

ZAMBIA REVENUE AUTHORITY
SERVICE CENTRE



ANNUAL REPORT 2021



**ZAMBIA
REVENUE
AUTHORITY** | *My Tax
Your Tax
Our Destiny*

Letter of Transmittal**CHAIRMAN OF THE ZAMBIA REVENUE AUTHORITY GOVERNING BOARD**

25th April, 2022

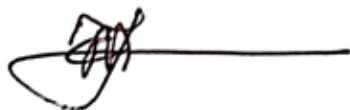
Honourable Dr. Situmbeko Musokotwane, MP
Minister of Finance and National Planning
Ministry of Finance and National Planning
P.O. Box 50062
LUSAKA

Honourable Minister,

On behalf of the Governing Board, I have the pleasure of presenting to you, the 27th Annual Report of the Zambia Revenue Authority, covering the Financial Year 1st January 2021 to 31st December 2021.

This report has been prepared pursuant to the requirements of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia and the Public Finance Management Act No. 1 of 2018.

Yours sincerely,



Dr. Caleb Fundanga
Chairman of the Governing Board

-

VISION

“To be a world class model of excellence in revenue administration and trade facilitation.”

MISSION STATEMENT

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

VALUES

Our commitment to serving all stakeholders is embedded in our Corporate Values:

Taxpayer Focus

WE believe in delivering excellent services and value our taxpayers. We provide timely, responsive and proactive service. We take time to understand taxpayers' needs and always strive to surpass their expectations;

Integrity

WE do what we say we will do. We will uphold professional and ethical business practices. The company's interactions with stakeholders will be done transparently for mutual benefit. We will ensure honesty, integrity and respect to all;

Professionalism

WE uphold high quality standards and etiquette in our dealings to enhance professional competence by providing the highest level of service;

Innovation

WE are creative, bold and believe in continuous learning and improvement. We believe these will sustain total quality consciousness in the organization;

Networking

WE collaborate inside and outside ZRA to maximise our shared knowledge and bring greater value to one another and most importantly, to our customers. We work together as one ZRA family, in partnership with other organizations, and always embrace diversity and inclusiveness.

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ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
BMS	Block Management System
CSP	Corporate Strategic Plan
DT	Direct Taxes
EFD	Electronic Fiscal Device
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICT	Information and Communication Technology
IMF	International Monetary Fund
ITE	Indirect Taxes and Excise
KPI	Key Performance Indicator
KRA	Key Result Area
PACRA	Patents and Companies Registration Agency
PAYE	Pay As You Earn
PMDC	Performance Management and Development Contract
TPIN	Tax Payer Identification Number
USAID	United States Agency for International Development
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax
VDP	Value for Duty Purposes
WHT	Withholding Tax
ZRA	Zambia Revenue Authority

Corporate Profile

The Zambia Revenue Authority was established on 1st April 1994 as a corporate body to collect revenue on behalf of the Government of the Republic of Zambia. This is pursuant to the Zambia Revenue Authority (ZRA) Act No. 28 of 1993.

The specific functions of the Authority are to:

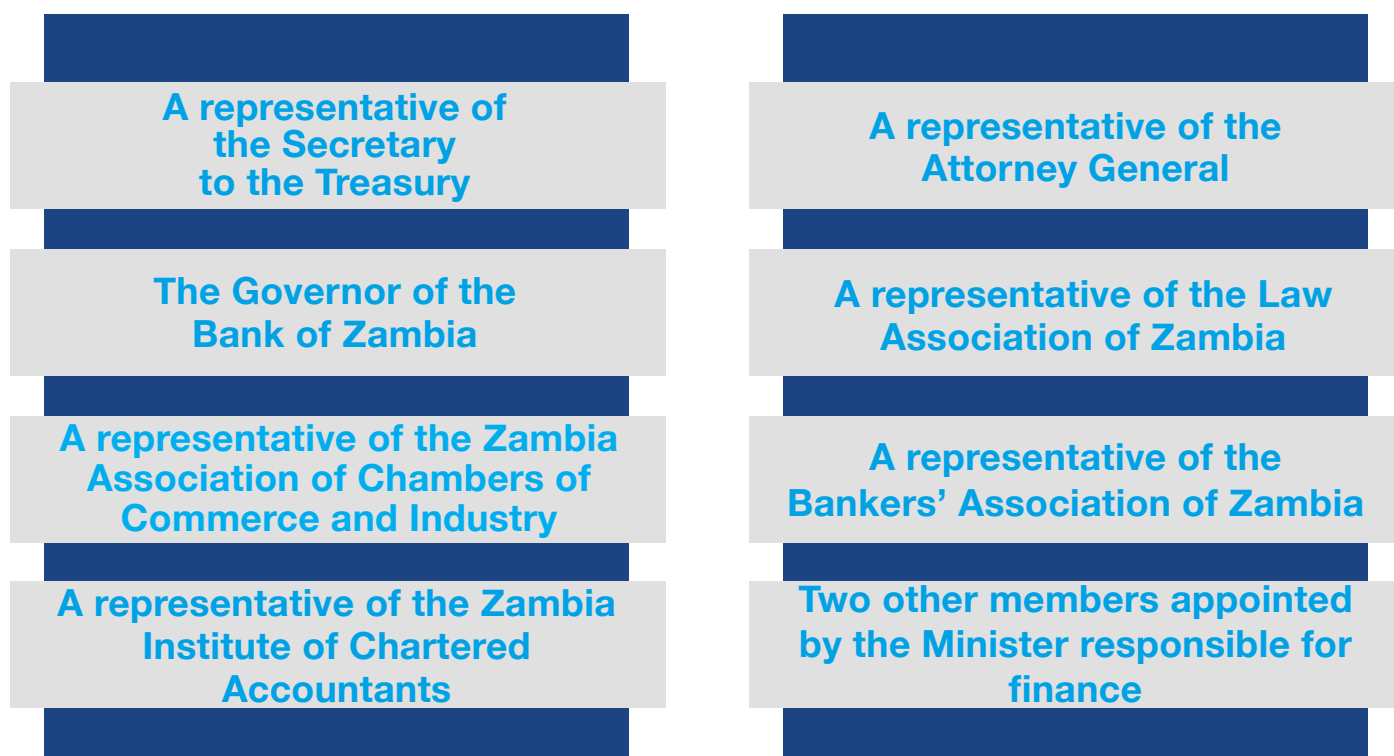
1. Properly assess and collect taxes, duties, levies and fees at the right time;
2. Ensure that all monies collected are properly accounted for and banked;
3. Properly enforce all relevant legislation and administrative provisions;
4. Provide revenue and trade statistics to the Government;
5. Give advice on tax policy to the Government; and
6. Facilitate international trade.

Corporate Governance

As a corporate body, the operations of ZRA are overseen by the Governing Board as provided under the ZRA Act. In addition to the specified functions, the Act empowers the Minister responsible for finance to give the Governing Board such general directives with respect to the carrying out of its functions as the Minister considers necessary or expedient.

In performing its oversight role, the Governing Board is guided by the Code of Corporate Governance and the Board Charter in providing direction and control of the Authority. The Governing Board provides strategic direction to Management through guidance on accountability and good stewardship in the operations of the Authority. To aid its work of enhancing corporate governance, the Board has put in place various governance policies such as the Board Evaluation Policy, Conflict of Interest Policy and the Whistle-Blower Policy.

As provided for in the ZRA Act, the ZRA Governing Board is comprised of:



The members of the Board elect the Chairman and the Vice-Chairman from amongst themselves.

The Chief Executive Officer of ZRA is the Commissioner General who is appointed by the President of the Republic of Zambia and is an ex-officio member of the Governing Board.

Taxes, Duties, Levies and Fees Administered by ZRA

The Authority administers the following tax types, duties, levies and fees:

**Taxes, levies and fees
administered by
the Authority**

- **Income Taxes;**
- **Value Added Tax;**
- **Mineral Royalty;**
- **Excise Duties;**
- **Customs Duties;**
- **Property Transfer Tax;**
- **Carbon Emission Surtax;**
- **Export Duty;**
- **Skills Development Levy;**
- **Rural Electrification Levy;**
- **Insurance Premium Levy;**
- **Tourism Levy; and**
- **Motor Vehicle Fees.**

STAKEHOLDERS

The stakeholders¹ in the operations of the Authority include:



¹ See Annex for a comprehensive list of stakeholders that collaborated with ZRA in 2021

PERFORMANCE HIGHLIGHTS - 2021

Tax to GDP
ratio increased to
19.7% in 2021
from
17.3% in 2020

Recorded Surplus
of **K24.5 Billion**
or **41.3%**
above target

100% of customs
declarations were
processed within
the Taxpayer Charter
standard of **1.5 days**

Tax registrations
processed in an average
of
1.4 days in 2021,
an improvement from
2.2 days in 2020

Registered a total of
329,190 TPINs
in **2021,**
posting a growth of **5%**
from 2020

MEMBERS OF THE ZRA GOVERNING BOARD 2021

**Amb. Bwalya S. K. Chiti**

Chairman

**Mr. Willis Chipango**Member and Chairman of the
Finance Committee**Mrs. Cecilia B. Zimba**Vice Chairperson and Chairperson
of the Innovation and Project
Management Committee**Mr. Christopher M. Mvunga**

Member

**Mr. Andrew Nkunika**Member and Chairman of the
Legal Staff and Disciplinary
Committee**Mr. James Koni**Member and Chairman of the
Audit and Risk Committee**Mrs. Lydia M. Sibanda**

Member

**Mrs. Grace T. Bwanali**

Member

**LAZ REPRESENTATIVE**

VACANT

MEMBERS OF THE ZRA SENIOR MANAGEMENT AS AT 31ST DECEMBER, 2021



Mr. Sydney Chibbabuka

Commissioner Customs
Services



Mr. Moses Shuko

Commissioner Indirect
Taxes & Excise



Mr. Dingani Banda

Commissioner General



Mrs. Brigitte N. Muyenga

Commissioner Finance



Mr. Peter Phiri

Acting Commissioner
Direct Taxes



Mr. Kwegyer Msimuko

Deputy Commissioner
Operations - North
(Customs Services)



Mrs. Patricia B. Lungu

Deputy Commissioner
Operations - South
(Customs Services)



Mr. Wagner Chilembo

Deputy Commissioner
Support
(Customs Services)



Mr. George Mwale

Director Design Monitoring &
International Relations
(Indirect Taxes &
Excise)



Mr. Ignatius Mvula

Director Excise



Mrs. Mirriam Sabi

Director VAT Operations
(South)



Mr. Shadreck Kachusha

Director VAT
Operations (North)



Mr. Richard Kapasa

Director Design Monitoring
& International Relations
(Direct Taxes)



Mr. Ronald Chalwe

Director Informal Sector &
Medium Taxpayer Office



Mr. Timothy Milambo

Director Treasury
Management



Mr. Benjamin Simpungwe

Director Finance



Ms. Catherine Chilambe

Director Investigations



Mr. Ezekiel Phiri

Director Research &
Corporate Strategy



Mrs. Suzyo M. Ng'andu

Board Secretary



Mr. Moffat Nyirenda

Director Human
Resource



Mr. Monday M. Katongo

Director Information
& Communication
Technology



Mr. Morgan Mukwasa

Director Legal
services



Mrs. Gladys Matamwadi

Acting Director Large
& Specialised
Taxpayer Office



Mr. Moonga Mumba

Director Internal
Audit & Risk



Mr. Chimambo Chibale

Director Innovations
and Project
Management



Mr. Callistus Kaoma

Director Administration

CHAIRMAN'S STATEMENT

Let me begin by thanking the Minister of Finance and National Planning, Honourable Situmbeko Musokotwane MP, for appointing me and my colleagues to serve as members of the ZRA Governing Board with effect from 15th March, 2022. I also wish to thank my fellow Board members for subsequently electing me as the Chairman of the Governing Board on 28th March, 2022.

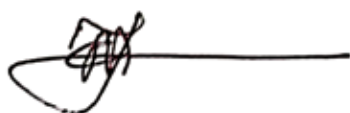
The year 2021 began in the middle of the second COVID-19 wave. Nevertheless, lessons from the first wave were invaluable in navigating the second wave. For ZRA, it was our decision to fine-tune our electronic channels and our COVID-19 responses, primed for such an eventuality, that saved the day. This helped us start on a strong note with a healthy surplus of K2.5 billion at the end of the first quarter, a testament to the quality of effort we put in planning.

A brief period of normalcy followed the initial COVID-19 wave of 2021 before a deadlier third wave struck yet again during the winter months preceding the general election. By year end, COVID-19 had clearly established itself with seasonality. The 2021 general elections demonstrated yet again Zambia's signature democratic credentials, that elections would go by smoothly and a new government installed. In early October, there was change of guard in ZRA when Dr. Kingsley Chanda handed the baton to Mr. Dingani Banda as Commissioner General. Despite the midstream changeover of leadership at national and corporate level, ZRA consolidated its sprint in the last quarter to close the year at K83.9 billion against a target of K59.4 billion. This resulted in a surplus of K24.5 billion or 41.3 percent. The unexpected sustained uptick in copper prices propelled the emphatic finish to the year.

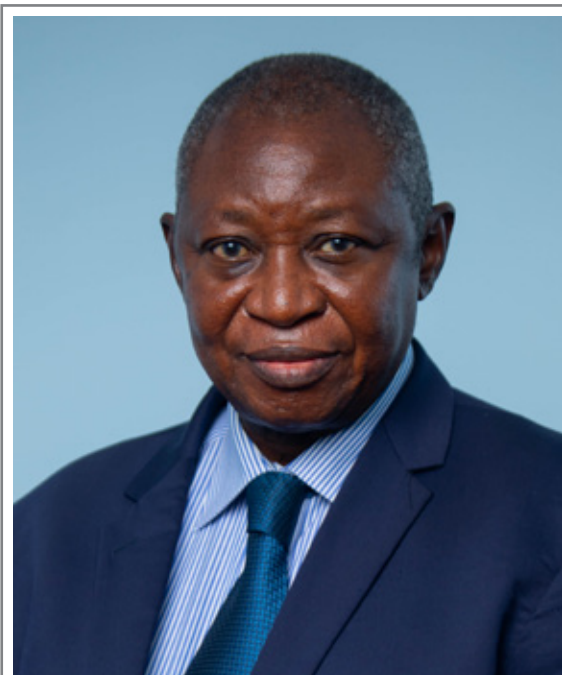
Other key milestones achieved by ZRA during the year include the successful implementation of the SAP upgrade project and the enhancement of the USSD platform to include withholding tax on rental income. The former adaptation allowed staff working remotely to access resources and was instrumental in sustaining operations. ZRA also completed formulating its 2022-2024 Corporate Strategic Plan. Among the medium-term goals is the transformation of ZRA into a truly data driven institution that embraces evidence to inform tax administration decisions while using technology to improve taxpayer compliance. ZRA's achievement of a net revenue growth of 45.5 percent and a tax to GDP ratio of 19.7 percent from 17.3 percent in 2020, underscores the power of unity of purpose, among other factors, in the face of an existential threat posed by COVID-19.

On behalf of the Board, I would like to thank the Minister of Finance and National Planning and his officials for their continued support to ZRA. I would also like to thank the former Board Chairman, Amb. Bwalya S.K. Chiti, and members of his Governing Board, for steering ZRA through a difficult period. To the Management and staff of ZRA, may I simply say, "Bravo". What a spectacular finish to a difficult and unusual year. This notwithstanding, my Board will in 2022 continue to pursue reforms that will further strengthen tax administrations in Zambia.

It is now my honour to present to you the 27th Annual Report of the Zambia Revenue Authority for the financial year 1st January, 2021 to 31st December, 2021. The report is dedicated to the memory of Dr. Kenneth David Kaunda, founding President of the Republic of Zambia who passed away on 17th June 2021.



Dr. Caleb Fundanga
Chairman of the Governing Board



COMMISSIONER GENERAL'S REPORT



This report presents the Zambia Revenue Authority's tax revenue and operational performance, and the audited financial statements for the fiscal year 1st January, 2021 to 31st December, 2021.

First and foremost, I am grateful to His Excellency Mr. Hakainde Hichilema, President of the Republic of Zambia for appointing me Commissioner General of the Zambia Revenue Authority on 8th October, 2021. This is a responsibility I take seriously as the revenue collection effort of ZRA is what enables the Government to better the lives of its citizens.

During the year under review, the global economy continued to grapple with the effects of the COVID-19 pandemic, albeit with less disruption. Domestically, economic growth was sluggish with real GDP growth projected at two percent. Notwithstanding the harsh economic environment, the Authority defied all odds to surpass its annual revenue target four months before the end of the year. By year end, the Authority collected K83,915.2 million against the annual target of K59,369.2 million, thereby registering a surplus of K24,545.9 million or 41.3 percent. This outturn was 19.7 percent of GDP compared to 17.3 percent in 2020.

This outstanding revenue performance was largely aided by favourable copper prices, and also by the implementation of several compliance initiatives such as enhanced enforcement efforts focused on non-compliant taxpayers.

Furthermore, the Authority undertook initiatives necessitated by the need to realign itself with an ever-changing business environment. These included the operationalisation of the Kazungula One- Stop-Border Post for simplified customs processes, signing of contracts with 33 local Councils to enhance compliance for rental income taxation and provision of virtual classes on taxpayers' rights and obligations. This was in recognition of the fact that a well-functioning tax authority is key to fostering sustainable socio-economic development.

The lifespan of the ZRA 2019-2021 Corporate Strategic Plan (CSP) ended in the year under review. Under this Plan, significant innovative milestones were scored all aimed at easing tax administration and compliance. To ensure continued strategic focus, the Authority began in earnest the development of a new 2022-2024 Corporate Strategic Plan through a stakeholder consultative approach which helped to identify the Authority's challenges and opportunities.

With a risk management framework and a resilient Business Continuity Plan firmly in place, the Authority was able to navigate the challenges posed by the COVID-19 pandemic. This was through adopting responsive mitigation strategies in line with the evolving nature of the pandemic.

To improve voluntary compliance, the Authority intensified its customer engagements and education activities using various modes of interaction. The Authority also undertook continuous training and development programmes for its staff to improve service delivery. In this regard, 4,260 participants undertook training programmes during the year compared to 3,438 participants in 2020. Further, the Authority undertook an evaluation of its training and development programmes to assess their impact and inform the design of future programmes.

During the year, the Authority continued to attach great importance to staff integrity as it is an essential aspect of retaining public confidence in its operations. The ZRA Integrity Committee engaged more than 1,100 members of staff on matters of integrity while 25 focal point persons were trained by the Anti-Corruption Commission. In addition, the Code of Ethics, Conflict of Interest Policy, Whistle Blower Policy, and the Gifts and Benefits Policy were augmented. I am optimistic that with these interventions, we will continue to be professional and deliver to the expectation of all stakeholders.

I would like to thank the Minister of Finance and National Planning, Honourable Dr. Situmbeko Musokotwane, MP and his officials for their support and guidance since my appointment. I also wish to acknowledge my predecessor Dr. Kingsley Chanda for his contribution to strengthening our revenue mobilisation efforts. In the same vein, I want to thank the Governing Board for its oversight and support to Management. Management will, in 2022, propose tax administration reforms aimed at further augmenting the revenue mobilisation efforts.

I wish to pay sincere gratitude to our cooperating partners for supporting the different segments of our operations, which enabled us to achieve our mandate. I further applaud all taxpayers who honoured their tax obligations despite the challenges of the COVID-19 pandemic.

Finally, I would like to pay special gratitude to the Management and staff for posting a record-breaking revenue performance. It is my hope that this remarkable performance is now our *new normal* that will be replicated in 2022 and beyond.



Dingani Banda
Commissioner General



OVERVIEW OF THE AUTHORITY

Overview of the Authority

The Zambia Revenue Authority is a semi-autonomous statutory body responsible for collecting revenue on behalf of the Government of the Republic of Zambia. The organisational arrangement of the Authority is presented in this section.

1. The Governing Board

The Authority has a Governing Board as provided under the ZRA Act comprising nine members drawn from both public and private sectors. The appointment of members of the Governing Board is executed by the Minister responsible for finance while the Commissioner General, who is the Authority's Chief Executive Officer, is appointed by the President of the Republic of Zambia.

In the year under review, the Governing Board performed its work through the following committees:

1.1 Audit and Risk Committee

The Audit and Risk Committee reviews the Authority's reports on the integrity of financial statements, the effectiveness of internal controls and compliance with relevant statutory and regulatory obligations.

1.2 Finance Committee

The Finance Committee considers the Authority's reports on the utilisation of operational funds and assets as well as collection and remittance of revenue to ensure accountability and efficiency.

1.3 Innovation and Project Management Committee

The Innovation and Project Management Committee oversees the governance, management and delivery of the Corporate Strategy, Information and Communication Technology (ICT), innovations and related organisational reform projects.

1.4 Legal, Staff and Disciplinary Committee

The Legal, Staff and Disciplinary Committee provides guidance on the appropriateness of management decisions on legal and human resource related matters.

Divisions and Departments

The organisational structure of the Authority comprises three operating divisions headed by Commissioners; these are Customs Services, Direct Taxes, and Indirect Taxes and Excise Divisions. The operating divisions are supported by one other division in charge of finance headed by a Commissioner, nine departments headed by Directors and two units headed by Assistant Directors. All these heads report directly to the Commissioner General.

Customs Services Division

The Customs Services Division administers trade taxes, fees and charges in accordance with the Customs and Excise Act, Chapter 322 of the Laws of Zambia. As part of its mandate, the division carries out enforcement of regulatory controls on imports, exports and goods in transit, which helps to secure international supply chains. The Division also facilitates legitimate international trade, thereby supporting the country's economic growth.

Direct Taxes Division

The Direct Taxes Division is responsible for administering income taxes as provided for under the Income Tax Act, Chapter 323 of the Laws of Zambia, and property transfer tax under the Property Transfer Tax Act, Chapter 340 of the Laws of Zambia. In addition, the division collects mineral royalty under the Mines and Minerals Development Act No. 11 of 2015 and skills development levy pursuant to the Skills Development Levy Act No. 46 of 2016.

Indirect Taxes and Excise Division

The Indirect Taxes and Excise Division is charged with administering inland consumption taxes in accordance with the Value Added Tax Act, Chapter 331 of the Laws of Zambia, the Tourism and Hospitality Act No. 13 of 2015 and the Insurance Premium Levy Act No. 21 of 2015. The division also administers local excise pursuant to the Customs and Excise Act, Chapter 322 of the Laws of Zambia.

Finance Division

The Finance Division is responsible for both treasury and accounting functions of the Authority. This involves facilitating efficient remittance of government revenue to the treasury and managing the funds appropriated for the operations of the Authority. The division is also responsible for debt recovery.

Administration Department

The Administration Department is responsible for the acquisition, development and maintenance of physical assets of the Authority. In addition, the department is also responsible for occupational health and safety, physical security, transport, purchasing and supplies management.

Human Resource Department

The Human Resource Department is responsible for all aspects of human resource management and development in the Authority. In line with this function, the department ensures fair treatment of staff, open communication, integrity, trust and mutual respect; all aimed at maximising the value and productivity of the human capital.

Information and Communication Technology Department

The Information and Communication Technology Department ensures that the Authority has reliable and efficient ICT systems and services to support its mandate. This involves the acquisition, maintenance and security of all the ICT equipment and systems in the Authority.

Innovation and Project Management Department

The Innovation and Project Management Department is responsible for translating innovative ideas into tangible ICT and customer-centric solutions using the project management framework in furtherance of the reform and modernisation agenda of the Authority. The department's mandate includes spearheading the delivery of holistic customer experience in the Authority for the benefit of all stakeholders.

Internal Audit and Risk Department

The Internal Audit and Risk Department is mandated to provide objective assurance and consultancy regarding internal controls, governance processes and risk management in the Authority. Functionally, the department reports to the Audit and Risk Committee of the ZRA Governing Board, and administratively to the Commissioner General.

