
4	Makes it mandatory for a taxable supplier to use the electronic invoicing system to issue a tax invoice in respect of each sale of goods or services.
5	Provides that a taxable supplier must use a manual tax invoice or an approved invoicing system when the use of the electronic invoicing system is disrupted.

6. Makes a tax invoice issued from the electronic invoicing system or manual tax invoice issued during the disruption of the system valid as documentary evidence for input tax claim or deduction.

7 Mandates a taxable supplier to display a notice relating to the use of electronic invoicing system.

8 Makes it mandatory for a taxable supplier to keep and maintain an issue log book for each approved invoicing system.

9 Requires a taxable supplier to notify the Commissioner-General when the electronic invoicing system or any other approved invoicing system has a fault.

10 Requires a taxable supplier to notify the Commissioner-General to deactivate the approved invoicing system upon cessation of the business.

11 Prohibits a taxable supplier from transferring an approved invoicing system to a third party.

12 Specifies offences and corresponding penalties.

13 Revokes the Value Added Tax (Electronic Fiscal Devices) Regulations, 2020

PART II: COMMENTARY

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

4.1 SECTION 1: TITLE AND COMMENCEMENT

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

4.2 SECTION 2: INTERPRETATION

4.2.1 Section 2 of the principal Act is amended by the deletion of the definitions of "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 because the electronic fiscal devices have been phased out following the introduction of the electronic invoicing system.

4.2.2 Section 2 of the principal Act is amended by the insertion of the following new definition:

"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;

The amendment introduces this definition in order to support the implementation of the electronicinvoicing system.

4.3 SECTION 7A: RECORD OF SALES (GENERAL AMENDMENT)

4.3.1 Section 7A (1) of the principal Act is amended by the deletion of the words "electronic fiscal device" and the substitution therefor of the words "electronic invoicing system".

Section 7A (1) now reads:

A taxable supplier shall use an electronic invoicing system to record each sale or transaction.

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.

This provision makes it mandatory for a taxable supplier to use an electronic invoicing system to record each sale or transaction.

4.3.2 Section 7A (2) of the principal Act is amended by the deletion of the words “electronic fiscal device” and the substitution therefor of the words “electronic invoicing system”.

Section 7A (2) now reads:

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 taxable suppliers.

This means that for a taxable supplier to use alternative invoicing systems that include manual invoices, accounting packages and Enterprise Resource Planning (ERP) systems, the CommissionerGeneral must grant approval. Where the Commissioner-General does not grant approval, a taxable supplier should use the electronic invoicing system.

4.4 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 as documentary evidence for input tax deductions.

4.5 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.

5.0 THE VALUE ADDED TAX (ELECTRONIC INVOICING SYSTEM) REGULATIONS, STATUTORY INSTRUMENT NO. 58 OF 2023

5.1 REGULATION 1: TITLE AND COMMENCEMENT

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

5.2 REGULATION 2: INTERPRETATION

The Regulation Introduces the following definitions-

"approved invoicing system" means a device or equipment approved by the Commissioner- General in accordance with section 7A (2) of the Act for the purposes of recording a sale or transaction;

"Authority" has the meaning assigned to the word in the Act;

"customer" means a person to whom a business supplies goods or services;

"issue log book" means a record in a physical or electronic format where faults and notifications to the Commissioner-General are recorded;

"taxable supplier" has the meaning assigned to the words in the Act;

"State institution" has the meaning assigned to the words in the Constitution; and

"electronic invoicing system" has the meaning assigned to the words in the Act.

The regulation introduces the preceding definitions.

The word "Authority" refers to Zambia Revenue Authority.

The words "State Institution" is defined in Article 266 of the Constitution, Chapter 1 of the Laws of Zambia, as follows:

"State institution" includes a ministry or department of the Government, a public office, agency, institution, statutory body, commission or company in which the Government or local authority has a controlling interest, other than a State organ.

5.3 REGULATION 3: ELECTRONIC INVOICING SYSTEM

The Commissioner General shall operate an electronic invoicing system.

This regulation mandates the Commissioner-General to administer an electronic invoicing system.

5.4 REGULATION 4: ISSUANCE OF TAX INVOICES BY TAXABLE SUPPLIER

(1) A taxable supplier shall issue a tax invoice using an electronic invoicing system to a customer for the consideration paid or payable by that customer.

(2) Where a customer is a business or a State institution, the tax invoice issued under subregulation (1) shall specify the name, address and taxpayer identification number of the customer.

(3) Subregulation (1) applies whether the customer is present or not at the time of the transaction and whether the customer fails or refuses to take the tax invoice.

(4) A customer shall report a taxable supplier to the Authority where a-
(a) taxable supplier does not issue that customer with a tax invoice in respect of a taxable supply; or
(b) customer has been issued with a tax invoice that does not contain accurate information relating to the taxable supply.

The regulation -

i. makes it mandatory for a taxable supplier to use the electronic invoicing system to issue a tax invoice in respect of each sale of goods or services;

ii. provides that where a transaction is business-to-business or business-to-government, the taxinvoice issued from the electronic invoicing system must include the name, address and taxpayer identification number of the customer;

iii. makes it mandatory to issue a tax invoice whether the customer is present or not and whether the customer fails or refuses to receive the tax invoice; and

iv. requires a customer to report to the Zambia Revenue Authority, a taxable supplier that:

(a) does not issue the tax invoice; or

(b) issues an invoice that contains inaccurate information.

NOTE:

The tax invoice issued to a customer can either be in electronic form or printed from an electronic invoicing system.

5.5 REGULATION 5: USE OF MANUAL OR ALTERNATIVE INVOICING SYSTEM

(1) A taxable supplier shall use a manual tax invoice or an approved invoicing system as authorized by the Commissioner-General where the use of the electronic invoicing system is disrupted.