Investigations Department

The mandate of the Investigations Department is to investigate suspected cases of tax offences committed under the various laws administered by the Authority with a view to prosecuting offenders.

Legal Services Department

The Legal Services Department is responsible for legal representation of the Authority in all legal related matters and reviews appeals and objections from taxpayers aggrieved by the Authority's decisions on tax matters. The department is also responsible for prosecuting tax offenders.

Office of the Board Secretary

The Office of the Board Secretary provides secretarial and related services to the Governing Board. The Board Secretary also oversees the Internal Affairs Unit, which is responsible for investigating cases of impropriety by officers of the Authority.

Research and Corporate Strategy Department

The Research and Corporate Strategy Department's mandate encompasses executive support and related functions. These include undertaking tax policy research and coordination, statistical analysis, bulk data analytics services, corporate planning and business process that continuously improve operations whilst involving all employees. The department is also responsible for implementing institutional data quality initiatives and taxpayer account reconciliations to improve the integrity and quality of data for compliance management and enforcement purposes.

Units under Commissioner General's Office

i. Corporate Communications Unit

The Corporate Communications Unit coordinates the Authority's corporate communications, advertising, public relations and branding activities. The unit also manages stakeholder engagements with the aim of promoting the corporate image of the Authority.

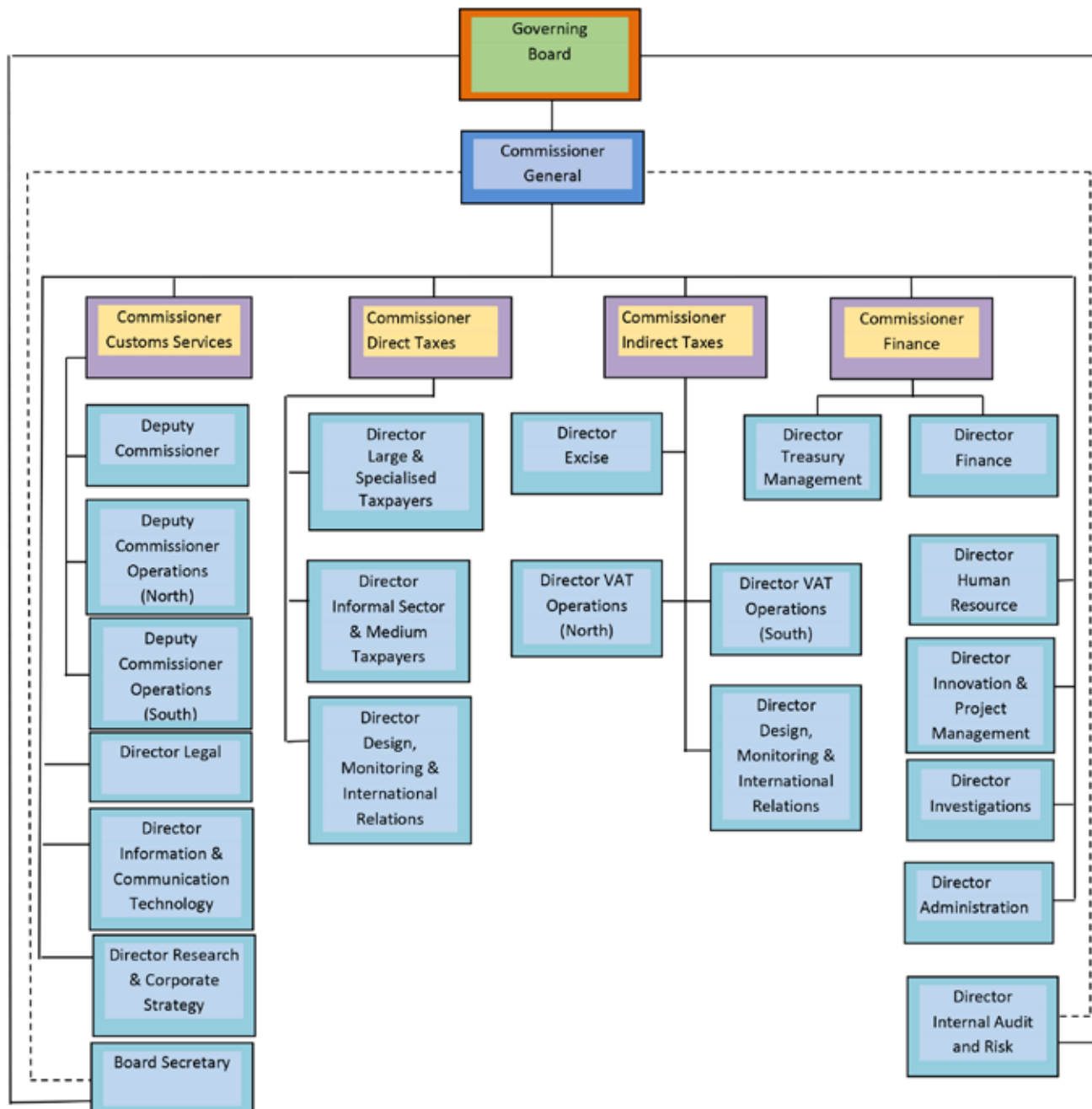
ii. Enforcement Unit

The Enforcement Unit is responsible for conducting customs enforcement activities to curtail smuggling and providing intelligence to facilitate investigations, prosecutions and enforcement activities.

Governance Structure

The governance structure of the Authority as at 31st December 2021 is depicted in Figure 1.

Figure 1: ZRA Organisation Structure for Senior Management



Taxpayer Charter

To maintain public confidence, the Authority has a Taxpayer Charter that sets out the minimum service standards that taxpayers and other relevant stakeholders can expect. The Authority routinely monitors its performance against the set standards through the Taxpayer Charter Monitoring Survey to ensure continuous improvement in its service delivery.

The service standards outlined in the Charter are broadly divided into three categories:

- a) standards related to processing efficiency²;
- b) standards related to taxpayer advisory services; and
- c) standards related to service efficiency.

Processing Efficiency

The performance of all tax refunds was unfavourable against their respective Charter standards. The average processing time for VAT refunds increased to 563.5 days in 2021 from 305.8 days recorded in 2020 against the set standard of 30 days. The poor performance of this standard is due to insufficient resources for refund payments, limited audit capacity and system challenges.

The average processing time for income tax refunds increased to 69.9 days in 2021 from 51.9 days in 2020 against the Charter standard of 45 days. Similarly, the average processing time for customs refunds in 2021 increased to 191.5 days from 104.7 days in 2020 against the Charter standard of 45 days. The poor performance on both standards is attributable to funding constraints.

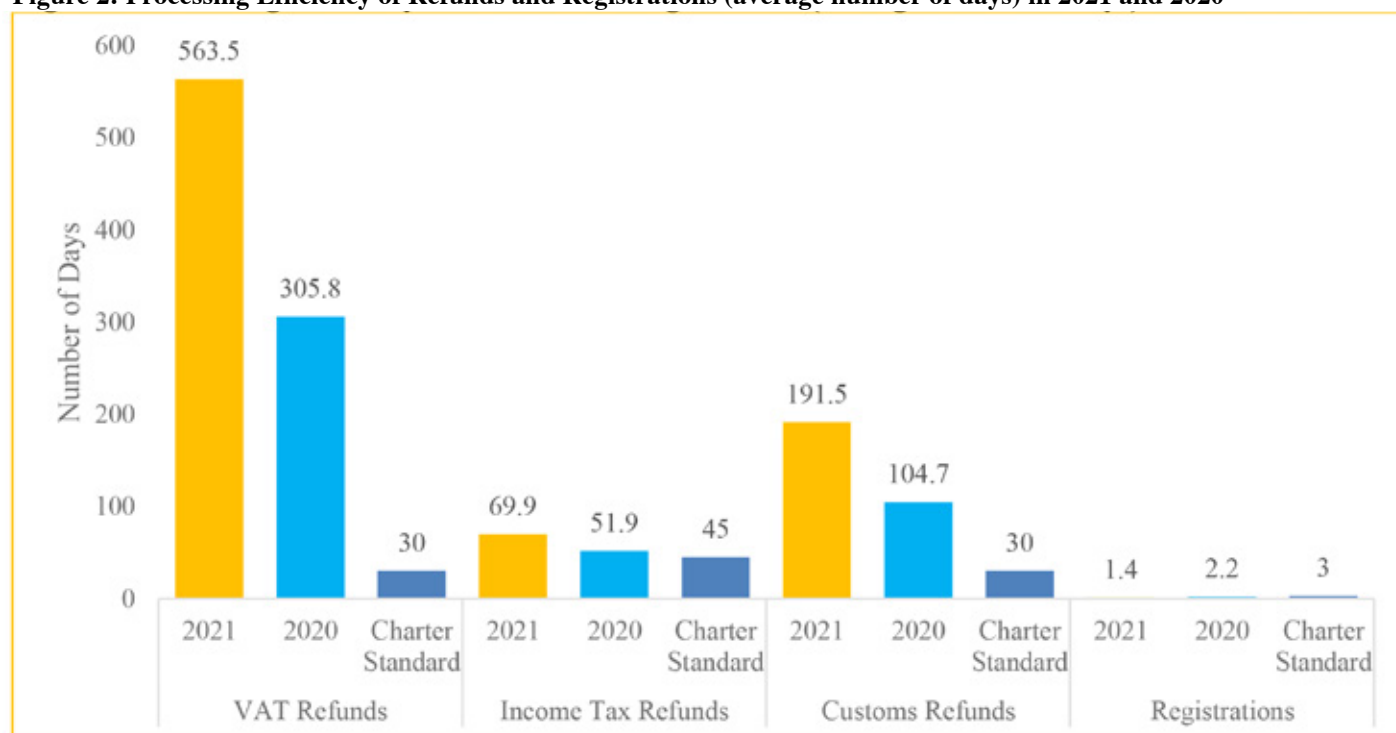
Regarding registrations, the average processing time reduced

to 1.4 days in 2021 from 2.2 days in 2020 against the Charter standard of 3 days. This improvement is attributable to the automation of the registration process on TaxOnline, TaxOn-Phone and TaxOnApp. Further, 100 percent of applications for Tax Clearance Certificates were processed within the Charter standard of 48 hours.

Customs declarations processed within the Charter standard of 1.5 days of registration of the entry increased to 100 percent in 2021 from 99 percent in 2020. The sustained positive performance is attributable to the continued roll-out of the self-clearance modules and the stabilisation of the pre-clearance module on ASYCUDAWorld.

Figure 2 summarises the processing efficiencies of tax refunds (VAT, Income Tax and Customs) and tax registrations.

Figure 2: Processing Efficiency of Refunds and Registrations (average number of days) in 2021 and 2020



² Processing efficiency refers to the turnaround time for completing a business process. It is monitored with respect to refunds, taxpayer registrations and customs declarations.

Service Standards

During the year, the Authority also monitored the performance of taxpayer service standards. On *Privacy*, 90 percent of the taxpayers were satisfied with the Authority's performance with respect to the service standards on confidentiality and privacy policy. This was lower compared to the rating of 96 percent in 2020. With regard to *Service efficiency*, 83 percent of taxpayers indicated that they were served within 20 minutes of their arrival, similar to 2020.

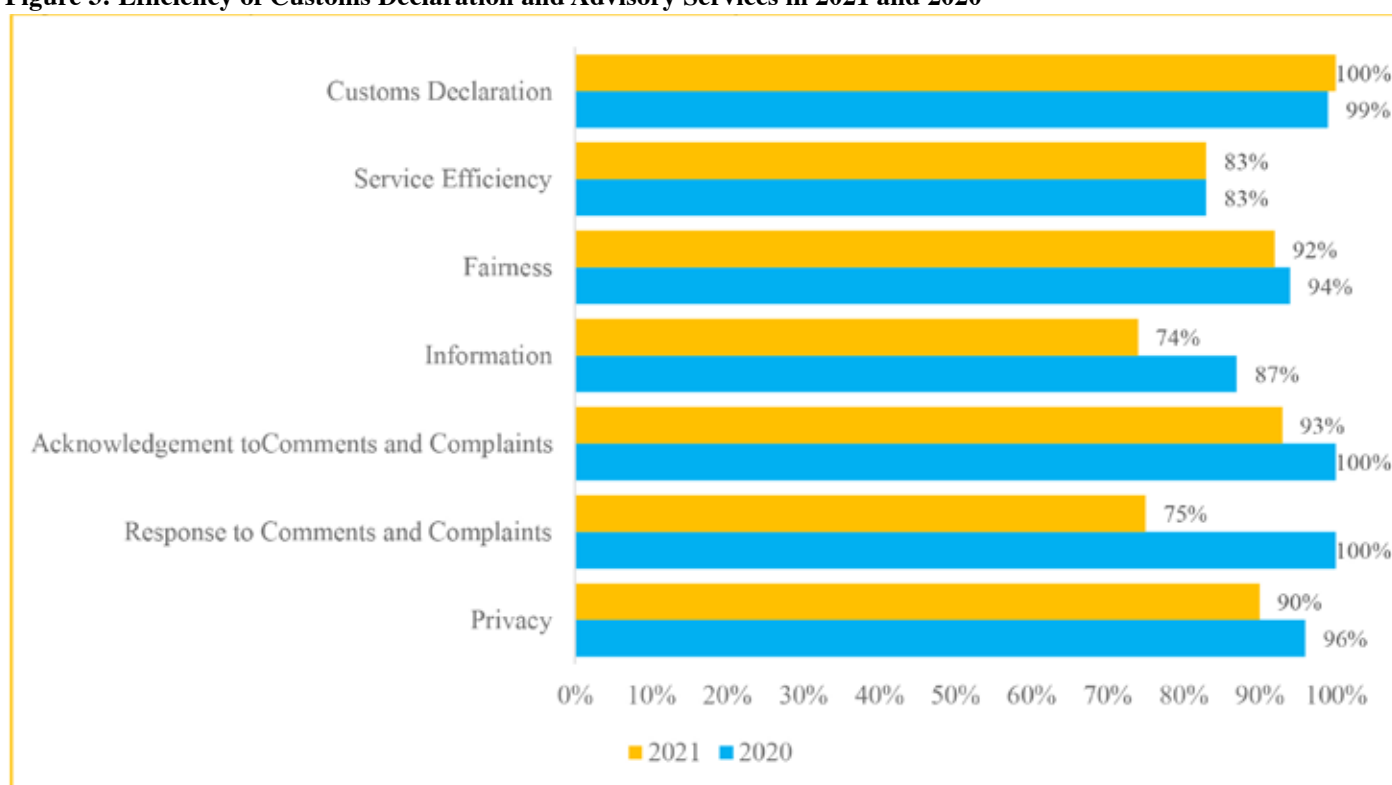
With regard to *clarity of information*, there was a decline in the number of taxpayers who rated the tax information received from ZRA as clear, to 74 percent in 2021 from

87 percent in 2020. The reduction is attributable to the reduced physical interaction between ZRA and the public because of the COVID-19 pandemic.

Further, 93 percent of comments and complaints received were acknowledged while 75 percent were responded to within the Charter standard. This is a reduction from the performance posted on both standards in 2020.

Figure 3 summarises the efficiencies of the various services the Authority offers to the public.

Figure 3: Efficiency of Customs Declaration and Advisory Services in 2021 and 2020





PRIORITIES FOR THE YEAR

Priorities for the Year

Our priorities for the year were dictated by our desire to enhance services that facilitate revenue collection, compliance management and legitimate international trade. With the COVID-19 protocols firmly in place, the Authority in 2021 went through most of the year managing within a largely virtual and remote setting. To this effect, the Authority accelerated its journey towards a digitalised revenue agency to enhance its services, improve the integrity of outcomes, and assist in detecting non-compliance. As the use of data and technology increased, the Authority remained conscious of its obligation to taxpayers and hence prioritised the development of secure systems to ensure data integrity.

To accelerate the fiscalisation agenda and ensure the full realisation of benefits, a review of the implementation and performance of the Electronic Fiscal Devices (EFDs) was done during the year. Following the review, the fiscalisation is expected to be extended to all VAT registered taxpayers and will also cover other tax types such as turnover tax, tourism levy and local excise. The Authority also enhanced the Unstructured Supplementary Service Data (USSD) platform to include withholding tax on rental income and successfully implemented the SAP upgrade project.

The Authority is committed to continuously improve its services and systems to deliver better experiences for its customers to manage their tax obligations. In this regard, further enhancements were made to the TaxOnline system to make it more interactive.

To improve online service delivery and voluntary tax compliance, the Authority placed a high premium on improved customer experience by adopting a customer-centric culture anchored on simplified and improved processes. Efforts were also made to enhance system stability, user functionality and customer experience on the core tax administration platforms, TaxOnline and ASYCUDAWorld. These interventions were intended to make tax administration systems robust and more accessible.

The Authority also prioritised the modernisation of trade logistics to facilitate international trade and revenue collection. To this end, several initiatives were implemented such as the Customs Validation System for transit acquittals, operationalisation of the Kazungula One-Stop-Border-Post for simplified customs processes, addition of five more Government ministries to the electronic Voucher of Exemption and the addition of another two Government ministries onto the single payment window.

Widening the Tax Net

Activities of ZRA Tax Agents

During the year, the Authority appointed 33 local authorities as tax agents for rental income tax, base tax and turnover tax within their jurisdictions. The appointment of local authorities as agents is aimed at increasing compliance among taxpayers in the informal sector. By year end, 13,742 properties and 12,733 taxpayers were visited, resulting in 3,534 taxpayers being registered for withholding tax on rental income across the 33 local authorities.

Mobile Compliance Enforcement Activities

Despite the challenges posed by the COVID-19 pandemic during the year, the Authority continued with its mobile compliance enforcement activities through the Enforcement Unit. The enforcement operations resulted in 2,452 interceptions with corresponding assessments valued at K140.1 million.

Taxation of Small and Medium Taxpayers

In 2021, the Authority continued to encourage taxpayers to utilise e-services through simplified platforms such as the TaxOnPhone and TaxOnApp especially in this era of the COVID-19 pandemic. The key services accessed on these platforms include Tax Payer Identification Number (TPIN) and tax type registration, deregistration, return filing and payments on TaxOnApp. The Authority further embarked on the development of a payment module on TaxOnPhone.

A total of 221,899 registrations were recorded on TaxOnPhone in 2021 compared to 154,458 recorded in 2020. In addition, the number of returns filed on this platform increased to 72,087 in 2021 from 20,488 in 2020. Further, the number of non-nil returns filed increased to 10,924 in 2021 from 2,206 in 2020, with declared liabilities increasing to K9.0 million in 2021 compared to K0.6 million in 2020. The increased usage of this platform could partly be attributed to the ease of access as it does not require internet connectivity (see Table 1).

Table 1: Number of Returns filed on TaxOnPhone in 2021 and 2020

Tax Type	2021	2020
Nil Returns		
Turnover Tax	59,632	18,160
Income Tax	344	15
Value Added Tax	1,165	103
Local Excise	9	3
Insurance Premium Levy	4	1
Non-nil Returns		
Turnover Tax	10,924	2,206
Income Tax	1	-
Value Added Tax	4	-
Withholding Tax	4	-
Total Returns	72,087	20,488

With regard to TaxOnApp, 92,619 registrations were recorded in 2021. The high uptake on this platform was driven by registrations of individual TPINs amounting to 91,815, followed by turnover and withholding tax registrations at 319 and 311, respectively. Pay As You Earn (PAYE) and base tax registrations were 159 and 15 respectively. In terms of returns, 38,274 were filed using TaxOnApp in 2021. Of these, 31,250 were nil returns while 7,024 were non-nil returns. In addition, 10,629 Payment Reference Numbers (PRNs) were generated using this platform in 2021.

Enhancing Revenue Collection using the Block Management System

In 2021, the Block Management System (BMS) continued leveraging on remote management solutions such as TaxOnline, TaxOnPhone and TaxOnApp to manage 81 blocks, an increase from 72 managed in 2020. The corresponding revenues attributed to the BMS activities significantly increased to K130.4 million from K42.0 million recorded in 2020. Total registrations recorded under BMS increased to 6,758 in 2021 from 861 in 2020 (see Table 2).

Table 2: Registration by Tax Type in 2021 and 2020 under the Block Management System

Type of Registration	Number of Registrations	
	2021	2020
TPIN	3,588	145
Turnover Tax	1,588	379
PAYE	775	172
Withholding Tax	701	127
Income Tax	106	29
Presumptive Tax	0	1
Tourism Levy	0	8
Total	6,758	861

Electronic Fiscal Devices

The Authority continued to implement the fiscalisation project and by year-end, a total of 2,869 taxpayers had installed Electronic Fiscal Devices (EFDs) namely, Fiscal Cash Registers and Electronic Signature Devices. Further, 95 taxpayers successfully integrated their Point-Of-Sale systems through the Virtual Electronic Fiscal Device solution thereby bringing the total number of taxpayers connected to fiscal devices to 2,964, representing 18.5 percent

of the VAT taxpayer population. In addition, 23 software vendors were accredited as at the end of 2021 after successfully developing interface solutions for taxpayers using accounting software.

Through the analysis of EFD data, a total of 11,668 invoices that were suspected to be misclassified as zero rated or exempt with a total sales value of K2,233.8 million and 862 credit notes

valued at K11,754.5 million were identified for inspection. In addition, a total of 3,822 returns were identified to have declared transactions on the Tax Invoice Management System (TIMS) with total sales valued at K3,590.3 million but were not declared on TaxOnline. It was also established that a total of 6,772 returns were underdeclared by K3,651.3 million in gross sales and were flagged for audit. Further, 2,430 audits arising from cases identified by the EFD audit team were conducted and assessments amounting to K125.9 million were raised.

Despite the successes scored, the EFD implementation process faced a number of challenges during the year. These included system sustainability, inadequate number of devices, failure to issue multiple credit notes, lack of automated return and invoice comparison and low uptake of Electronic Signature Devices. Additionally, the EFD implementation lacked adequate technical system support to attend to issues such as TIMS invoice download failure and timely device repair, among others.

To expedite the resolution of issues surrounding the fiscalisation process, a review of the performance of the EFDs was done in 2021. The major outcome of the review was the launch of the EFD II Project. The EFD II project commenced in September 2021 with a primary objective of extending fiscalisation to all VAT registered taxpayers and to ensure the full realisation of benefits anticipated in the first phase. Another objective of phase II was to extend fiscalisation to cover other tax types such as turnover tax, tourism levy and local excise.

Improving Operational Efficiency

A number of projects were carried during the year all aimed at improving the operational efficiency of the Authority as follows:

Physical Infrastructure Development

During the year under review, the Authority constructed and rehabilitated infrastructure at its various locations across the country at a cost of K16.9 million. Among the projects completed were the construction of new staff houses at Kipushi and Kashiba Border Posts, the construction of new ZRA offices in Chinsali, and the alterations to existing offices, warehouses and external works at the new Makeni Yard.

Office Furniture and Equipment

The Authority acquired assorted office furniture and non-ICT equipment for its various offices countrywide at a total cost of K1.5 million. The office furniture and equipment were procured for the new ZRA offices at Chinsali, Kenneth Kaunda International Airport and at Simon Mwansa Kapwepwe International Airport.

Enforcement and Compliance Actions

Customs Services Division

(a) Scanner Operations

In an effort to enhance operational efficiency relating to customs clearance, the Authority has installed non-intrusive scanners to speed up the examination of imports and exports. Scanners serve an additional purpose of aiding enforcement activities aimed at increasing compliance among importers and exporters.

Out of the 611,127 trucks that passed through stations with scanners during the year, 76,613 trucks or 12.5 percent were scanned. Among the scanned trucks, 370 trucks were found with discrepancies from which a total of K18.7 million additional revenue was collected (see Table 3).

Table 3: Scanners Activity Report for 2021

Port	Total Truck Traffic	Scanned	%Scanned of Total Traffic	Truck with discrepancies	Additional Revenue Collected (K)
Chanida	43,321	7,326	16.9%	4	116,901.12
Chirundu	104,041	16,573	15.9%	95	3,329,806.75
Kapiri Mposhi - EC	-	-	-	-	-
Kasumbalesa	206,531	1009	0.5%	0	0.00
Katima Mulilo	31,016	11,900	38.4%	13	330,091.65
Kazungula	46,615	8,281	17.8%	71	334,413.90
Mwami	15,808	6881	43.5%	5	17,176.30
Nakonde	163,795	24,643	15.0%	182	14,569,755.90
Total	611,127	76,613	12.5%	370	18,698,145.62

(b) Inland and Border Enforcement

Every year, the Authority conducts random and risk-based enforcement and compliance activities at various ports in form of inspections, roadblocks and follow-ups on intelligence.

In 2021, the Value for Duty Purposes (VDP) of goods detained and seized declined by 0.5 percent relative to 2020 (see Table 4).

Table 4: Detentions and Seizures in 2021 and 2020 (K 'Million)

Type	2021	2020	Variance	% Variance
Value of Detained Goods	621.4	609.5	11.9	2.0%
Value of Seized Goods	105.1	120.7	-15.6	-13.0%
Total	726.5	730.2	-3.7	-0.5%

Enforcement activities yielded a total of K33.3 million in 2021 compared to K26.1 million collected in 2020 as shown in Table 5.

Table 5: Revenue Yield from Detentions and Seizures in 2021 and 2020 (K)

Station	2021	2020
Livingstone Enforcement Unit	12,048,363.61	3,829,752.40
Kapiri Mposhi	97,10,897.15	16,94,1802.20
Nakonde	3,700,295.65	4,727,54.80
Chipata Enforcement Unit	2,474,903.75	705,945.10
Chirundu	1,855,106.43	42,000.00
Kasumbalesa	1,605,964.22	164,0367.10
Chingola	1,031,964.64	196,986.20
Kitwe	476,267.11	490,015.40
Ndola	278,014.49	367,436.00
Mokambo	63,632.00	472,572.50
Solwezi	54,011.50	-
Lusaka Port	15,900.00	-
Chembe	6,000.00	-
Katima Mulilo	-	673,031.00
Mwami	-	151,850.50
Sakania	-	87,116.00
Total	33,321,320.55	26,071,629.20

Enforcement Unit

In 2021, the operations of mobile compliance enforcement activities focused on curbing smuggling through risk based random patrols and enforcement operations resulting in 2,452

interceptions. From these interceptions, assessments worth K140.1 million were raised.

Investigations Department**a) Investigations Activities**

During the year, the Authority had a stock of 700 cases out of which 541 were brought forward from 2020 and 159 were new cases. A total of 190 cases were concluded during the year out of which seven were referred for prosecution, 111 were settled

administratively while 69 cases were terminated for various reasons and three were undergoing further action. A total of 510 cases were carried forward to 2022 (see Table 6).

Table 6: Investigation Cases in 2021

	Brought Forward	New Cases Received	Total	Terminated / Other	Referred to Division	Civil Settlement	Referred for Prosecution	Carried Forward
Customs	303	78	381	50	2	69	7	253
ITE/DT	238	81	319	19	1	42	0	257
Totals	541	159	700	69	3	111	7	510

Of the 700 cases investigated, 381 related to customs, while 319 related to direct taxes, indirect taxes and excise. This represents an increase of 3 percent for customs related cases and 19 percent for domestic taxes related cases from the 370 and 269 cases handled in 2020, respectively.

b) Digital Forensics Activities

During the year, the Authority completed 34 digital forensic cases involving the examination of 94 digital items compared to 50 cases involving 147 digital items in 2020.

Direct Taxes and Indirect Taxes Divisions

During the year under review, the Direct Taxes and Indirect Taxes Division identified and selected audit cases through the analysis of various risk parameters on TaxOnline, as well as third-party data and other intelligence information.

a) Tax Audits

In 2021, the value of tax audit assessments was K4,181.7 million³ compared to K3,789.5 million in 2020. Income tax and domestic VAT accounted for 86 percent of the total value of audit assessments with amounts of K2,578.8 million and K1,009.9 million, respectively (see Table 7).

Table 7: Tax Audit Assessments in 2021 (K' million)

Tax type	Penalties, interest and fines	Principal tax	Total audit assessment
Income Tax	1,021.82	1,556.96	2,578.79
VAT on domestic goods	195.23	814.77	1,009.99
PAYE	57.35	142.14	199.48
Local Excise Duties	90.41	81.15	171.55
Withholding taxes	14.87	84.84	99.71
Turnover tax	44.08	38.25	82.33
Skills Development Levy	28.89	1.60	30.49
Mineral Royalty	1.41	4.27	5.68
Tourism Levy	2.18	1.52	3.70
Insurance Premium Levy	0.02	0.00	0.02
Grand Total	1,456.25	2,725.50	4,181.75

b) Block Management System

Taxpayer engagements and education aimed at enhancing compliance among small and medium taxpayers identified in blocks, continued through the Block Management System (BMS) initiative in 2021. The number of blocks managed across the country marginally increased to 81 from 72 in 2020 with an

additional 6,758 tax registrations recorded. This resulted to a cumulative total number of taxpayers managed under this initiative to 10,844. The accompanying revenue yield from the program to K42.0 million in 2021 from K42.0 million collected in 2020 (see Table 8).

³ The amount does not include income tax and VAT rule-18 assessments of K29.6 billion that were finalised in the year following an administrative decision.

Table 8: Block Management Activities in 2021 by Tax Office

Tax Office	Number of Blocks	Number of Taxpayers monitored in Blocks	New Registrations under the BMS	Amount of Taxes collected in the Blocks (K)
Chingola	6	188	350	2,141,654.3
Chipata	4	326	972	16,650.0
Kabwe	5	654	300	0.0
Kasama	6	672	504	0.0
Kitwe	10	1,286	520	15,291,511.3
Livingstone	3	214	352	29,810,484.6
Lusaka	14	4,034	1,612	53,970,264.2
Mansa	4	188	250	679,288.0
Mongu	8	1,353	428	0.0
Ndola	6	1,306	242	28,436,646.8
Solwezi	6	307	208	0.0
Choma	6	194	900	0.0
Chinsali	3	122	120	0.0
Total	81	10,844	6,758	130,346,499.2

Customer Experience

The Authority recognises the need to have improved customer experience in line with its key strategic pillars espoused in the Corporate Strategic Plan. The Authority has established a customer experience unit to enhance customer relationship and improve voluntary compliance.

Using the customer experience (CX) model, the Authority intensified engagements and education activities using different channels to disseminate information to the public. This was done through virtual classes and workshops, tax clinics, live social media chats, YouTube tutorials, television, radio programmes, and tax literature. Key customer messages included tax and administrative changes, general awareness, taxpayer rights and obligations, compliance requirements as well as promotion of the use of ZRA e-service platforms.

The Authority actively pursued the procurement of a new National Call Centre and a Customer Relationship Management System to assist in managing customer enquiries and complaints.

Business Development

Enterprise Risk Management and Business Continuity Planning

The Authority continued to actively manage strategic and operational risks in line with the Risk Management Policy and Framework. Due to their dynamic nature, risks continued to evolve and so were the mitigative strategies adopted.

One of the gravest risks during the year was the COVID-19 pandemic. The pandemic posed a severe threat to the health of staff and revenue collection. This risk was mitigated by putting in place containment measures and providing treatment and support to those affected. To sustain revenue collection, work rotation arrangements were put in place through the provision of

remote working tools such as mobile internet routers and Virtual Private Network (VPN) access. Other strategic risks on the watch list were: low taxpayer compliance; instability of core ICT systems; the uncertainty of the sustainability of the fiscalisation programme; high debt stock; the threat of terrorism; fraud and corruption; inadequate BCP for core systems and cybercrime.

A new Business Continuity Management strategy was developed to support the implementation of the 2022 to 2024 Corporate Strategic Plan. This was in addition to other planned activities which were fully implemented during the year such as BCP systems tests for core ICT systems.

Enhancements on TaxOnline and uptake of e-services

During the year, the Authority continued with measures to stabilise and enhance the TaxOnline system, resulting in the resolution of a number of issues and bugs.

With regard to e-services, the number of new sign-ups for e-services reduced to 95,650 in 2021 from 189,296 in 2020. However, e-registration applications increased to 344,830 in 2021 compared to 309,951 in 2020. Similarly, the proportion of returns filed electronically increased to 99.8 percent in 2021 compared to 98.1 percent in 2020 (see Table 9).

Table 9: Uptake of e-services in 2021 and 2020

Service	Type	2021	2020
User Sign up	Electronic	95,650	189,296
Registration	Electronic	344,830	309,951
	Manual/ZRA Initiated	3,661	2,722
	Percentage of electronic registrations	98.9%	99.1%
Return Filing	Electronic	1,616,192	1,184,732
	Manual/ZRA Initiated	2,745	22,984
	Percentage of electronic filing	99.8%	98.1%

System Upgrades under Customs

During the year under review, several upgrades and enhancements were made on ASYCUDAWorld and other systems for customs management as follows:

- a) the implementation of the Customs Electronic Licensing System appointment module which mandates taxpayers to appoint a customs agent;
- b) the implementation of the automated Electronic Rules of Origin module to facilitate trade;
- c) the Customs Validation System for real-time acquittal of transits was implemented at Kapiri Mposhi, Kazungula, Victoria Falls, Katima Mulilo and Chirundu;

- d) the implementation of the Zambia-Malawi customs to customs data exchange interface; and
- e) deployment of the exceptional list for exempting TPINs from suspension..

E-Payment Platform

As at end year, 18 commercial banks and other financial institutions in Zambia were connected to both TaxOnline and ASYCUDAWorld. Of these, 11 provided their e-payment platform to non - account holders (see Table 10).

Table 10: Banks Connected with ZRA e-Payment Platforms in 2021

List of banks with e-payment extended to both account and non-account holders	List of banks with e-payment available only to account holders
Access Bank	Bank of China
Atlas Mara Bank	Citi Bank
Absa Bank	First Alliance Bank
Cavmont Bank	First Capital Bank
EcoBank	First National Bank
Indo-Zambia Bank	Standard Chartered Bank
Investrust Bank	Zambia Industrial Commercial Bank
Natsave	
Stanbic Bank	
United Bank for Africa	
Zanaco	

The Authority continued to leverage its partnerships with service providers to offer multiple payment options for taxpayers. Among these are the USSD mobile tax payment platform available on all mobile telecommunications providers as well as cGRate suite of services such as cGRate Point of Sale Machines, cGRate Konse Konse and the cGRate online portal.

Modernisation of Trade Logistics

To facilitate legitimate international trade and continue modernising trade logistics, the Authority in 2021 undertook the following initiatives:

- a) introduction of Customs Validation System for real-time transit acquittals;
- b) operationalisation of the Kazungula One-Stop-Border-Post for simplified customs processes;

- c) addition of five Government ministries to the electronic Voucher of Exemption and two Governmentministries on the Single Payment Point bringing the total number of entities connected to the Zambia Electronic Single Window to 45;
- d) implementation of electronic data exchange between Zambia Revenue Authority and Malawi Revenue Authority;
- e) piloting of the Clearing Agents Management Module; and
- f) launch of the electronic Rules of Origin for registration of exporters.

Stakeholder Relations

Cooperating Partner Relations

The Zambia Revenue Authority received support from a number of cooperating partners in different areas of its operations. Among the cooperating partners were the following:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

GIZ has been supporting the Authority under the Good Financial Governance Programme to undertake modernisation programs aimed at improving operational efficiencies, while at the same time reducing the cost of compliance for taxpayers. Projects supported by GIZ were; the implementation of phase one of the Bulk Intelligence Data Analytics (BIDA), development of the payment platform on TaxOnPhone, capacity building for auditors in the Large and Specialised Taxpayer Office, development of the Apple operating system (iOS) on the TaxOnApp platform and the procurement of the Mobile Tax Offices. Further support was in the introduction of the e- learning platform including training of training coordinators from all divisions and departments.

Common Market for Eastern and Southern Africa (COMESA)

COMESA remained committed to supporting the development of the customs management system to enhance customs controls, revenue administration and trade facilitation. The support was towards the upgrade of ASYCUDAWorld.

United States Agency for International Development (USAID)

The United States Agency for International Development (USAID) under its Revenue for Growth Activity (R4G) commenced support to ZRA in the following major areas:

- a) optimisation of audit processes for Indirect Taxes and Excise;
- b) capacity building in debt management; and
- c) tax gap studies.

The R4G is a five-year activity aimed at helping Zambia improve domestic revenue mobilisation and expand the fiscal space for investments in public service delivery and poverty reduction.

African Development Bank (AfDB)

The African Development Bank (AfDB) continued to support ZRA in implementing trade facilitation initiatives. In this regard, the Bank procured equipment for customs and other border agencies and provided training in trade facilitation related areas.

International Monetary Fund (IMF)

The International Monetary Fund (IMF), through its Fiscal Affairs Department, continued to offer technical assistance to the Authority. The Fund provided training and capacity building programs 27 to ZRA staff in the taxation of the extractive industry. The Fund

also undertook a virtual mission in November, 2021 to evaluate the data matching exercise between customs and domestic taxes data. The data matching exercise is aimed at identifying discrepancies and procedural weaknesses that may generate revenue vulnerability.

African Tax Administration Forum and Organization for Economic Cooperation and Development

The Authority continued to benefit from its membership with the African Tax Administration Forum (ATAF). In its capacity as Chairman of the Finance and Audit Committee, ZRA participated in the development of ATAF's strategic direction into the new decade. In addition, ATAF provided capacity building programmes to ZRA staff in several areas including revenue forecasting, leadership and tax audit, among others.

The Authority also participated in a survey to inform Pillar I proposal on the taxation of digital services of the Inclusive Framework of the Organization for Economic Cooperation and Development (OECD) supported by ATAF.

Local Partners

ZRA continued to engage local stakeholders to ensure buy-in and support regarding the various changes that the organisation is carrying out to improve its operations. Such engagements have also helped to improve public perception of the Authority. Among the Government ministries and agencies engaged were the Patents and Companies Registration Agency, the Zambia Statistics Agency, the Financial Intelligence Centre, the Anti-Corruption Commission, the Drug Enforcement Commission, the Copperbelt University, the Energy Regulation Board, the Road Development Agency, Ministry of Local Government and Rural Development, Zambia Compulsory Standards Agency, the Zambia Development Agency, the Road Traffic and Safety Agency and the Bank of Zambia.

ZRA also worked closely with the Ministry of Commerce, Trade and Industry in implementing the Zambia Electronic Single Window as a trade facilitation tool.

Corporate Social Responsibility

The Authority has in place a Corporate Social Responsibility (CSR) Policy aimed at improving its corporate image. During the year, the Authority reached out to disadvantaged members of society in various parts of the country through donations of assorted items. Other donations of food stuffs and clothing were made through the Disaster Management and Mitigation Unit. Other CSR activities that were undertaken included the donation of linen to the University Teaching Hospital in Lusaka and seized items to various government and charitable institutions around the country.



Tax Policy Support

Tax Policy Review Committee

During the year under review, the Authority was appointed by the Ministry of Finance and National Planning to sit on the Tax Policy Review Committee (TPRC) to consider tax and non-tax proposals for the 2022 National Budget. Through this process, the Authority provided technical and expert advice on tax matters to the TPRC, which is composed of representatives from different Government ministries and agencies.

The major activities undertaken by the Authority to support the national budget preparation process included submission of tax policy and administrative proposals, the provision of revenue impact analysis of proposed tax measures, provision of input and participation in the drafting of the 2022 National Budget Address, and drafting of tax legislation.

Provision of Revenue Statistics and Information

One of the major functions of the Authority is to provide revenue and trade statistics to the Government and other stakeholders. These statistics are critical in national planning and informing decision-making processes. As an Authority we are conscious of this important role and have therefore invested a lot of efforts in ensuring that the statistics we generate are credible and our systems are secure to ensure data integrity. In this regard, revenue and trade statistics were provided to the Ministry of Finance and National Planning and the National Assembly to aid the 2022 national planning and budgeting process.

Furthermore, the Authority continued to collaborate with other consumers of statistics such as the Zambia Statistics Agency, the Bank of Zambia, the IMF, international research institutions such as the United Nations University World Institute for Development Economics Research, academia and students, among others.

In keeping with its strategic objective of improving public perception, the Authority communicated and disseminated information about its performance to the general public. This was through the production of the Authority's Annual Report for the year 2020 and the attendant statistical bulletin which outlined the revenue, operational and financial performance. In addition, the Authority held media briefings and issued press statements on its operations.

Budget Legislation

The Minister of Finance and National Planning, announced the 2022 National Budget on 29th October 2021 which contained a number of tax and non-tax measures requiring changes in legislation. The Authority was requested to make submissions on the ramifications of the measures to the Committees of the House that were considering the Budget.

The Authority appeared before the Committee on Delegated Legislation that was considering the Betting Control (Amendment) Bill N.A.B No. 48 of 2021; the Money Lenders (Amendment) Bill, N.A.B No. 49 of 2021; and the Road Traffic (Amendment) Bill, N.A.B No. 47 of 2021.

The Authority also appeared before the Committee on National Economy, Trade and Labour Matters that was considering the Property Transfer Tax (Amendment) Bill, N.A.B No. 44 of 2021; the Insurance Premium Levy (Amendment) Bill, N.A.B No. 45 of 2021; and the Zambia Development Agency (Amendment) Bill, N.A.B No. 46 of 2021.

Lastly, the Authority made submissions and appeared before the Planning and Budgeting Committee that considered the Income Tax (Amendment) Bill, N.A.B No. 41 of 2021; the Value Added Tax (Amendment) Bill, N.A.B No. 42 of 2021; and the Customs and Excise (Amendment) Bill, N.A.B No. 43 of 2021.

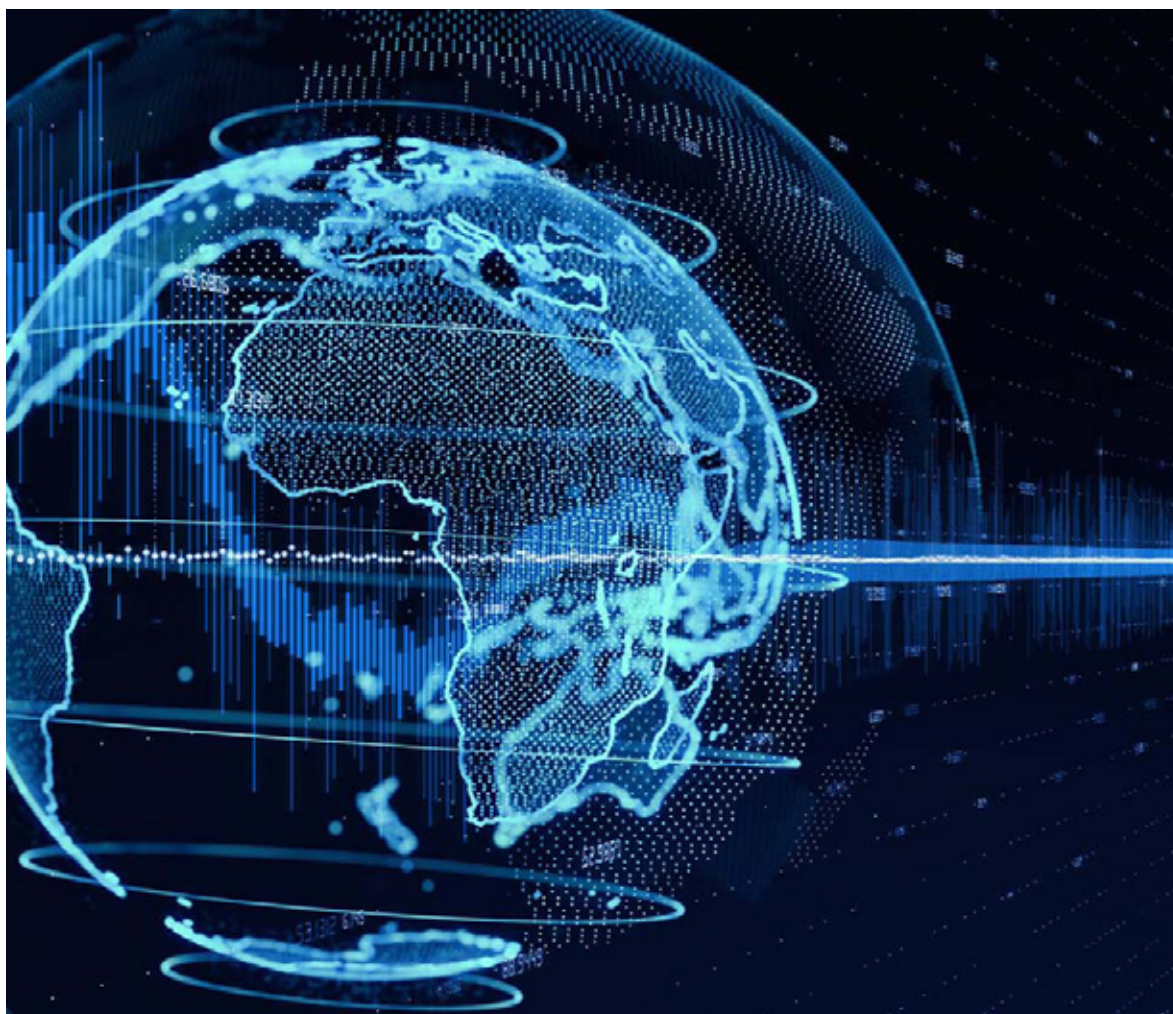
In keeping with its objective of having a knowledgeable taxpayer population, the Authority participated in post 2022 Budget dissemination seminars organised by different stakeholders across the country. The objective was to provide clarity on certain matters and get feedback from taxpayers on the proposed tax measures. The Authority took advantage of these sessions to distribute 2022 Budget Highlights pamphlets and other tax literature. Furthermore, the 2022 Budget Address and the Highlights were posted on the ZRA website to ensure wider circulation.

In addition, taxpayers were kept abreast with the tax changes arising from the 2022 National Budget through our Customer Service Centres for walk-in clients and the National Call Centre for phone-in clients.

Ministerial and Parliamentary Services

To effectively carry out its mandate, the Authority in 2021 collaborated with a number of Government Ministries, Agencies and Parliament. The Authority provided the Ministry of Finance and National Planning with weekly, monthly and annual revenue projections to assist with expenditure profiling. The Authority also provided revenue performance reports and tax policy advice to the Minister of Finance and National Planning in line with its mandate. Furthermore, the Authority partnered with other border agencies such as the Zambia Medicines Regulatory Authority and Zambia Compulsory Standards Agency to secure the supply chain.

To support the oversight function of Parliament, the Authority responded to several requests from the National Assembly. In this regard, the Authority submitted 12 written memoranda to seven different Parliamentary Committees of the House on various subject matters. The Authority also made physical and virtual appearances before these Committees. Other interactions were through joint appearances with the Ministry of Finance and National Planning before the Parliamentary Committees. The Parliamentary Committees engaged in 2021 were: The Planning and Budgeting Committee; the Expanded Planning and Budgeting Committee; the Committee on Health, Community Development and Social Services; the Joint Committee on Media, Information and Communication Technologies and National Security and Foreign Affairs; the Committee on Media, Information and Communication Technologies; the Public Accounts Committee; the Committee on National Economy, Trade and Labour and the Committee on Delegated Legislation.



TRENDS IN DOMESTIC AND GLOBAL ECONOMIC INDICATORS

Trends in Domestic and Global Economic Indicators

Zambia's tax revenue performance is determined by domestic and global macroeconomic developments. In 2021, the outturn in factors such as GDP, inflation, exchange rate, interest rates, commodity prices on international markets and developments around the COVID-19 pandemic affected economic performance in Zambia. This section highlights the performance of the global and domestic economy in 2021 as well as developments in selected macroeconomic indicators.