(2) A taxable supplier shall, where that taxable supplier's use of an electronic invoicing system is disrupted for a continuous period of twenty-four hours, notify the Commissioner-General.

(3) A taxable supplier shall ensure that all transactions captured manually are uploaded to the electronic invoice system within seventy-two hours.

This regulation

i. provides that a taxable supplier must use a manual tax invoice or an approved invoicing system when the use of the electronic invoicing system is disrupted;
ii. requires a taxable supplier to notify the Commissioner-General where there has been a disruption in the use of an electronic invoicing system for a continuous period of 24 hours; and
iii. makes it mandatory for suppliers who experience system disruption to upload onto the system transactions captured off the system and the upload should be done within 72 hours after the system is restored.

5.6 REGULATION 6: CLAIM OR DEDUCTION OF INPUT TAX

A claim or deduction of input tax on a tax invoice issued by a taxable supplier is valid if the tax invoice is recorded-

(a) on the electronic invoicing system; or

(b) manually where there is a disruption.

This regulation provides that for the input tax to be claimed, it will have to meet the requirements of Section 18 in the principle Act. However, for an invoice under the electronic invoicing system and issued when the system is disrupted, such an invoice will have to be uploaded on the system once it is restored.

5.7 REGULATION 7: DISPLAY OF NOTICE

(1) A taxable supplier shall display in a conspicuous place at a place of business, a notice relating to use of an electronic invoicing system.

(2) A taxable supplier who contravenes subregulation (1) commits an offence and is liable, on conviction, to a fine not exceeding thirty thousand penalty units.

The regulation makes it mandatory for a taxable supplier to display a notice relating to the use of electronic invoicing system at a prominent location in the place of business. Further, a taxable supplier who fails to display the notice commits an offence and is liable to a fine, upon conviction.

5.8 REGULATION 8: ISSUE LOG BOOK

A taxable supplier shall keep and maintain an issue log book for each approved invoicing system.

The regulation mandates a taxable supplier to keep and maintain an issue log book for each approved invoicing system.

NOTE:

An issue log book is a record in a physical or electronic format where faults and notifications to the Commissioner-General are recorded.

5.9 REGULATION 9: REPORTING OF FAULTS BY TAXABLE SUPPLIERS

A taxable supplier shall, where an electronic or approved invoicing system has a fault, notify the Commissioner-General providing the following information:

(a) the description and time of the fault;

(b) period for which the system was not in use and when use was restored;

(c) reasons for an unreported fault, if any; and

(d) any other information relating to the fault as may be required by the Commissioner - General.

This regulation requires a taxable supplier to notify the Commissioner General when the electronic system of any approved invoicing system has a fault.

5.10 REGULATION 10: DEACTIVATION OF APPROVED INVOICING SYSTEM

(1) A taxable supplier shall, in case of cessation of business, submit a written request to the Commissioner-General within thirty days from the date of cessation of business to deactivate the approved invoicing system.

(2) The taxable supplier shall keep and maintain records and accounts generated from the approved invoicing system that has been deactivated under subregulation (1) for the period that the taxable supplier is required to keep and maintain the records and accounts under the Act.

(3) A taxable suppler that does not comply with sub-regulation (1) commits an offence and is liable, on conviction, to a penalty not exceeding thirty thousand penalty units.

i. a requirement for a taxable supplier to notify the Commissioner General to deactivate the approved invoicing system within 30 days from the date of cessation of the business;

ii. for a penalty for failure to submit the written request to the Commissioner-General within the prescribed period;

iii. that a taxable supplier should keep and maintain records and accounts that were generated from the approved invoicing system that has been deactivated, for the period prescribed under the VAT Act.

The VAT Act prescribes a minimum period of 6 years to maintain records and accounts

5.11 REGULATION 11: PROHIBITION OF TRANSFER OF APPROVED INVOICING SYSTEM

A taxable supplier shall not transfer an approved invoicing system to a third party.

The regulation prohibits a taxable supplier from transferring an approved invoicing system to a third party.

5.12 REGULATION 12: PENALTIES AND OFFENCES

(*1)* *A taxable supplier commits an offence if that taxable supplier-*

(a) modifies or attempts to modify an approved invoicing system without authorization from the Commissioner-General;

(b) enters false data on the approved invoicing system; or

(c) tampers with, alters or falsifies data recorded, analysed, formatted or stored by the approved invoicing system.

(2) A taxable supplier convicted of an offence under sub regulation (1) is liable, on conviction, in the case of a-

(a) First offence, to a penalty not exceeding one hundred thousand penalty units;

(b) *Second offence to a penalty not exceeding two hundred thousand penalty units; and*

(c) *Third or subsequent offence, to a penalty not exceeding three hundred thousand penalty units, or to imprisonment for a term not exceeding three years, or both.*

The regulation provides that modifying or attempting to modify the approved invoicing system without authorization, the entry of false data into the approved invoicing system and the tampering of the data formatted or stored on the approved invoicing system, by a taxable supplier is an offence and prescribes penalties for the offence.

Further, the regulation provides for graduated penalties for the prescribed offences upon conviction.

NOTE:

A penalty Unit is K0.40

5.13 REGULATION 13: REVOCATION OF S.I. 33 OF 2020

The Value added Tax (Electronic Fiscal Devices) Regulations, 2020 are revoked.

The regulation revokes the Value Added Tax (Electronic Fiscal Devices) Regulations, 2020.

6 ZAMBIA REVENUE AUTHORITY CONTACT 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
Email: **advice@zra.org.zm**
Website: **http://www.zra.org.zm**

2. Reporting complaints of unethical nature:

Write to:
The Chairperson
ZRA Integrity Committee
P.O. Box 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