The Global Economy in 2021

In 2021, global economic growth rebounded at a rate of 5.9 percent⁴ amidst the resurging COVID-19 pandemic, stalling employment growth, rising inflation, food insecurity, a halt in human capital accumulation, and adverse impacts of climate change. This was from a contraction of 4.4 percent recorded in 2020. The remarkable global economic growth was spurred on by strong monetary and fiscal support, coupled with the resumption of economic activity in developed countries following the deployment of COVID-19 vaccines on a large scale. Global economic growth was further propelled by a sustained rise in commodity prices, favouring production in the energy, mining and agricultural sectors. Prices of copper and oil on the international markets also posted increases ranging from 50 to 60 percent in 2021.

The Domestic Economy in 2021

Similar to the trajectory of the global economy, Zambia recovered from the COVID-19 induced recession to record a positive real GDP growth rate of 3.6 percent from the 2020 contraction rate of negative 2.8 percent. This growth was mainly spurred by the sustained high copper prices on the global market which traded above US\$9,000 per tonne for most of the year. The easing of COVID-19 restrictions which consequently minimised disruptions in the global supply chain especially during the second half of the year also played a significant role in the realisation of positive GDP growth in Zambia.

In 2021, the wholesale and retail trading, construction, and mining and quarrying sectors continued being major contributors to real GDP with a respective share of 18.7 percent, 10.6 percent and 10.1 percent of the total output. These were followed by the manufacturing, agriculture and forestry, information and communication, education, and financial and insurance activities sectors with respective contributions of 8.5 percent, 7.2 percent, 7.0 percent, 6.2 percent, and 5.0 percent to the real GDP (see Table 11).

Table 11: Growth and Share of Real GDP in 2021 and 2020⁵

Economic Activity (Sector)	Percentage real growth		Percent share of real GDP	
	2021	2020	2021	2020
Agriculture, forestry and fishing	-0.7%	17.2%	7.2%	7.5%
Mining and quarrying	-6.3%	8.0%	10.1%	11.1%
Manufacturing	4.2%	1.0%	8.5%	8.5%
Electricity generation and supply	12.7%	3.1%	1.8%	1.7%
Water supply; sewerage, waste management and remediation activities	2.6%	2.1%	0.2%	0.3%
Construction	10.9%	-5.4%	10.6%	9.9%
Wholesale and retail trade; repair of motor vehicles and motorcycles	2.3%	-12.6%	18.7%	19.0%
Transportation and storage	7.1%	13.8%	4.1%	4.0%
Accommodation and food service activities	7.2%	-22.4%	1.5%	1.5%
Information and communication	19.7%	14.3%	7.0%	6.1%
Financial and insurance activities	6.6%	13.0%	5.0%	4.9%
Real estate activities	3.6%	3.5%	3.7%	3.7%
Professional, scientific and technical activities	1.7%	6.8%	1.9%	2.0%
Administrative and support service activities	3.7%	3.3%	1.0%	1.0%
Public administration and defence; compulsory social security	-0.7%	-15.9%	4.5%	4.7%
Education	-0.6%	-19.3%	6.2%	6.5%
Human health and social work activities	2.5%	7.4%	1.8%	1.9%
Arts, entertainment and recreation	25.2%	-71.6%	0.1%	0.1%
Other service activities	3.6%	3.5%	0.8%	0.8%
Real GDP Growth Rate			3.6%	-2.8%

Source: Zambia Statistics Agency

⁴ IMF World Economic Outlook 2021

⁵ The 2021 computations are based on the preliminary GDP estimates while the 2020 computations are based on the finalized GDP estimates.

During the year, most of the economic sectors posted positive growth rates. The highest growth rates were recorded in the arts, entertainment and recreation, and information and communication sectors at 25.2 percent and 19.7 percent, respectively. This was

followed by the electricity generation and supply, construction, accommodation and food services activities, and the transport and storage sectors. On the other hand, the mining and quarrying sector suffered the heaviest contraction of negative 6.3 percent.

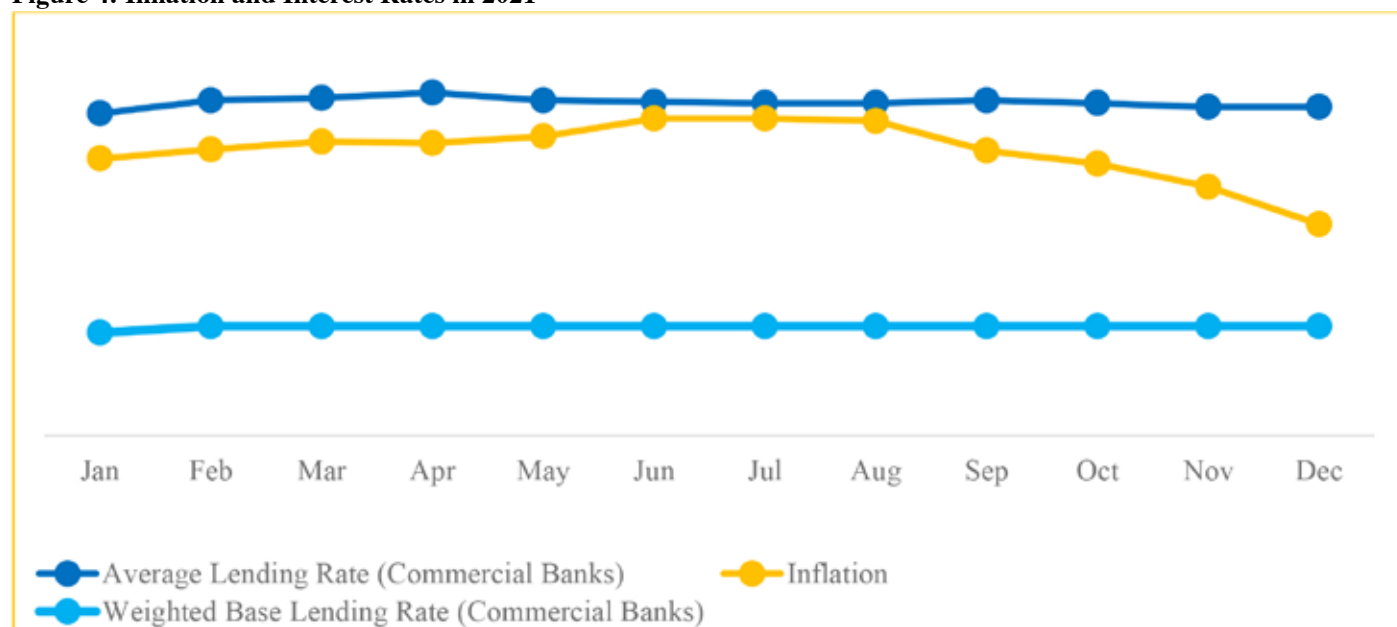
Inflation

The average annual inflation rate in 2021 recorded a 6.4 percentage point increase to 22.1 percent from 15.7 percent recorded in 2020. The lowest annual inflation rate was recorded in December 2021 at 16.4 percent, while the maximum was recorded in June and July at 24.6 percent. The rise in inflation was driven by increases in the cost of both food and non-food items in 2021 amidst continued disruptions in the global supply chains due to COVID-19 and a depreciating Kwacha exchange rate against major trading currencies (see Figure 4).

Interest Rates

In 2021, the average commercial bank lending rate reduced to 25.7 percent from 26.7 percent recorded in 2020. This was attributable to the reduction in the Bank of Zambia policy rate to an average of 8.5 percent from 9.5 percent in 2020, which was intended to stimulate economic growth following the adverse impact of the COVID-19 pandemic on economic activity (see Figure 4).

Figure 4: Inflation and Interest Rates in 2021



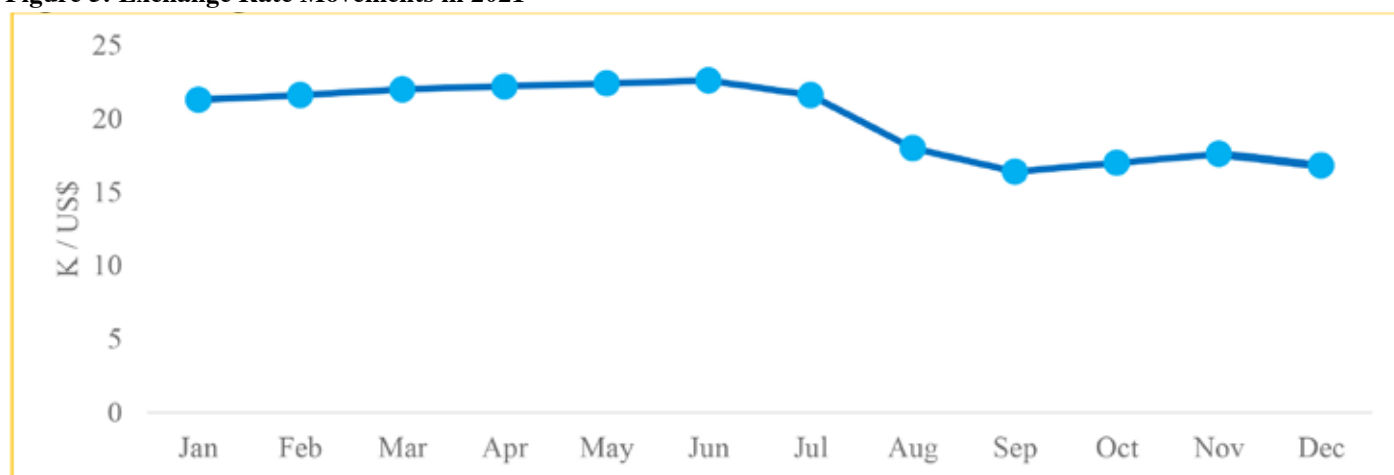
Source: Bank of Zambia

Exchange Rates

During the year, the average monthly exchange rate of the Zambian Kwacha to the US Dollar increased to K19.9 per US Dollar from K18.3 recorded in 2020. The resurging COVID-19 continued exerting unfavourable pressure on the performance

of the Kwacha against the US Dollar amid rising oil prices on the international market. The foreign debt service payments also contributed to the marginal depreciation of the Kwacha against the US Dollar (see Figure 5).



Figure 5: Exchange Rate Movements in 2021

Source: Bank of Zambia

Commodity Prices

The average price of copper on the London Metal Exchange in 2021 increased by 50.9 percent to US\$9,301.2 per metric tonne from an average of US\$6,163.4 in 2020. Similarly, the average price of cobalt rose to US\$50,445.0 per metric tonne from US\$31,819.2 in 2020, indicating a 58.5 percent increase. This notable increase in copper and cobalt prices was mainly

due to the resumption of economic activity following the easing of COVID-19 containment measures in the major economies. The average price of crude oil on the global market increased by 58.5 percent to US\$68.8 per barrel in 2021 compared to US\$43.4 per barrel recorded in 2020 (see Table 12).

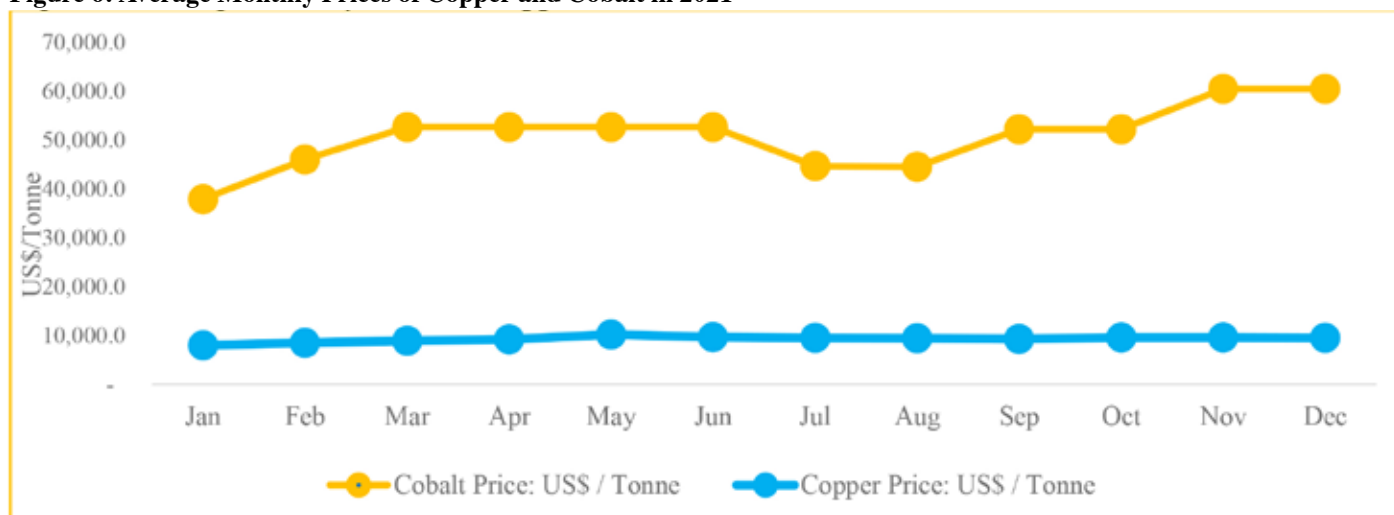
Table 12: Commodity Prices in 2021 and 2020

	Copper US\$ per metric tone		Cobalt US\$ per metric tone		Crude oil US\$ per barrel	
	2021	2020	2021	2020	2021	2020
Average	9,301.2	6,163.4	50,445.0	31,819.2	68.8	43.4
High	10,636.0	7,749.1	63,145.0	35,000.0	79.6	61.6
Low	7,777.0	5,048.3	41,250.0	29,000.0	30.3	54.7

Source: Bank of Zambia

On a monthly basis, the average price of cobalt steadily increased between January and March 2021 but declined between May and August before rising steadily from September to December.

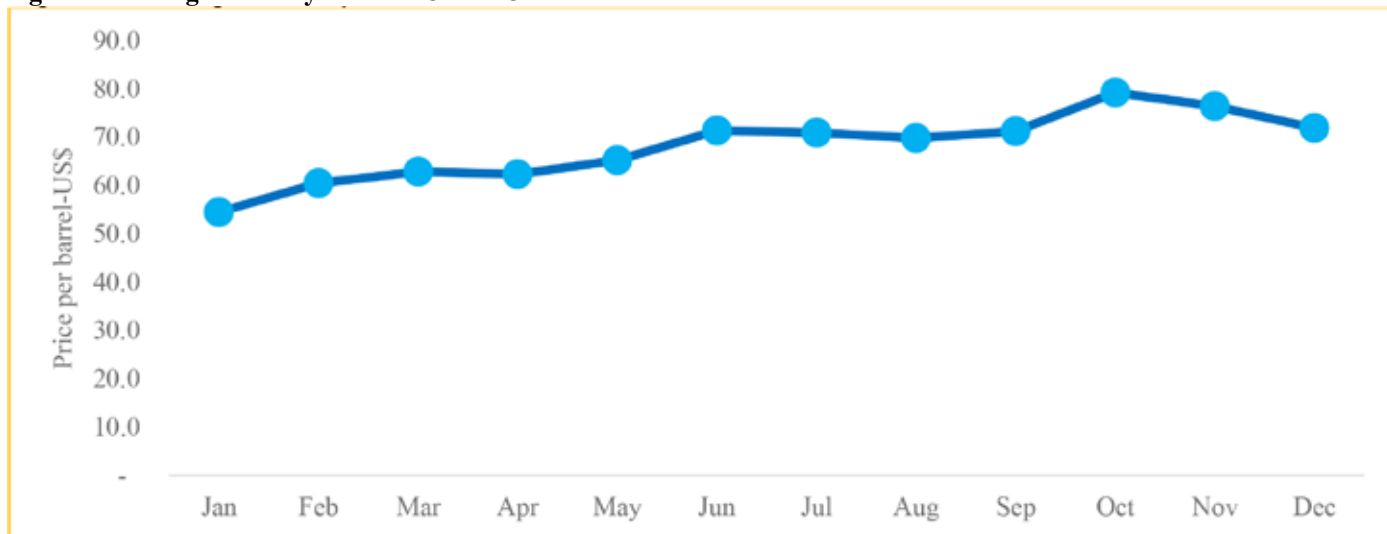
Copper prices maintained a constant trajectory between February and December.

Figure 6: Average Monthly Prices of Copper and Cobalt in 2021

Source: Bank of Zambia

The global price of crude oil showed an upward trend throughout the year except for the last quarter (see Figure 7).

Figure 7: Average Monthly Price of Crude Oil in 2021



Source: Bank of Zambia





OPERATIONAL PERFORMANCE OF THE AUTHORITY

Operational Performance of The Authority

Revenue Performance in 2021

During the year under review, the Authority collected K96,283.6 million in gross taxes while a total of K12,368.4 million was paid in refunds. This translated into a net tax take of K83,915.2 million against the annual target of K59,369.2 million, thereby registering a surplus of K24,545.9 million or 41.3 percent above target.

The revenue collections under direct taxes exceeded the respective annual target of K32,929.5 million by K22,192.0 million or 67.4 percent. This positive performance was buoyed by strong performance in mining company tax, mineral royalty, withholding taxes and others, and PAYE, which recorded respective surpluses of K8,118.2 million, K6,731.2 million, K2,937.4 million and K2,104.5 million.

Indirect tax collections recorded a surplus of K683.5 million or 7.8 percent above the annual target of K8,730.2 million. Despite this performance, local excise on cement, local fuel levy and tourism levy recorded deficits of 15.8 percent, 98.3 percent and 0.6 percent against their respective targets.

Trade taxes were K1,670.5 million or 9.4 percent above the target of K17,709.5 million. This outturn was as a result of positive performance of import VAT, customs duty, import excise and motor vehicle fees, which were above their respective targets by 14.4 percent, 20.2 percent, 32.0 percent and 7.9 percent. On the other hand, export duties, import fuel levy and carbon tax were below their targets by 44.1 percent, 84.9 percent and 81.5 percent, respectively (see Table 13).

Table 13: Revenue Performance by Tax Type in 2021 (K'Million).

Tax Type	Gross revenue	Refunds	Actual Outturn	Target	Variance	Percentage variance	Revenue to GDP ⁶ ratio
Total Revenue	96,283.6	12,368.4	83,915.2	59,369.2	24,545.9	41.3%	19.8%
Tax Revenue	95,940.9	12,368.4	83,572.5	59,076.0	24,496.4	41.5%	19.7%
Non-Tax Revenue	342.7	-	342.7	293.2	49.5	16.9%	0.1%
1. Domestic Taxes Division	76,879.7	12,344.5	64,535.2	41,659.7	22,875.5	54.9%	15.2%
A. Direct Taxes	55,227.6	106.1	55,121.5	32,929.5	22,192.0	67.4%	13.0%
1. Company tax	19,521.8	30.4	19,491.4	9,114.6	10,376.9	113.8%	4.6%
<i>Mining</i>	<i>12,730.0</i>	<i>27.7</i>	<i>12,702.3</i>	<i>4,584.1</i>	<i>8,118.2</i>	<i>177.1%</i>	<i>3.0%</i>
<i>Non-Mining</i>	<i>6,791.9</i>	<i>2.7</i>	<i>6,789.1</i>	<i>4,530.5</i>	<i>2,258.6</i>	<i>49.9%</i>	<i>1.6%</i>
2. PAYE	15,022.3	50.6	14,971.7	12,867.2	2,104.5	16.4%	3.5%
3. Withholding tax & others	8,045.3	25.1	8,020.1	5,082.8	2,937.4	57.8%	1.9%
4. Mineral royalty tax	12,417.3	-	12,417.3	5,686.1	6,731.2	118.4%	2.9%
5. Skills Dev. Levy	220.9	-	220.9	178.9	42.1	23.5%	0.1%
B. Indirect Taxes	21,652.1	12,238.4	9,413.7	8,730.2	683.5	7.8%	2.2%
1. Local Excise Duties	2,287.6	-	2,287.6	1,891.8	395.8	20.9%	0.5%
2. Local Excise-Cement	71.2	-	71.2	84.6	-13.4	-15.8%	0.0%
3. Rural Electrification Levy	347.9	-	347.9	307.2	40.7	13.2%	0.1%
4. Local Fuel Levy	3.9	-	3.9	229.5	-225.6	-98.3%	0.0%
5. Insurance Premium	143.6	-	143.6	116.9	26.7	22.9%	0.0%
6. Tourism Levy	18.8	-	18.8	18.9	-0.1	-0.6%	0.0%
7. VAT on domestic goods	18,779.1	12,238.4	6,540.7	6,081.4	459.3	7.6%	1.5%
2. Customs Services Division	19,403.9	23.9	19,380.0	17,709.5	1,670.5	9.4%	4.6%
1. VAT on imports	12,415.6	-	12,415.6	10,856.5	1,559.0	14.4%	2.9%
2. Customs duty (Import	5,174.8	23.9	5,150.8	4,284.7	866.2	20.2%	1.2%
3. Export duties; o/w	99.2	-	99.2	177.6	-78.3	-44.1%	0.0%
<i>Export Duty on Maize</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Export Duty on Timber</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Export Duty on Concentrates</i>	<i>99.2</i>	<i>-</i>	<i>99.2</i>	<i>177.6</i>	<i>-78.3</i>	<i>-44.1%</i>	<i>0.0%</i>
4. Import Excise Duties	1,412.3	-	1,412.3	1,070.1	342.2	32.0%	0.3%
5. Import Fuel Levy	121.0	-	121.0	802.5	-681.6	-84.9%	0.0%
6. Carbon Tax	78.1	-	78.1	422.7	-344.6	-81.5%	0.0%
7. Motor Vehicle Fees	102.9	-	102.9	95.4	7.5	7.9%	0.0%

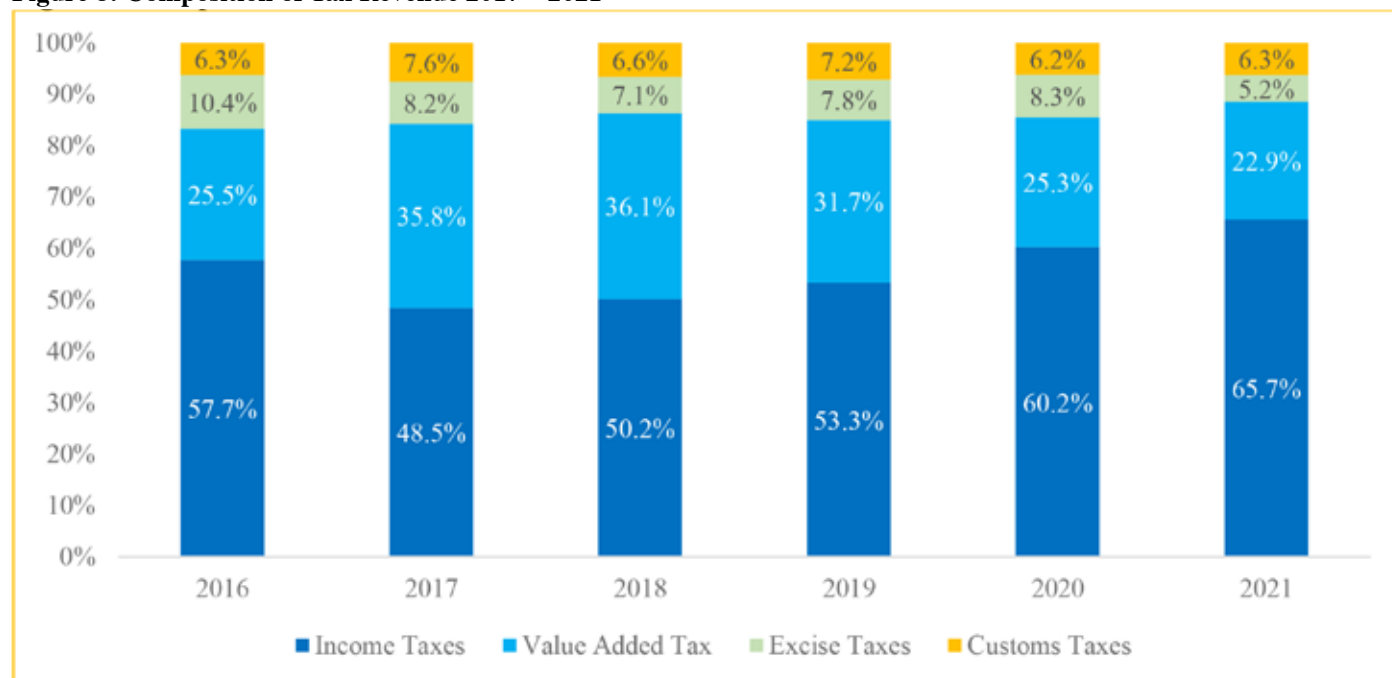
⁶ Based on the preliminary normal GDP estimate for 2021 of K424,269.0 million.

Composition of Revenue in 2021

In 2021, income taxes increased in share to 65.7 percent from an average of 53.1 percent during the past four years, while the combination of customs and export duties largely maintained their share at 6.3 percent of the total tax revenues. On the other

hand, VAT and excise duty reduced in share to 22.9 percent⁷ and 5.2 percent from a four-year average of 32.2 percent and 7.9 percent, respectively (see Figure 8).

Figure 8: Composition of Tax Revenue 2017 – 2021



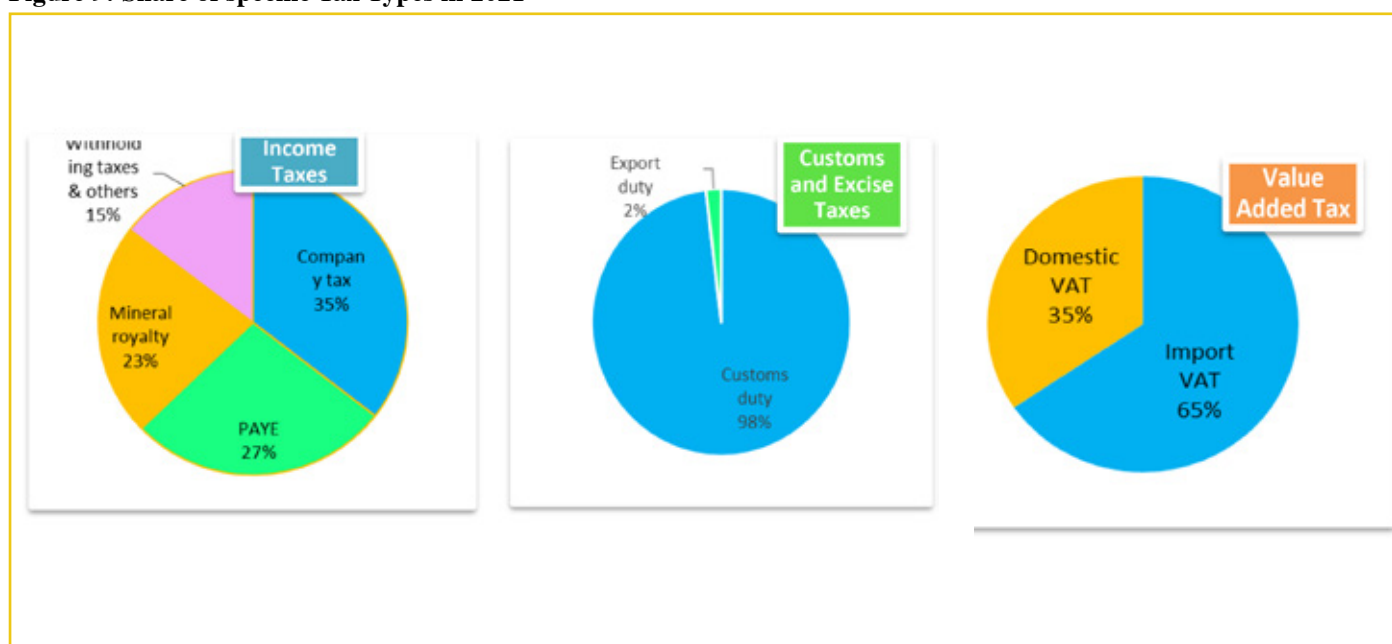
In the year under review, company tax accounted for the largest share of income taxes at 35.5 percent followed by PAYE at 27.3 percent. Collections from mineral royalty and withholding taxes respectively accounted for 22.6 percent and 14.6 percent of income tax collections.

Further, import VAT accounted for 65.5 percent of total VAT collections while domestic VAT accounted for 34.5 percent. The

contribution of customs duty to import and export duties in 2021 increased to 98.1 percent from 96.3 percent recorded in 2020, while the share of export duties declined to 1.9 percent from 3.7 percent recorded in 2020.

Figure 9 depicts the shares of specific tax types for the aforementioned categories.

Figure 9: Share of specific Tax Types in 2021



⁷ Includes Insurance Premium Levy contribution of 0.2 percent

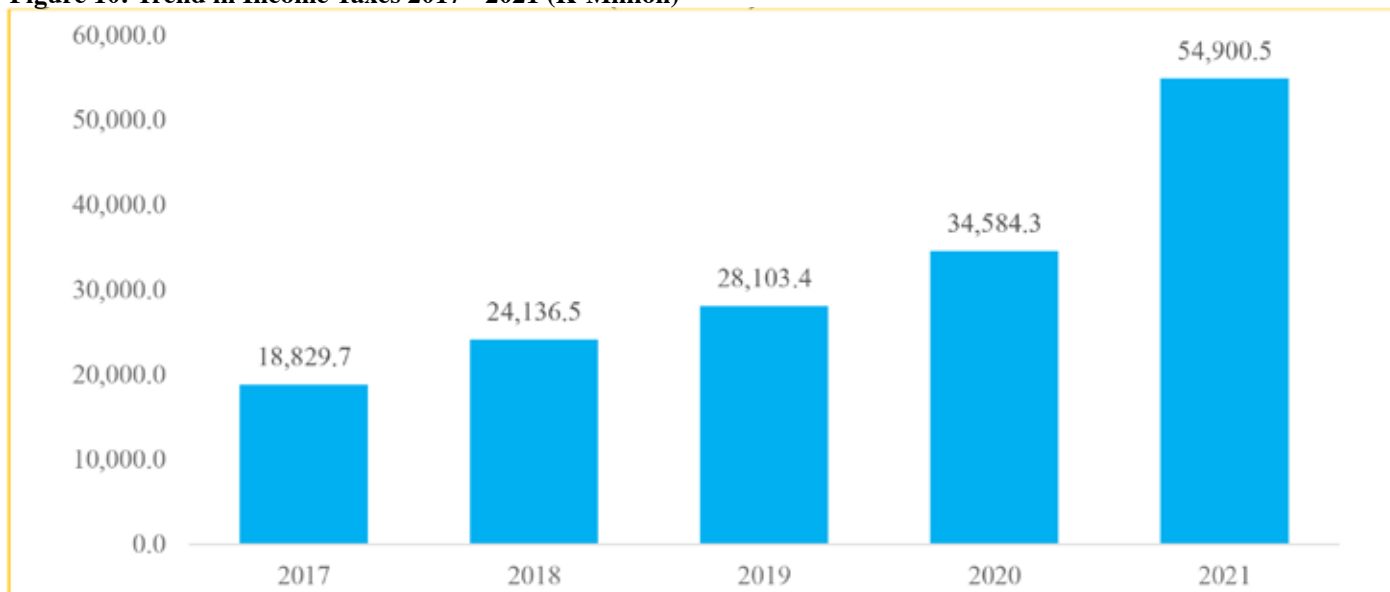
Factors underlying Revenue Performance by Tax Type in 2021

Income Taxes

In 2021, nominal revenues from income taxes recorded a 58.7 percent increase over the 2020 level, continuing the upward revenue trend for the tax type in the prior four years. The positive performance was attributed to strong performances in mining company tax, mineral royalty, withholding taxes and PAYE which posted respective surpluses of K8,118.2 million, K6,731.1 million,

K2,937.4 million and K2,104.5 million. The positive performance of mining company tax and mineral royalty was driven by the sustained favourable copper prices in the year under review. The performance in withholding taxes was driven by a higher uptake of Government securities while PAYE was driven by improved compliance and payment of tax arrears (see Figure 10).

Figure 10: Trend in Income Taxes 2017 - 2021 (K'Million)

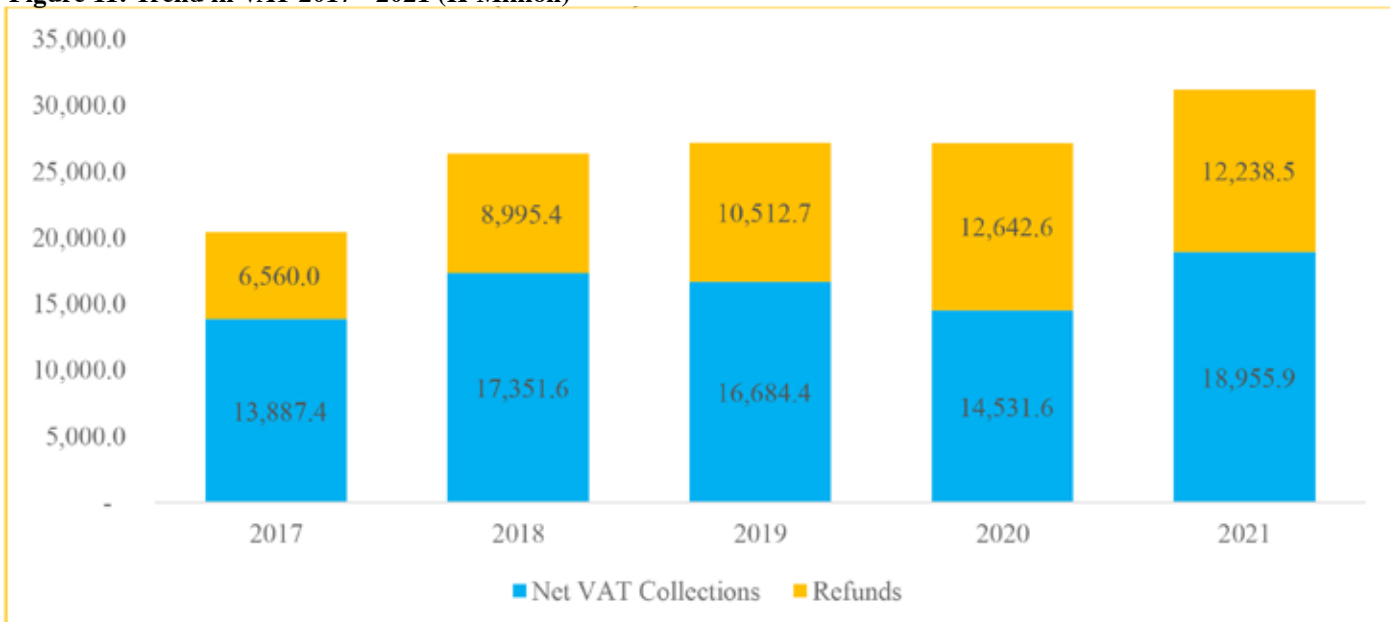


Value Added Tax

In 2021, import VAT and domestic VAT recorded respective surpluses of K1,559.0 million and K459.3 million which reversed the downward drift in net VAT collections observed in the prior two years. The positive performance of import VAT was attributed to an increase in the taxable volumes and value of

imports compared to 2020 that was primarily driven by activity in the mining sector. The surplus posted in domestic VAT was mainly due to intensified compliance enforcement efforts that involved proactive taxpayer engagement and enhanced administration of the withholding VAT mechanism (see Figure 11).

Figure 11: Trend in VAT 2017 - 2021 (K'Million)

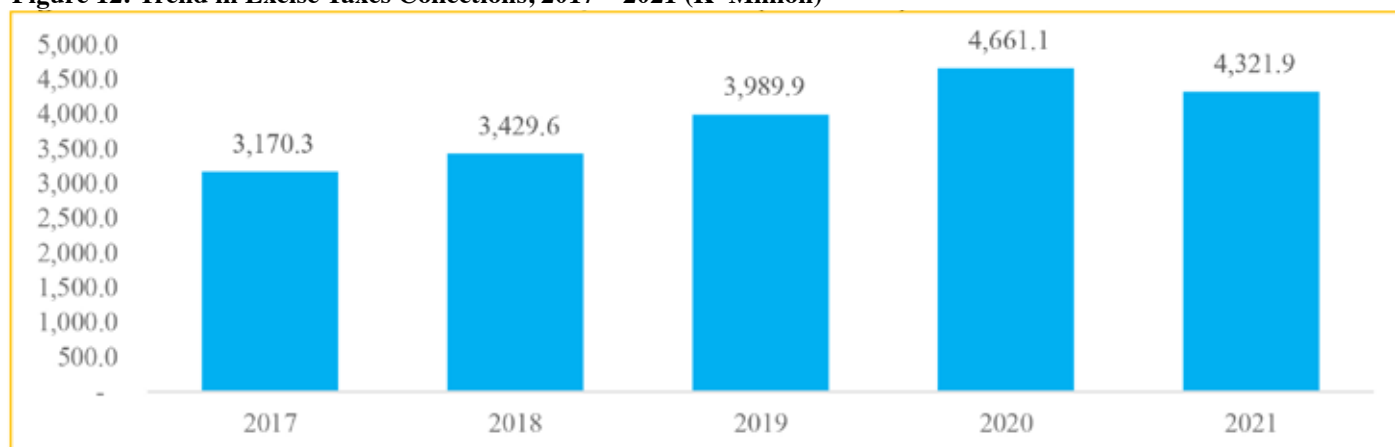


Excise Duties

Excise tax collections were above target in the year 2021. The positive performance was attributable to increased consumption of taxable items such as airtime, clear beer and electricity; increased payments for audit assessments; and improved compliance amongst taxpayers resulting from intensified taxpayer engagement and enforcement activities (see Figure 12).

The outturn in 2021 was 7.3 percent lower than the 2020 excise collection, mainly attributable to the suspension of excise duty collection on fuel and the shutdown of operations at Indeni Petroleum Refinery Company Limited.

Figure 12: Trend in Excise Taxes Collections, 2017 – 2021 (K' Million)

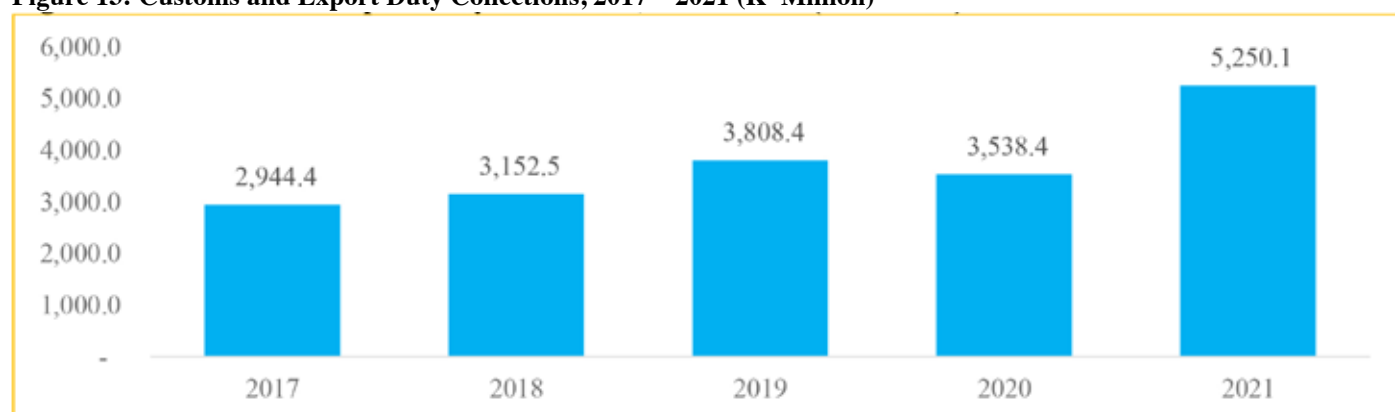


Customs and Export Duties

Collections from customs and export duties increased by 48.4 percent in 2021 compared to 2020. The positive outturn was primarily due to an increase in the taxable value for duty purposes by 56.0 percent in 2021 compared to 2020. During the year, customs and export duties recorded surplus collections of K787.9 million or 17.7 percent. This performance was driven by

increased importation of capital equipment and consumables by the mining sector and the depreciation of the Kwacha exchange rate against major convertible currencies. The positive performance was in spite of the revenue foregone due to customs concessions granted to mitigate the adverse economic impact of the COVID-19 pandemic (see Figure 13).

Figure 13: Customs and Export Duty Collections, 2017 – 2021 (K' Million)

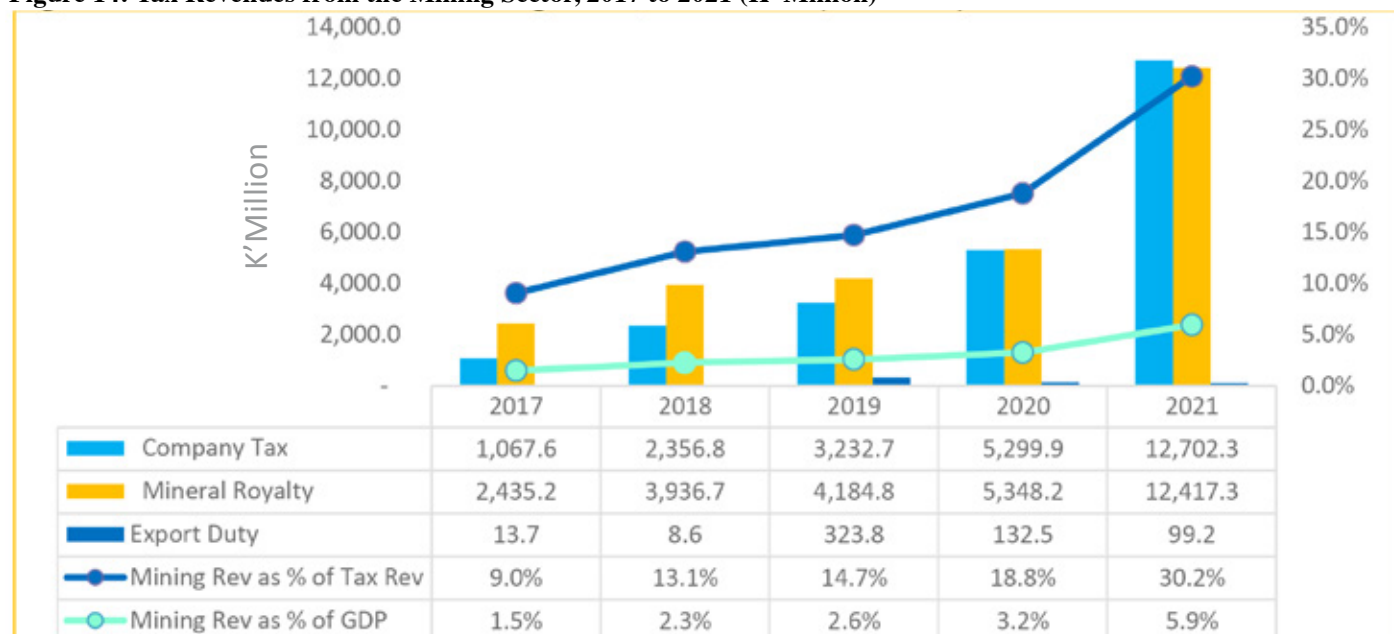


Performance of Mining Sector Taxes

In 2021, the ratio of core⁸ mining sector tax payments to total taxes increased to 30.2 percent from 18.8 percent in 2020. Mining company tax contributions accounted for 50.4 percent of revenues from the mining sector followed

by mineral royalty at 49.2 percent and export duty at 0.4 percent. Further, the percentage of core mining taxes to GDP increased to 5.9 percent from 3.2 percent in 2020 (see Figure 14).

Figure 14: Tax Revenues from the Mining Sector, 2017 to 2021 (K' Million)



Contribution of Tax Types to GDP

Against the backdrop of economic recovery following the COVID-19 induced economic slowdown, ZRA recorded a 45.5 percent increase in nominal revenue collections between 2021 and 2020. The outstanding revenue performance increased the proportion of tax revenue to GDP to 19.7 percent in 2021 from 17.3 percent in 2020.

In 2021, the ratios of tax to GDP for direct and indirect taxes respectively increased to 13.0 and 2.2 percent from 10.5 and 1.8 percent in 2020. The tax to GDP ratio for the trade-based taxes declined to 4.6 percent in 2021 from 5.1 percent recorded in 2020 (see Table 14).



⁸ Core mining taxes refer to Mining Company Tax, Mineral Royalty, and Export Duty on mineral concentrates

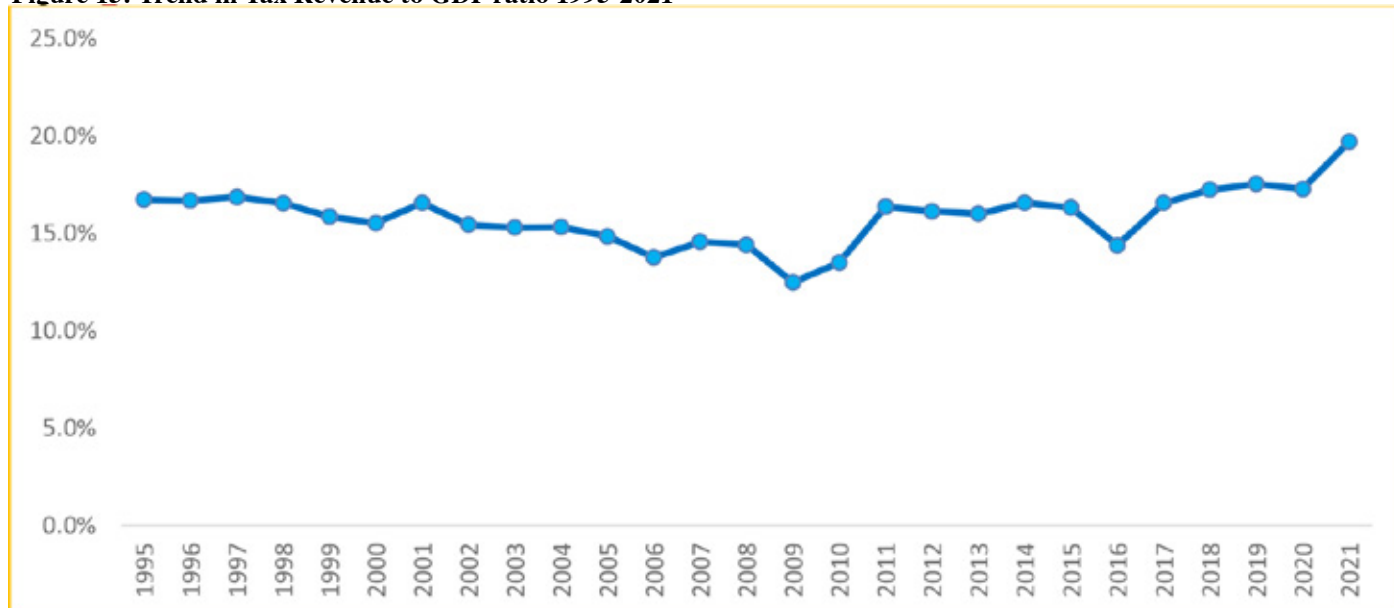
Table 14: Total Revenue as Share of GDP in 2021 and 2020

Tax Type	Percentage of GDP	
	2021 ⁹	2020 ¹⁰
1. Domestic Taxes	15.2%	12.3%
A. Direct taxes	13.0%	10.5%
Company Tax	4.6%	2.9%
Pay As You Earn (PAYE)	3.5%	4.3%
Withholding Tax	1.9%	1.7%
Mineral Royalty	2.9%	1.6%
Skills Development Levy	0.1%	0.1%
Tourism Levy	0.0%	0.0%
B. Indirect taxes	2.2%	1.8%
Local Excise Duty	0.5%	0.6%
Local Excise-Cement	0.0%	0.0%
Rural Electrification Levy	0.1%	0.1%
Local Fuel Levy	0.0%	0.1%
Insurance Premium	0.0%	0.0%
Domestic Value-Added Tax (VAT)	1.5%	1.0%
2. Trade Taxes	4.6%	5.1%
Import VAT	2.9%	3.3%
Import Duty	1.2%	1.0%
Export Duty	0.0%	0.0%
Import Excise Duty	0.3%	0.4%
Import Fuel Levy	0.0%	0.3%
Carbon Tax	0.0%	0.0%
Motor Vehicle Fees	0.0%	0.0%
Tax Revenue as % of GDP	19.7%	17.3%
GDP (K' million)	424,269.0	332,223.2

As shown in Figure 15, the ratio of tax to GDP averaged 15.9 percent in the period 1995 to 2021. Since the lowest recorded rate in 2009, there has been a moderately upward trend in the tax to GDP ratio which peaked at 19.7 percent in 2021.

⁹ The 2021 GDP figure is a preliminary estimate.

¹⁰ Based on final 2020 GDP figure.

Figure 15: Trend in Tax Revenue to GDP ratio 1995-2021

Trend in Collection of individual Tax Types and Total Revenue

Figures 16 to 23 present the ratio of each tax type to GDP between 1995 and 2021. As depicted, the ratios of company income tax and mineral royalty to GDP have largely displayed an upward trend in the period and peaked in 2021. Further, PAYE collections as a proportion of GDP was fairly stable at an average of 4.0 percent. The withholding tax to GDP ratio was fairly stable between the periods 1997 to 2011 at an average of 0.7 percent

followed by a sustained rise to 1.9 percent in 2021.

The ratio of VAT to GDP exhibited a downward trend between the periods 1996 to 2010 and thereafter fluctuated. On the other hand, excise and import duties have exhibited a downward trend since 1996.

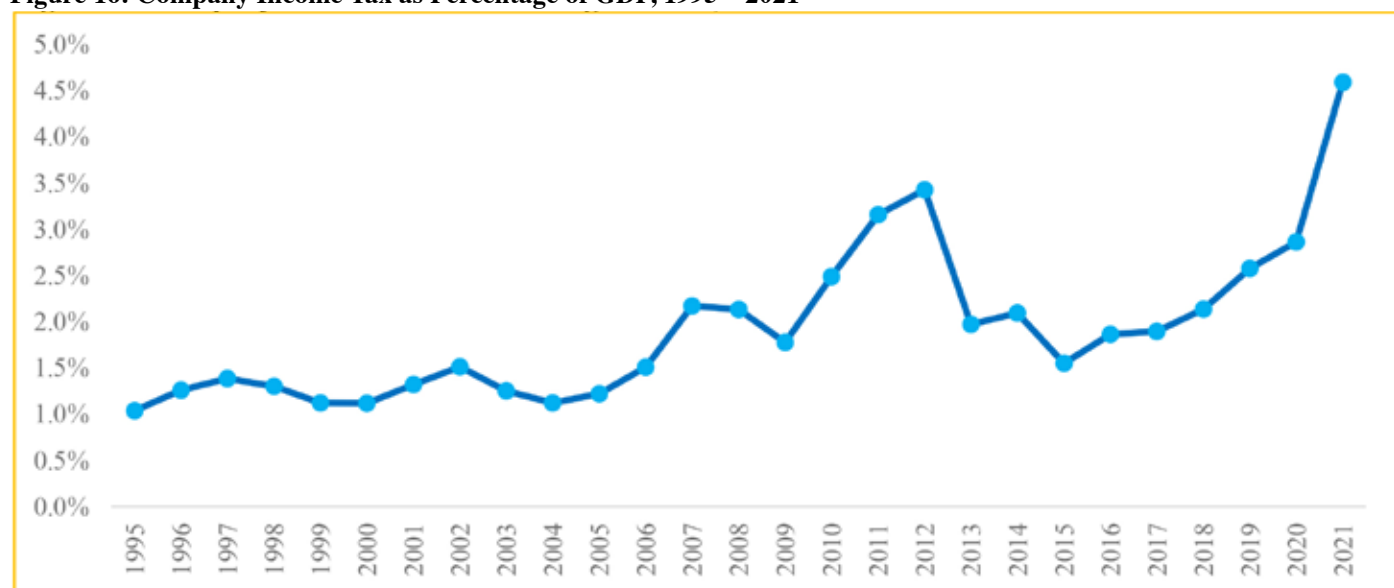
Figure 16: Company Income Tax as Percentage of GDP, 1995 – 2021

Figure 17: Pay As You Earn as Percentage of GDP, 1995 – 2021

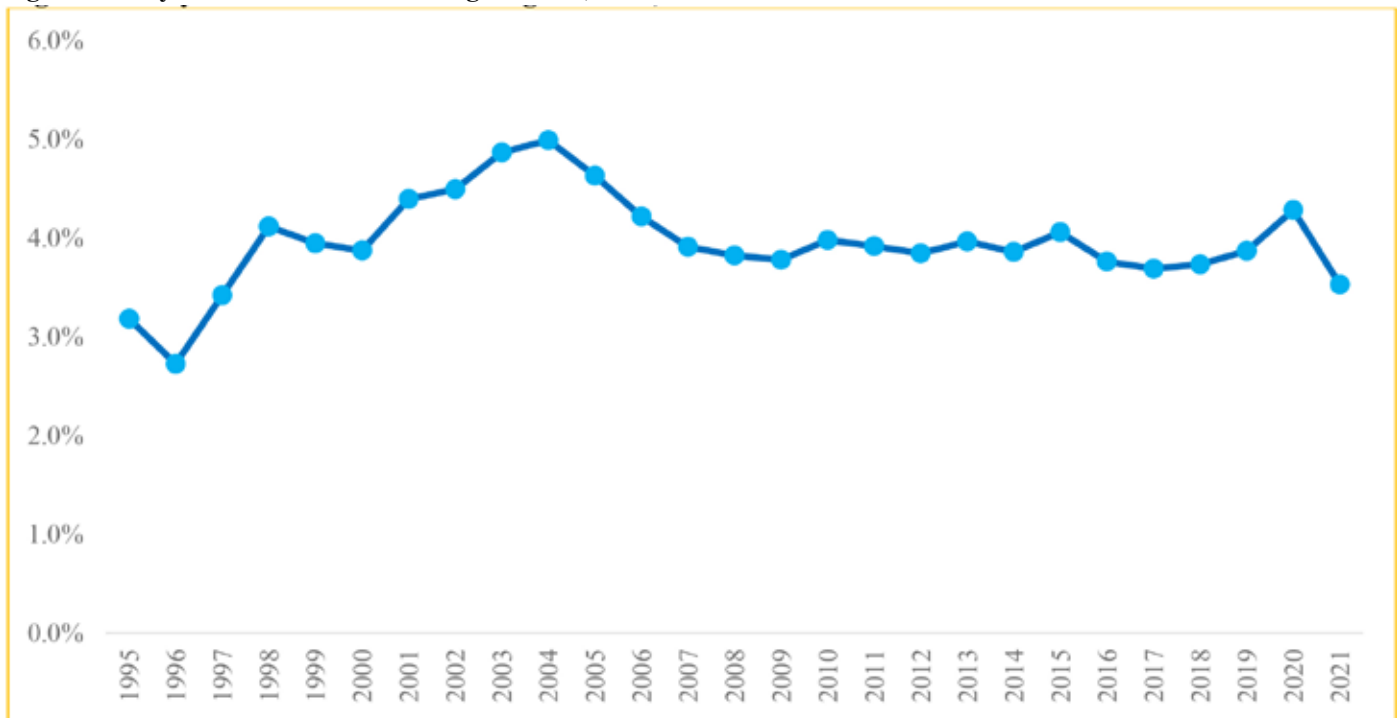


Figure 18: Withholding Tax as Percentage of GDP, 1995 – 2021

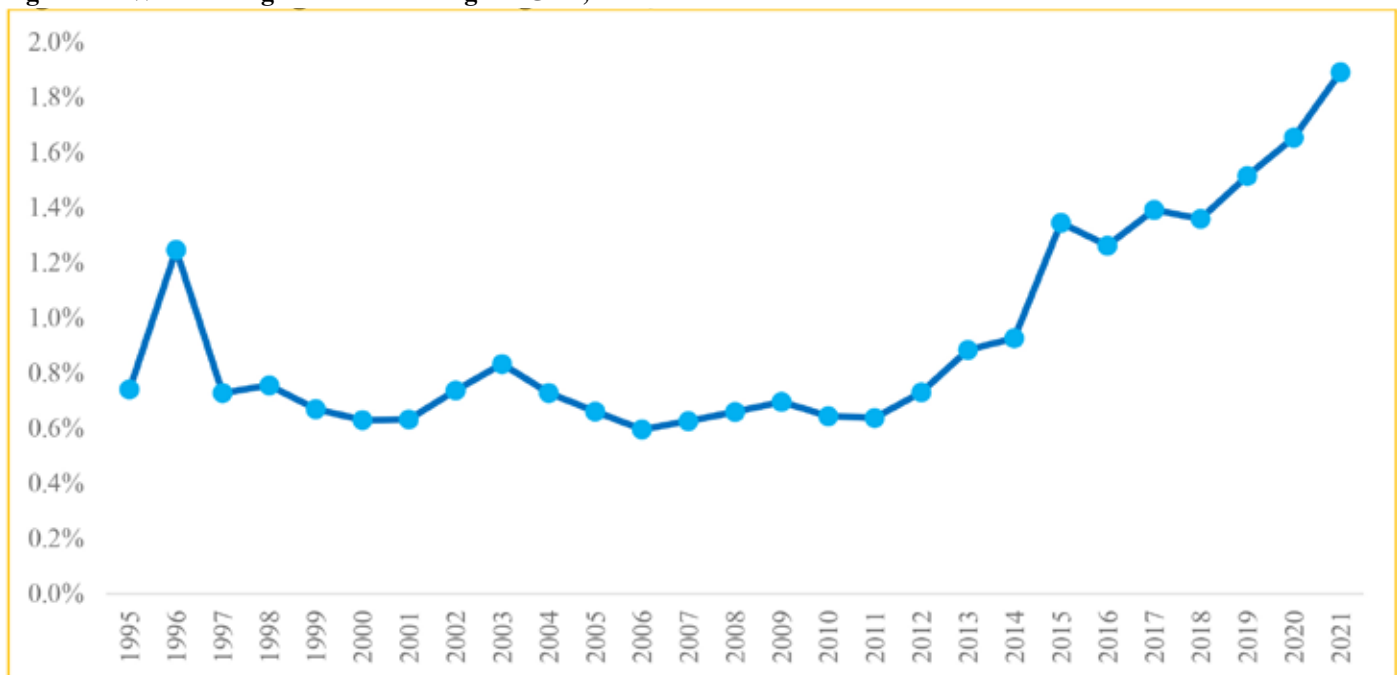


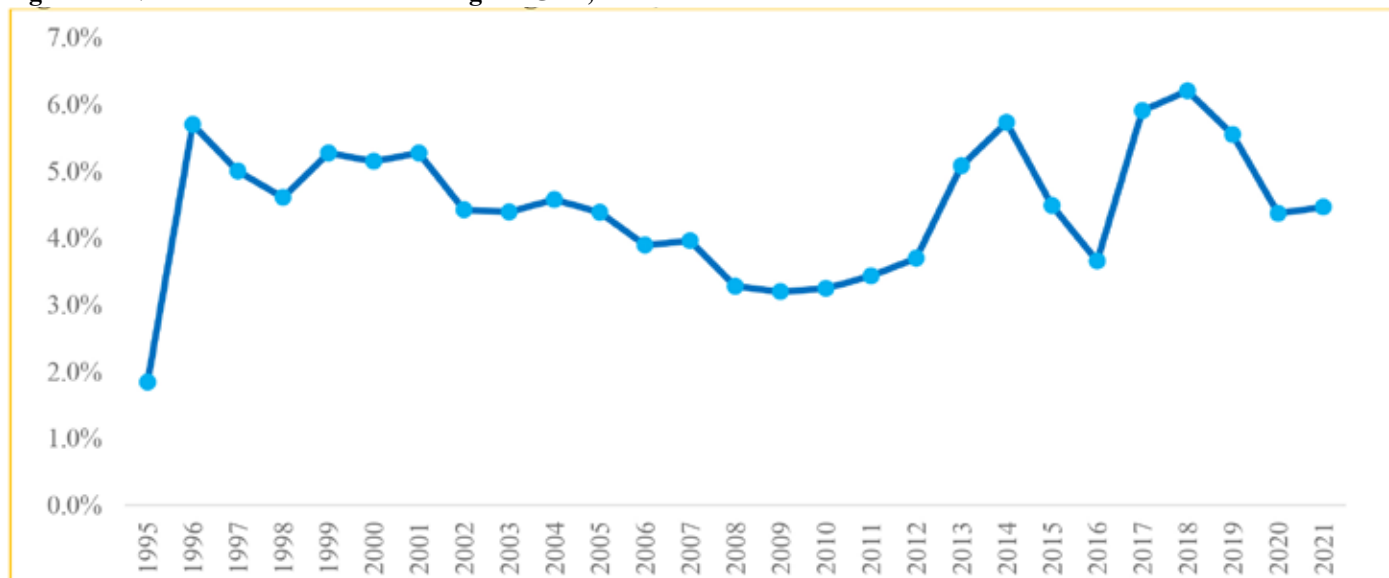
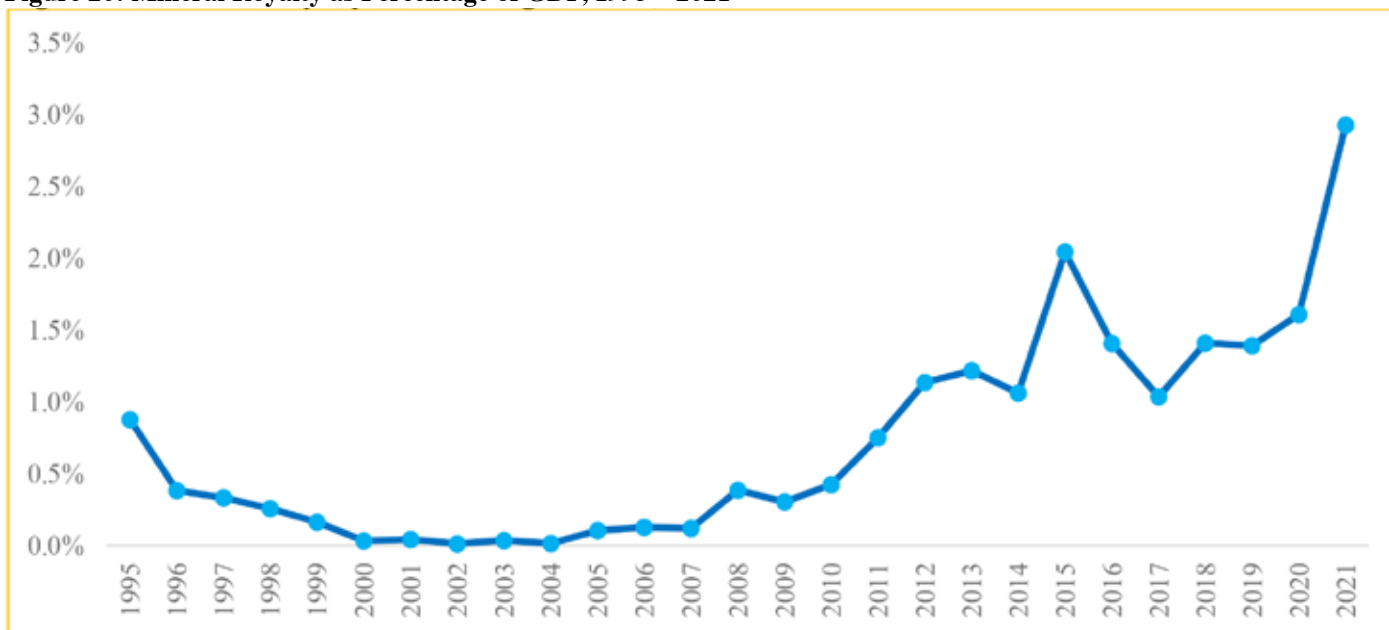
Figure 19: Value Added Tax as Percentage of GDP, 1995 – 2021**Figure 20: Mineral Royalty as Percentage of GDP, 1995 – 2021**

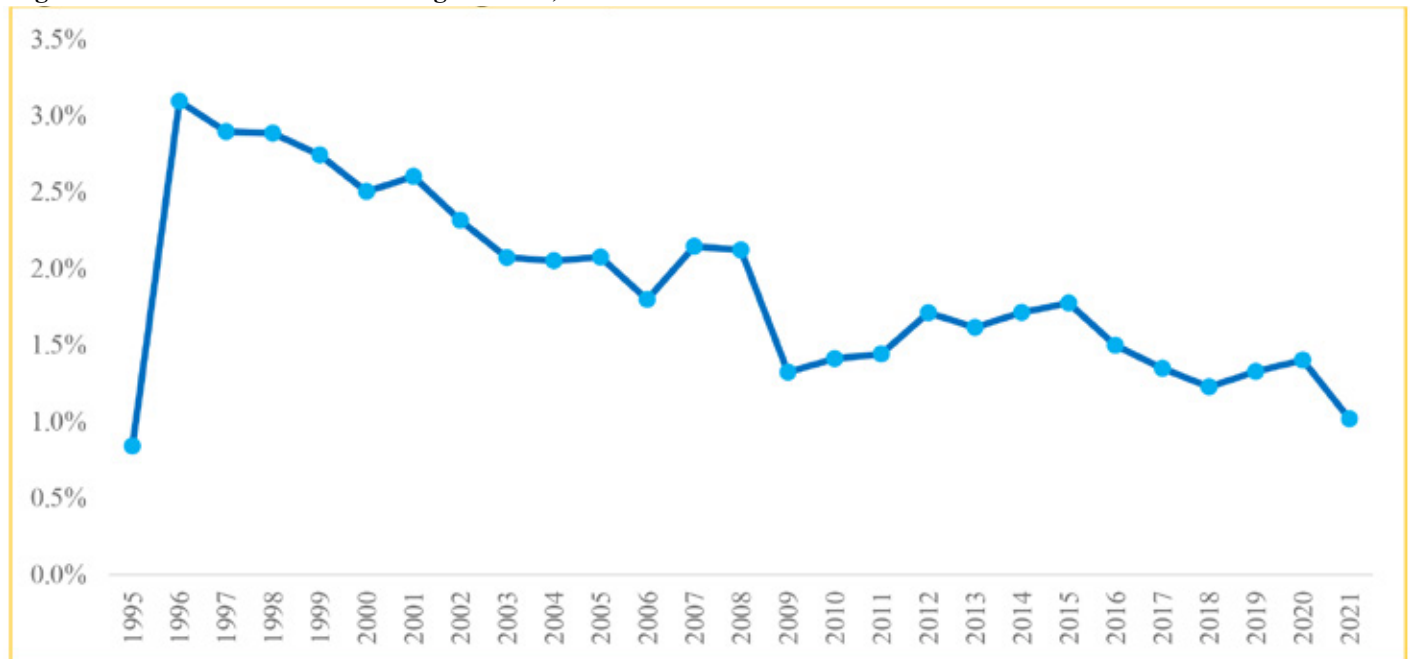
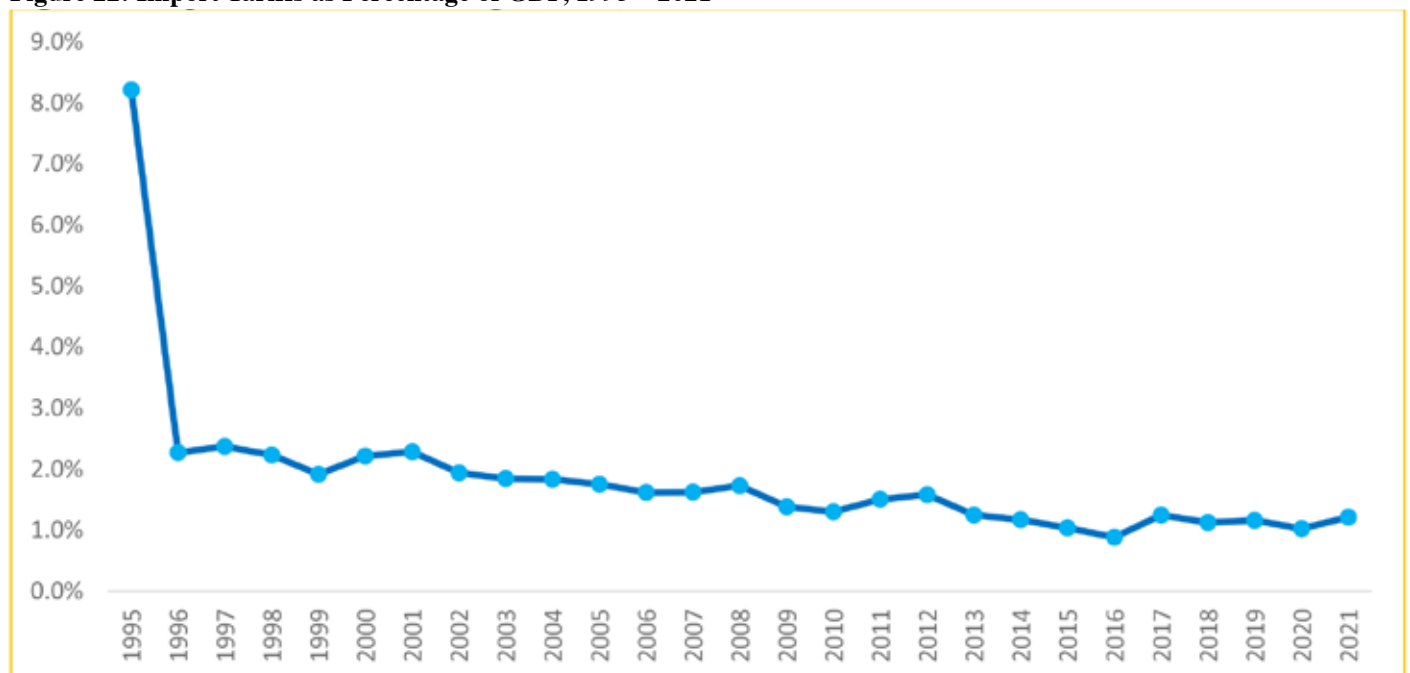
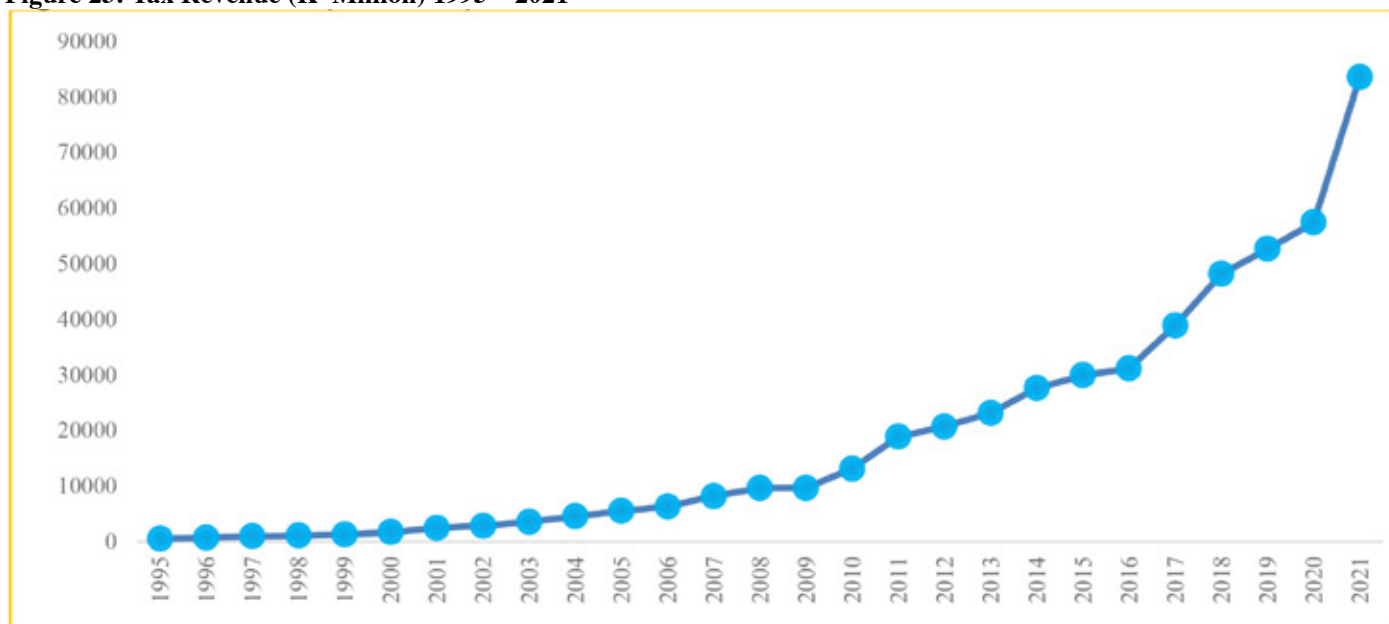
Figure 21: Excise Duties as Percentage of GDP, 1995 – 2021**Figure 22: Import Tariffs as Percentage of GDP, 1995 – 2021**

Figure 23: Tax Revenue (K' Million) 1995 – 2021

Performance of Operating Divisions and Corporate Initiatives

Customs Services Division

In 2021, the Authority continued to reform its customs processes and procedures to improve its operational efficiency and trade facilitation.

Customs Declarations

The registration to payment conversion ratio shows the proportion of registered entries that are paid. During the year, the proportion of total paid entries increased to 93.7 percent compared to 92.8 percent recorded in 2020. The marginal

improvement in this ratio can partly be attributed to the implementation of the customs self-assessment which allows for entries to be paid for before customs intervention (see Table 15).

Table 15: Registration to Payment Conversion Ratio for all transactions in 2021 and 2020

Period	Registered	Paid	Unpaid	% Paid	%Unpaid
2021	885,172	829,045	56,127	93.7%	6.3%
2020	762,327	707,647	54,680	92.8%	7.2%

Customs Refunds

The Authority administers a duty drawback scheme which allows local manufacturers to claim a proportion of import duties paid on inputs used in the manufacture of exported goods. The aim of the scheme is to improve the competitiveness of Zambian exports. The Authority also administers other customs refunds arising from claims on import and export transactions.

Between 2020 and 2021, the number of duty drawback claims increased by 12.5 percent while the corresponding value increased by 11.8 percent. The number of general refund claims declined by 44.6 percent while the value of refund claims decreased by 39.2 percent in 2021 compared to 2020 (see Table 16).

Table 16: Number and Value of Customs Refunds in 2021 and 2020

	2021	2020	Percentage Variance
Duty Drawback Refunds			
Number of duty drawback applications	252	224	12.5%
Value of duty drawback applications (K'Million)	94.6	84.6	11.8%
Value of processed duty drawback applications (K'Million)	66.3	191.2	-65.3%
Value of duty drawback payments (K'Million)	10.8	146.5	-92.6%
General Refunds	2021	2020	Percentage Variance
Number of General refunds claims	243	439	-44.6%
Value of General refund claims (K'Million)	14.8	24.3	-39.2%
Value of processed General refund claims (K'Million)	14.8	24.3	-39.2%
Value of General refund payments (K'Million)	13.5	23.1	-41.5%

Import and Export Declarations

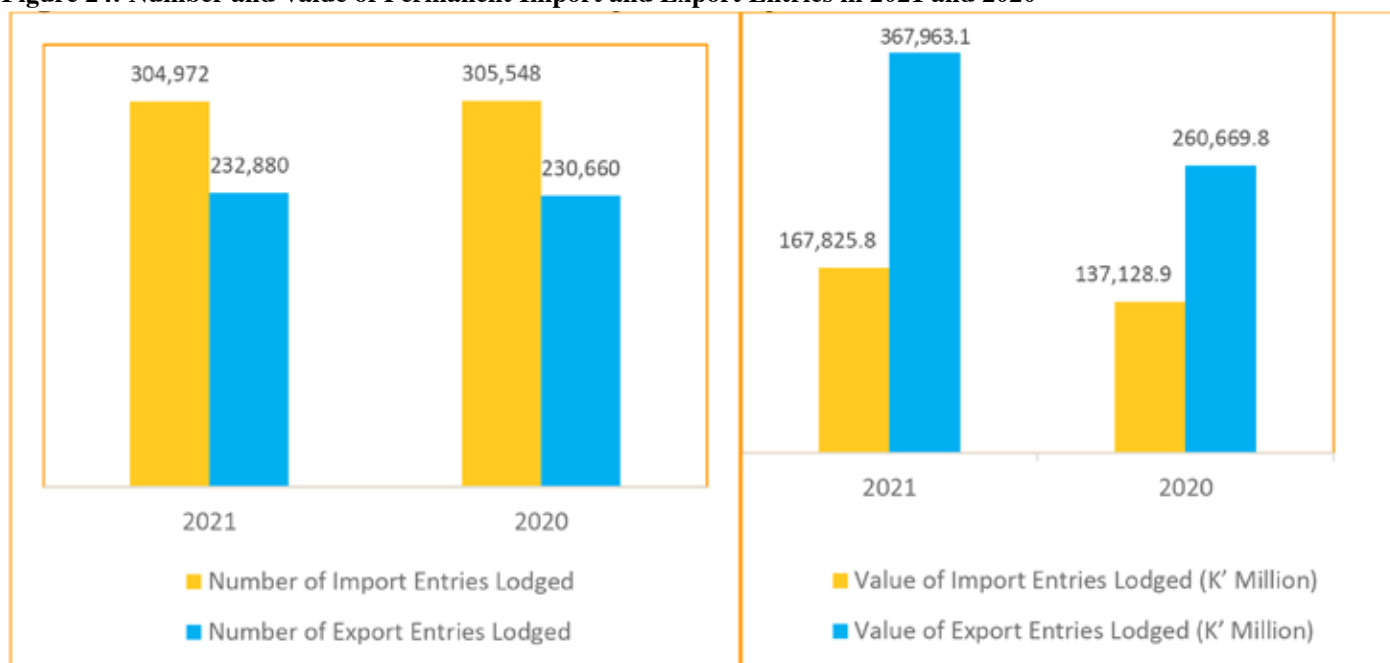
In the year under review, the volume of permanent import transactions declined by 0.2 percent while the corresponding Value for Duty Purposes increased by 22.4 percent. By contrast, the volume of permanent export transaction marginally grew

by one percent while the corresponding VDP increased by 41.2 percent. The increase in VDP relative to the increase in volumes is partly due to the depreciation of the Kwacha exchange rate against major currencies (see Table 17 and Figure 24).

Table 17: Entries of Permanent Imports and Permanent Exports in 2021 and 2020

	2021	2020	Percentage Variance
Number of Import Entries Lodged	304,972	305,548	-0.2%
Value of Import Entries Lodged (K' Million)	167,825.8	137,128.9	22.4%
Number of Export Entries Lodged	232,880	230,660	1.0%
Value of Export Entries Lodged (K' Million)	367,963.1	260,669.8	41.2%

Figure 24: Number and Value of Permanent Import and Export Entries in 2021 and 2020



Processing Efficiency

The processing efficiency as measured by the actual revenue collected against the potential revenue was recorded at 97.6 percent in 2021 compared to 96.1 percent in 2020, representing a marginal increase of 1.5 percentage points. Specifically, the potential revenue in the period under

review was K17,449.0 million of which K17,027.9 million was collected. A further K419.4 million or 2.4 percent was registered and assessed but not paid, while K1.7 million was not assessed and therefore no collections were made (see Table 18).

Table 18: Processing Efficiency in Tax Yield from all Taxable Transactions in 2021 and 2020

	2021		2020	
	K' Million	% of Total	K' Million	% of Total
Un-assessed taxes	1.7	0.0%	12.8	0.1%
Registered, Assessed, Not paid	419.4	2.4%	593.5	3.8%
Registered, Assessed, and paid (Receipted)	17,027.9	97.6%	14,949.6	96.1%
Total collectable amount	17,449.0	100.0%	15,555.9	100.0%

In 2021, the total VDP increased by 70 percent to K576,771.9 million from K338,512.6 million recorded in 2020. The non-taxable VDP, on which duty is not applicable, accounted for 94.6 percent of the total VDP and grew by 71 percent in 2021 compared to

2020. The significant increase in the non-taxable VDP can be attributed to the depreciation of the Kwacha exchange rate against major convertible currencies and the tax relief measures to mitigate the effects of the COVID-19 pandemic (see Table 19).

Table 19: VDP and Tax Yield from Taxable and Non-Taxable Transactions in 2021 and 2020 (K' Million)

VDP Type	Value for Duty Purposes			Tax Amount (Gross)		
	2021	2020	% Variance	2021	2020	% Variance
Non-Taxable	545,358.0	318,362.1	71%	85,506.4	48,685.9	76%
Taxable	31,413.8	20,150.4	56%	8,070.7	3,142.3	157%
Total	576,771.88	338,512.50	70%	93,577.01	51,828.20	81%

The revenue foregone due to trade related concessions increased to K18,626.1 in 2021 from K12,074.9 million in 2020, representing a 53.7 percent growth (see Table 20).

Table 20: Tax Revenue Foregone from Concessions, 2021 and 2020 (K' Million)

	2021	2020	Variance	% Variance
Total Revenue Foregone	18,626.1	12,118.5	6,507.6	53.7%

Risk Profiling Analysis

The Authority utilises risk management techniques to examine customs declarations in order to reduce revenue leakages and ensure effective utilisation of resources. There are four lanes under the risk profiling analysis to which entries can be channelled. These are red, yellow, blue and green. Goods channelled to the red lane require physical inspection; while goods channelled to the yellow lane require documentary checks. Goods channelled to the blue lane require post clearance audits. However, goods channelled to the green lane are considered low risk and are not subjected to scrutiny.

In 2021, the proportion of entries channelled to the red lane marginally increased to 16.2 percent compared to 16.1 percent in 2020. Furthermore, there was a marginal decrease of 60.3 percent of the entries which were channelled to the yellow lane in 2021 compared to 60.8 percent in 2020. The percentage of entries directed to the blue lane increased to 10.1 percent from 8.3 percent in 2020, while the entries channelled to the green lane decreased to 13.4 percent in 2021 compared to 14.7 percent in 2020 (see Table 21).

Table 21: Lane Analysis by Business Volume in 2021 and 2020

Lane	2021		2020	
	Number of entries	Percentage	Number of entries	Percentage
Red	119,963	16.2%	114,414	15.5%
Yellow	445,167	60.3%	430,885	58.3%
Blue	74,808	10.1%	59,003	8.0%
Green	98,638	13.4%	104,227	14.1%
Total	738,576	100.0%	708,529	100.0%

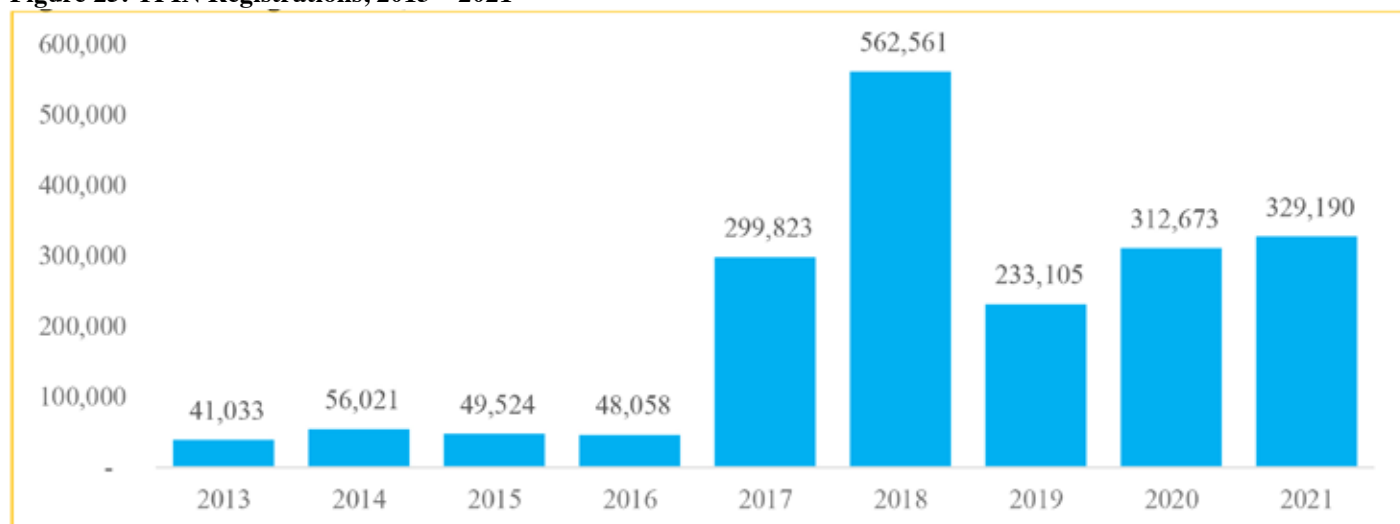
Direct and Indirect Taxes Divisions

Taxpayer compliance is built on four pillars namely; taxpayer registration, return filing, payment of taxes and accurate reporting. To fulfil their compliance requirements, taxpayers are expected to register for all required taxes, file due returns and make due payments on time. The Authority conducts taxpayer education to ensure that taxpayers understand and meet their obligations. This section reviews the Authority's performance on these compliance pillars.

Tax Registrations

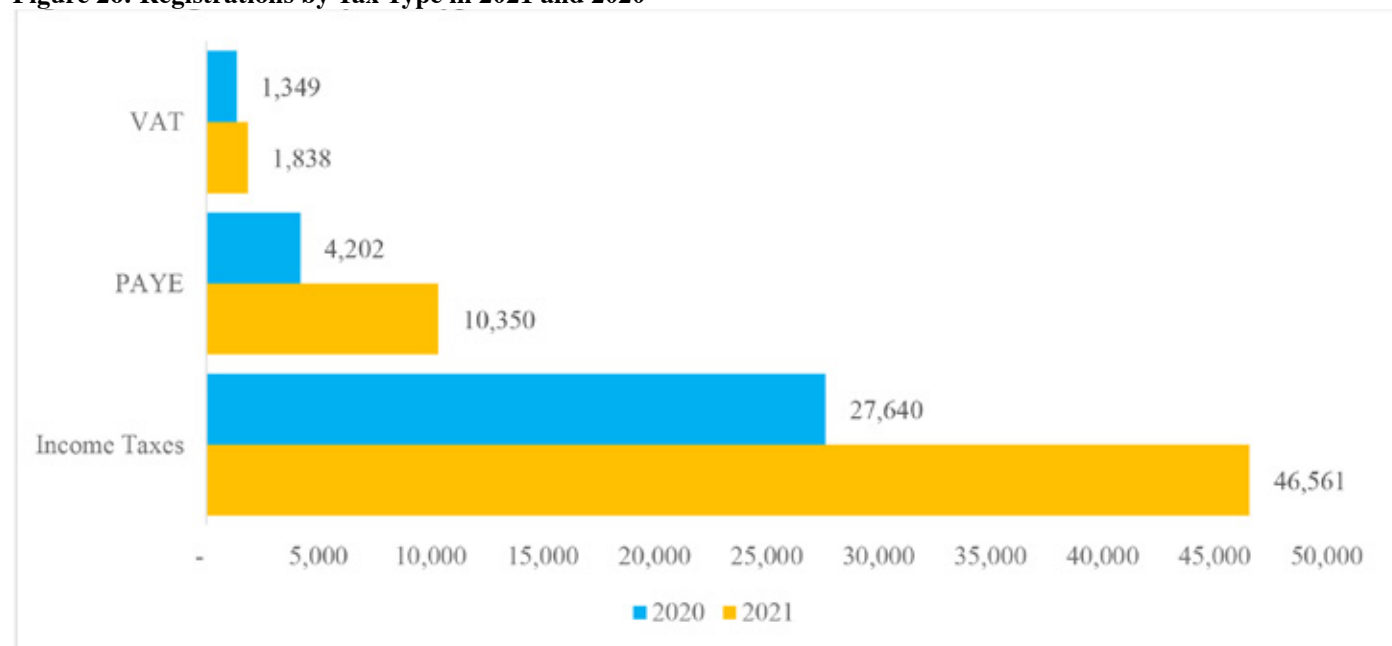
In the year under review, the total number of TPIN registrations increased by 5 percent to 329,190 in 2021 from 312,673 in 2020. The increase in the number of TPIN registrations is in part due to enhanced taxpayer education, the requirement for the TPIN to undertake certain transactions such as opening of bank accounts, connection to the national electricity grid, buying and selling of real property and new business entrants. Figure 25 shows the trend of TPIN registrations from 2013 to 2021¹¹.

¹¹ The sharp increase in TPIN registrations from 2017 is due to the amendment to the Income Tax Act requirement for all bank account holders to have a TPIN.

Figure 25: TPIN Registrations, 2013 – 2021

In the period under review, there was an increase in the number of registrations for VAT, PAYE and other income taxes. Specifically, there were 1,615 VAT registrations in 2021 compared to 1,349 registrations in 2020 and 7,013 PAYE registrations in

2021 compared to 4,202 registrations in 2020. For other income taxes, a total of 36,631 registrations were approved in 2021 compared to 27,640 in 2020 (see Figure 26).

Figure 26: Registrations by Tax Type in 2021 and 2020

Return Filing

The number of returns filed in 2021 on account of income taxes were 1,167,553 compared to 1,086,203 in 2020, representing an increase of 7.5 percent. The number of income tax returns filed increased by 6.4 percent to 447,323 in 2021 from 420,433 in 2020. Turnover tax returns filed increased by 8.2 percent to 720,230 in 2021 from 665,770 in 2020.

The number of refund applications for the direct taxes received in 2021 increased by 28.7 percent to 11,130 from 8,648 in 2020.

The number of PAYE refund applications increased to 10,558 in 2021 from 7,936 in 2020, representing a 33 percent increase. On the other hand, the number of income tax refund applications decreased by 19.7 percent to 572 in 2021 from 712 in 2020. In terms of value, a total of K106.1 million in direct taxes was refunded in 2021 compared to K72.4 million in 2020, representing an increase of 46.6 percent. The refunds comprise K50.6 million PAYE, K30.4 million income tax and K25.1 million withholding taxes (see Table 22).

Table 22: Income Tax Return Statistics

	2021	2020	% Change
A. Number of returns submitted: o/w	1,167,553	1,086,203	7.5%
Income Taxes	447,323	420,433	6.4%
Corporate Income Tax	31,263	24,045	30.0%
Individuals	6,410	5,015	27.8%
PAYE	281,528	262,739	7.2%
Withholding tax	128,122	128,634	-0.4%
Turnover Tax	720,230	665,770	8.2%
Company	306,506	282,989	8.3%
Individuals	413,724	382,781	8.1%
B. Number of refund Applications: o/w	11,130	8,648	28.7%
Employment Tax (Pay as You Earn)	10,558	7,936	33.0%
Income Tax	572	712	-19.7%
C. Value of Refunds paid (K' million) :o/w	106.1	72.4	46.5%
Employment Tax (Pay as You Earn)	50.6	0	100.0%
Withholding taxes & others	25.1	72.4	-65.3%
Income Tax	30.4	0	100.0%

The number of VAT returns submitted reduced to 129,433 in 2021 from 138,869 received in 2020, representing a 6.8 percent reduction. The number of payment returns filed during the year decreased by 2.9 percent to 57,178 from 58,866 received in 2020. Similarly, the number of nil returns decreased by 10.9 percent while repayment returns decreased by 4.1 percent.

With respect to VAT refunds, the number of claims received in 2021 reduced by 4.1 percent to 14,119 from 14,728 in 2020. In contrast, the value of claims increased by 40.1 percent in 2021 to K19,793.3 million from K14,128.8 million in 2020. A total of K12,238.4 million was refunded in 2021 compared to K12,642.6 million in 2020 (see Table 23).

Table 23: VAT Return Statistics

	2021	2020	% Change
A. Number of returns submitted: o/w	129,433	138,869	-6.8%
Payment returns	57,178	58,866	-2.9%
Nil returns	58,136	65,275	-10.9%
Repayment (claims) returns	14,119	14,728	-4.1%
B. Value of returns submitted (K' million):			
Payment returns	7,493.0	7,672.1	-2.3%
Nil returns	0.0	0.0	0.0%
Repayment (claims) returns	19,793.3	14,128.8	40.1%
C. Number of Refund Applications:			
Number of Refund Applications	14,119	14,728	-4.1%
Number of Refunds Processed	8,073	3,781	113.5%
D. Value of Refunds Paid (K' million)	12,238.4	12,642.6	-3.2%

Compliance Initiatives that Supported Revenue Collection

To enhance revenue collection, the Authority implemented several initiatives during the year that included the following:

- a) engagements with key stakeholders including virtual classes for taxpayers on TaxOnline processes and taxpayer education on obligations and duties;
- b) engagements with the 33 appointed Councils to register and follow up on payments from taxpayers on their respective withholding tax on rent databases;
- c) engaging the Office of the Accountant General in the Ministry of Finance and National Planning to ensure that institutions under their charge remitted withheld VAT to the Authority;
- d) ensuring that unregistered businesses in the hospitality industry were registered;
- e) analysed third-party information of electricity producers which resulted in the registration of four new electrical energy producers and brought in additional revenue of about K40 million;
- f) the use of targeted text messages and emails to remind taxpayers on their obligations such as due dates for submission of returns and payments;
- g) operationalised the Kazungula One-Stop-Border-Post for simplified customs processes;
- h) addition of five Government ministries to the electronic Voucher of Exemption and two Government ministries on the Single Payment Point bringing the total number of ministries and agencies connected to the Zambia Electronic Single Window to 45;
- i) implementation of electronic data exchange between Malawi Revenue Authority and Zambia Revenue Authority;
- j) rollout of the Customs Validation System for real-time transit acquittal nationwide at 15 stations;
- k) initiating tax gap studies with the United Nations University World Institute for Development Economics Research (UNU-WIDER) and USAID to inform revenue mobilisation in Zambia; and
- l) commissioning the first phase of the BIDA System aimed at automating compliance analysis using internal and external data.



Debt Management

Direct and Indirect Taxes Debt

The stock of domestic taxes debt increased to K85,781.3 million in 2021 from K59,659.4 million in 2020, representing an increase of 43.8 percent. Of this amount, the principal tax was K64,074.0 million¹² while penalties and interest were K18,347.9 million

and K3,359.5 million, respectively. The penalties and interests were cumulative positions of audit assessments on tax accounts mainly through account reconciliations (see Table 24).

Table 24: Composition of Domestic Debt, 2018 - 2021 (K' Million)

Year	Principal	Penalties	Interest	Total
2018	17,247.8	17,359.0	1,560.0	36,166.8
2019	27,044.8	19,209.7	1,549.8	47,804.3
2020	32,248.3	23,957.3	3,453.8	59,659.4
2021	64,074.0	18,347.9	3,359.5	85,781.3

Domestic VAT and company income tax constituted the largest share of inland debt stock at K37,029.0 million and K27,737.2 million, respectively. This was followed by withholding VAT with a stock of K6,202.3 million. PAYE, mineral royalty, withholding

tax, turnover tax and property transfer tax accounted for K4,977.2 million, K3,637.5 million, K3,245.7 million, K2,539.1 million and K288.4 million respectively. The remaining tax types had debt of below K100.0 million each (see Table 25).

Table 25: Trend in Domestic Debt Accumulation, 2013 - 2021 (K' Million)

Tax Type	2013	2014	2015	2016	2017	2018	2019	2020	2021
Company Tax	5,813.0	3,652.5	3,633.9	4,260.5	3,566.5	8,384.5	9,568.5	11,605.9	27,737.2
Back Duty	287.2	-	-	-	-	-	-	-	-
Self Employed (Turnover	812.8	75.9	496.2	1,068.1	1,493.0	1,951.6	1,953.8	2,575.4	2,539.1
Gaming and Betting Tax	-	-	-	-	-	-	-	-	22.3
PAYE	641.4	473.4	2,200.1	5,465.9	5,934.1	4,032.9	5,120.1	7,491.3	4,977.2
Domestic VAT	901.9	11	15,620.3	14,679.1	17,060.4	19,787.9	24,807.2	29,733.8	37,029.0
Mineral Royalty	40.3	133.8	1,288.7	1,655.2	2,015.7	471.9	1,324.5	1,786.8	3,637.5
Withholding tax	-	-	1,133.2	787.9	805.3	1,109.0	1,244.9	3,081.9	3,245.7
Domestic Excise	-	-	58.4	306.1	193.0	273.4	1,059.2	989.4	-
Insurance Premium Levy	-	-	-	2.5	74.8	76.6	83.3	83.0	69.0
Presumptive Tax	-	-	-	-	1.0	3.7	8.5	11.4	17.1
Property Transfer Tax	-	-	-	-	0.5	75.2	134.8	173.3	288.4
Tourism Levy	-	-	-	-	0.2	0.1	0.8	0.5	16.4
Withholding VAT	-	-	-	-	-	-	2,498.7	2,126.7	6,202.3
Total	8,496.6	15,692.8	24,430.8	28,225.6	31,144.7	36,166.8	47,804.3	59,659.4	85,781.3

Customs Debt

The customs debt increased by 14.7 percent to K1,760.8 million in 2021 from K1,534.7 million recorded in 2020 (see Table 26).

¹² Amount includes income tax and VAT rule-18 assessments for prior periods concluded in 2021 amounting to K29.6 billion

Table 26: Trend in Customs Debt Accumulation, 2013 - 2021 (K' Million)

Tax Type	2013	2014	2015	2016	2017	2018	2019	2020	2021
Customs Duty	15.7	45.4	83.9	200.1	961.0	117.7	133.8	277.6	308.2
Advance Income Tax	1.2	2.1	4.6	24.1	47.7	24.6	26.6	151.1	171.2
Import excise duty	26.9	44.8	97.6	1.7	424.2	56.7	86.2	59.8	66.0
Fuel Levy	7.8	23	23	205.4	34.0	34.0	31.9	10.4	9.6
Export Duty	0	0.2	1.3	46.2	0.4	0.5	36.5	25.1	29.4
Motor Vehicle Fee	0.8	1.4	1.9	247.1	73.5	3.0	3.4	1.5	1.5
Carbon Emission Surtax	0.3	0.5	0.5	1.6	27.8	1.1	1.2	-	0.9
Import VAT	32.8	93.7	244.5	435.4	828.3	207.9	255.9	978.2	1,121.5
Other	-	-	-	-	-	-	9.8	31.0	52.5
Total Debt	85.5	211.1	457.2	827.6	2,428.8	445.5	585.3	1,534.7	1,760.8

Total Debt Stock

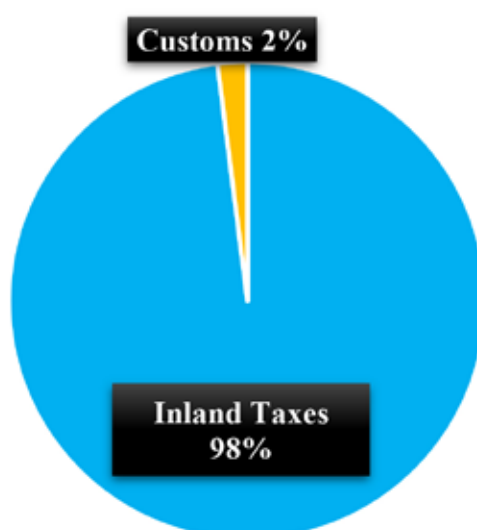
In 2021, the total stock of tax debt recorded a 43.0 percent increase to K87,542.0 million from K61,207.6 million in 2020. This was mostly due to inland taxes debt amounting to K85,781.3

million or 98.0 percent of the total stock. Customs only accounted for K1,760.8 million or 2.0 percent of the total debt stock (see Table 27).

Table 27: Total Debt Stock, 2013-2021

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Debt, K' Million: o/w	8,582.1	15,903.9	24,888.0	29,053.2	33,573.5	36,612.3	48,389.6	61,207.6	87,542.1
Domestic Taxes Debt	8,496.6	15,692.8	24,430.8	28,225.6	31,144.7	36,166.8	47,804.3	59,659.4	85,781.3
Customs Debt	85.5	211.1	457.2	827.6	2,428.8	445.5	585.3	1,534.7	1,760.8
<i>Domestic Taxes Debt (% of Total)</i>	<i>99.0%</i>	<i>98.7%</i>	<i>98.2%</i>	<i>97.2%</i>	<i>92.8%</i>	<i>98.8%</i>	<i>98.8%</i>	<i>97.5%</i>	<i>98.0%</i>
<i>Customs Debt (% of Total)</i>	<i>1.0%</i>	<i>1.3%</i>	<i>1.8%</i>	<i>2.8%</i>	<i>7.2%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>2.5%</i>	<i>2.0%</i>

Figure 27: 2021 Total Debt Stock: Inland versus Customs debt



The Authority in 2021 reconciled 3,137 taxpayer accounts resulting in a tax debt of K2,870.5 million. The reconciliation process involved posting missing returns and audit assessments and reallocating payments to reflect accurate tax positions. Initiatives such as time to pay agreements, debt swaps, and waiver of penalties and interests were utilised to collect K8,945.1 million of the accrued debt in 2021.

Taxpayer Education and Advisory Services

The Authority in 2021 continued to provide tax education to taxpayers and the general public through its taxpayer education strategy. This was in an effort to improve tax compliance and promote a tax paying culture in the country. The Authority engaged with stakeholders through the following fora:

Workshops

In 2021, the Authority conducted a total of 231 physical and virtual sensitisation engagements on various tax matters across the country. In addition, key stakeholder institutions such as the Law Association of Zambia, the Zambia Association of Chambers of Commerce and Industry, the Zambia Institute of Chartered Accountants and various clearing agents' associations were engaged, among others.

Tax Clinics, Lectures and School Chats

The Authority conducted a total of 10 tax clinics in an effort to enhance public education on tax matters. The main target of these

tax clinics were members of the public operating in the informal sector. However, no public lecture or school chat was conducted due to the COVID-19 pandemic which resulted in the closure of learning institutions for a considerable period of the year.

Facebook live chats and Radio Programs

The Authority introduced and conducted 51 Facebook live chat sessions in 2021. The shows display live streams on the Authority's social media platforms such as Facebook. Further, radio platforms were also utilised in communicating tax matters related to tax compliance, promotion of available services to help taxpayers and on awareness of tax due dates. A total of 140 programmes targeted at various audiences were broadcast in 2021.

Tax Literature

To enhance taxpayer education, the Authority distributed various types of literature to different stakeholders in 2021. Among the literature distributed were Practice Notes, Budget Highlights, VAT Guide and VAT Liability Guide. Other leaflets were uploaded on the website and TaxOnApp for taxpayers to access. These included; Frequently Asked Questions; Self-assessment procedures for customs and PAYE Refund Guide, among others. The literature was made available at all ZRA service centres and at stakeholder engagements (see Table 28).

Table 28: Number of Taxpayer Outreach Programmes in 2021 and 2020

Type of Programme	2021	2020
Workshops/ Seminars / Meetings (Virtual and Physical)	231	169
Open Days	2	1
Tax Clinics	10	33
Radios/ TV programmes/ Facebook Live Chats	193	828
Agriculture and Trade Shows	0	0
Physical Taxpayer Training Sessions	0	1,054
Virtual Taxpayer Training Sessions	92	-
Lectures/School Chats	0	46
Total	528	2,131

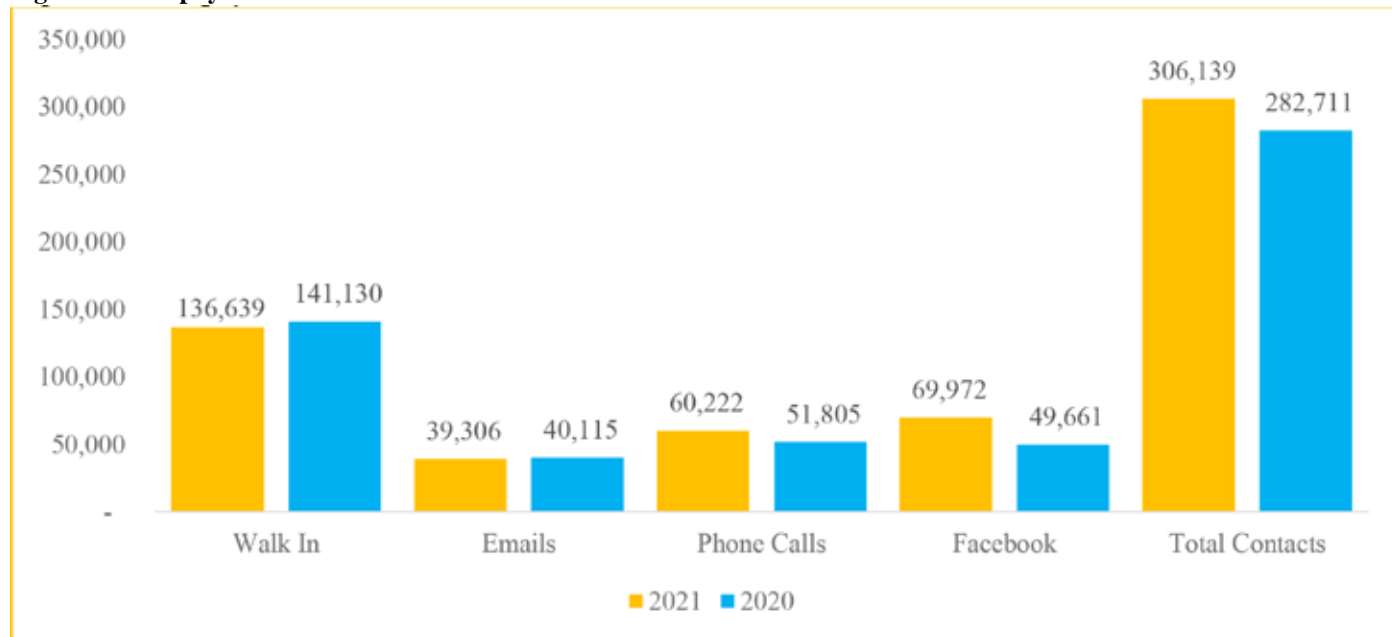
Website and Social Media

In 2021, the Authority continued using Facebook, Instagram, Twitter, LinkedIn and YouTube to engage with taxpayers and the general public. The number of followers on the ZRA Facebook page increased to 69,972 in 2021 from 49,661 in 2020.

The ZRA website also continued to be used as a platform through which taxpayers could easily access e-services and download tax information without having to visit ZRA offices. This is aimed at improving service delivery and reducing the cost of compliance.

Taxpayer Contact

The number of walk-in contacts at Customer Service Centres reduced to 136,369 in 2021 from 141,130 in 2020. Similarly, the number of emails received by the Service Centre reduced to 39,306 in 2021 from 40,115 in 2020. These reductions could be attributed to the increased use of e- services following the simplification of the TPIN registration process, which can easily be done on TaxOnPhone (using USSD) and automation of the application for Tax Clearance Certificate. However, the number of phone calls received increased to 60,222 in 2021 from 51,805 in 2020. Figure 28 shows taxpayer contact in 2020 and 2021.

Figure 28: Taxpayer Contact in 2021 and 2020



MANAGING PUBLIC CONFIDENCE

Managing Public Confidence

Staff Strategy

The Authority attaches importance to staff integrity as it is essential in instilling public confidence in its operations. To this effect, the Conflict of Interest, the Whistle Blower, and the Gifts and Benefits Policies were operationalised in 2021, which hitherto were contained in the Code of Ethics.

During the year, the Zambia Revenue Authority Integrity Committee (ZRAIC) conducted integrity sessions for 1,100 members of staff. In addition, a total of 25 newly appointed focal point persons were trained by the Anti-Corruption Commission while 32 station and unit managers were jointly trained with the Anti-Corruption Commission.

Integrity Promotion Partnerships

The Authority sustained its collaboration with local and

international organisations in promoting integrity programmes.

In this regard, the Authority hosted a delegation from the Gambia Revenue Authority and facilitated training on integrity matters for five local partners.

In recognition of its organisation wide integrity promotion efforts, the Authority was in 2021 awarded for *Outstanding Performance and Leadership in Integrity work* by the Secretary to the Cabinet during the Integrity Committee Chief Executive Officer's Forum.

Handling Comments and Complaints

In 2021, the ZRA Integrity Committee received 283 comments and complaints compared to 183 in 2020 as outlined in Table 29.

Table 29: Number of Complaints and Comments Received by ZRAIC

Year	Complaints	Comments	Total
2021	16	267	283
2020	9	174	183

The matters received were mainly referred to the appropriate offices for attention while those that were within ZRAIC mandate were taken up and resolved by the ZRAIC members. The types of complaints and comments received by ZRAIC are depicted in Table 30.

Table 30: Types of Comments and Complaints Received

Taxpayer Feedback	2021	2020
Compliments	0	5
Information	47	89
Queries	131	41
Suggestions	0	0
Employment Applications	85	34
Complaints	16	9
Staff concerns	2	5
Stakeholder relations	2	0
Total	283	183

Reducing Compliance Costs

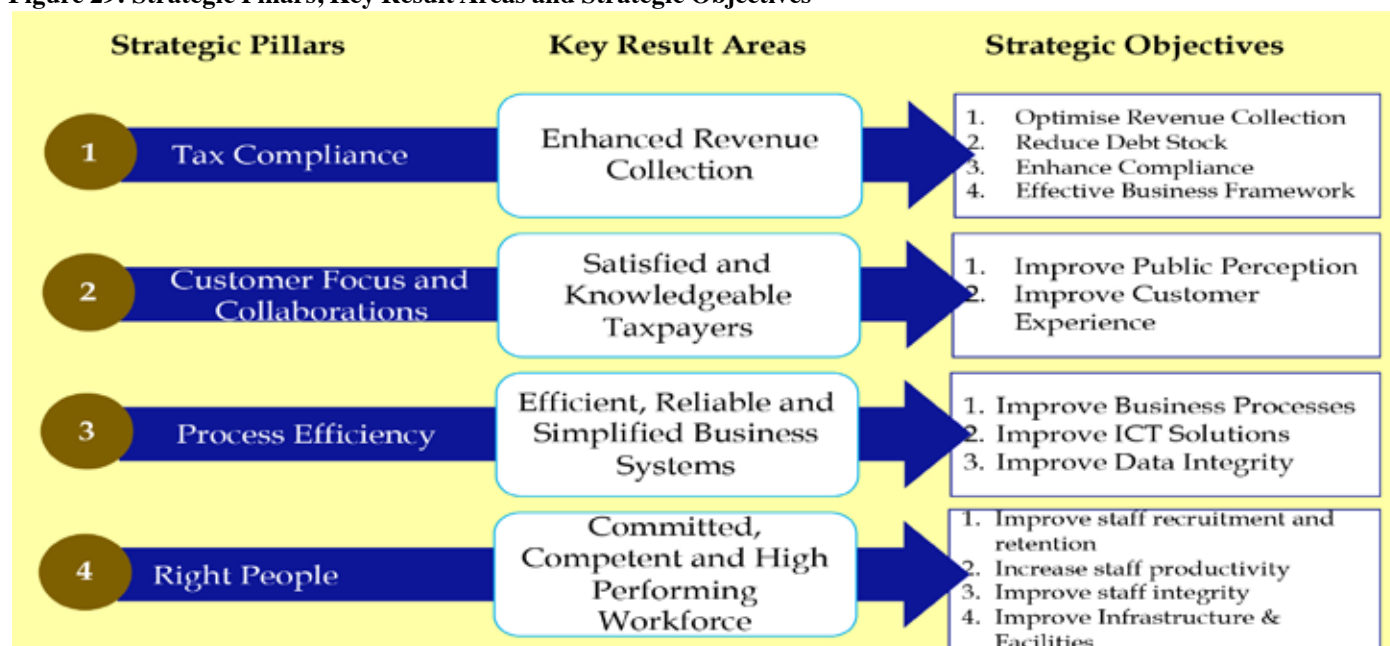
In its continued effort to reduce taxpayer compliance costs, the Authority in 2021 embarked on the development of a payment module on TaxOnphone to complement the USSD payment

option available with the mobile network operators. The TaxOn-Phone payment module will enable taxpayers to make payments and authenticate EFD invoices, among others.

Performance of the Authority's Corporate Strategic Plan

The Authority's Corporate Strategic Plan (CSP) 2019 – 2021 was anchored on four Strategic Pillars, four corresponding Key Result Areas (KRA) and thirteen Strategic Objectives as depicted in Figure 29.

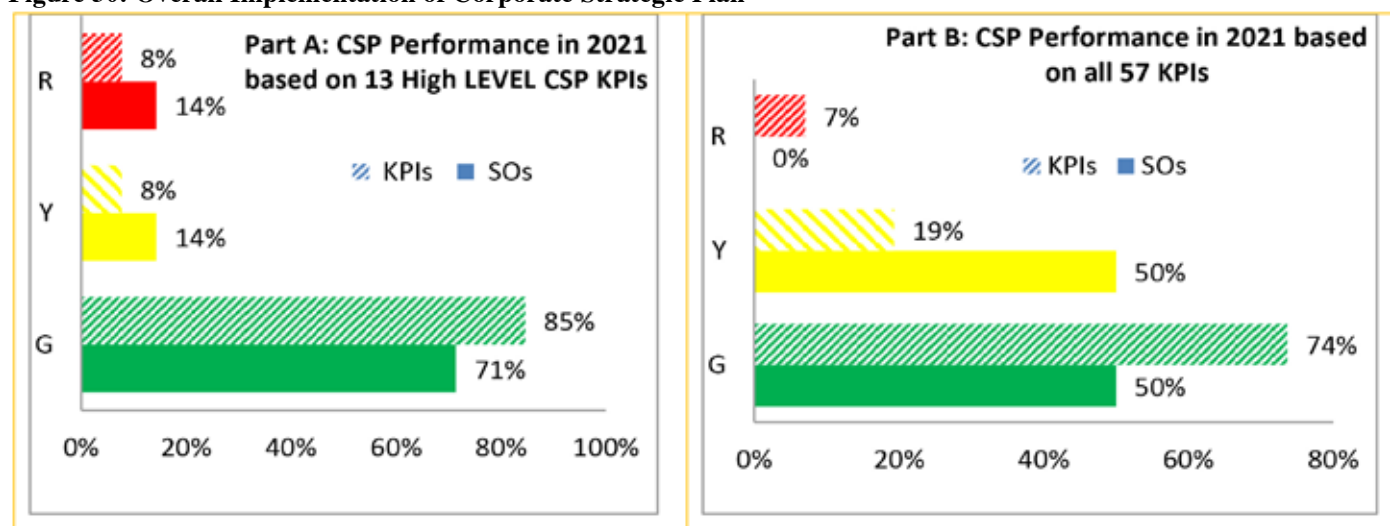
Figure 29: Strategic Pillars, Key Result Areas and Strategic Objectives



The performance of the CSP is assessed based on tracking active Key Performance Indicators (KPIs) using the Red, Yellow and Green rating scale. Out of all KPIs in the CSP, a few are identified and labelled high level KPIs as they are deemed to be the key drivers of the strategic objectives under which they fall; and ultimately used to determine the performance of the CSP.

In the year under review, 12 out of 13 high level KPIs representing 92 percent were achieved resulting in attainment of 86 percent of the strategic objectives. One KPI representing 8 percent was not achieved. In terms of all the 57 active KPI's contained in the CSP, 43 were achieved, representing 75 percent (see Figure 30).

Figure 30: Overall Implementation of Corporate Strategic Plan



The performance of each high-level KPI under their respective strategic objectives is highlighted in Table 31:

Table 31: Performance of High-Level KPIs

Strategic Objective	High Level KPI	Comment
1. Optimise revenue collection	Parliament approved annual revenue target met	Target exceeded by 41%
	% of tax types that meet set targets	59% achieved against target of 60%
	Cost of collection (Government funding to revenue ratio) maintained between 2% and 3% of revenue collected	2% against targeted range of 2% to 3%
	Tax Revenue to GDP ratio	19.7% achieved against target of 16%
2. Reduce debt stock	% reduction in debt stock	Debt stock increased by 43%
3. Enhance compliance	Percentage of Tax types that met set filing compliance	71% achieved against target of 75%
	% of Tax types that met set payment compliance	80% achieved against target of 75%
4. Improve customer experience	% of satisfied taxpayers	92% achieved against target of 80%
	% of e-payments by volume	81% achieved against target of 80%
	% of Returns filed online	100% achieved
5. Improve business processes	Percentage of identified Processes meeting set performance standards	60% achieved against target of 75%
6. Improve ICT Solutions	% of Satisfied End-Users of ZRA Business Systems	85% achieved against target of 80%
7. Increase staff productivity	% of employees who met or exceeded their performance standards	95% achieved against target of 95%

KAIZEN Activities

The Authority continued to support KAIZEN activities across its structures. KAIZEN is both a philosophy and framework for promoting continuous improvement in all aspects of an organisation's operations.

The Authority won *silver* and *par excellence* awards at the National KAIZEN Conference and the International Convention on Quality Control Circles respectively, for increasing the processing efficiency of penalty waiver applications from 66 percent to 94 percent.

In the year under review, a total of 17 KAIZEN projects were under implementation with varying degrees of progress.



INTERNAL AND EXTERNAL SCRUTINY

Internal and External Scrutiny

Internal Audit

A total of 29 reports were tabled before the Audit Committee of the ZRA Governing Board for consideration in 2021. Of these, 19 were from 2021 and 10 were brought forward from 2020 (see Table 32).

Table 32: Audits and Investigations Undertaken in 2021 and 2020

Audits and Investigations	2021	2020
Number of planned audits	27	23
Number of special reviews and investigations and audits finalised	25	5
Number of audits in progress	9	4
Total number of finalised audits by the Audit Committee; o/w	29	28
<i>Number of audits brought forward</i>	<i>10</i>	<i>10</i>
<i>Number of audits from current year</i>	<i>19</i>	<i>18</i>

Internal Affairs

The Authority recorded a total of 54 cases in 2021 relating to fraud allegations, malpractices and misconduct involving ZRA officers compared to 63 recorded in 2020. The reduction in cases

is in part due to heightened internal campaigns on integrity (see Table 33).

Table 33: Cases of Allegations of Fraud and Misconduct by Employees in 2020 and 2021

Allegations	2021	2020
Fraud	2	4
Dishonest Conduct	37	39
Theft	3	0
Bribery/Corruption	2	2
Abetting smuggling/collusion	10	12
Other	0	6
Total cases investigated	54	63

Note: Some allegations are interlinked and thus being capable of falling into more than one category.

A total of 12 active cases were brought forward from 2020 bringing the total number of cases investigated to 66 in 2021. Of these, 58 cases were recommended for disciplinary hearing and three were recommended for prosecution. The cases recommended

for disciplinary hearing resulted in 26 summary dismissals, 19 officers served with lower sanctions and 14 acquittals. A total of 14 cases were carried forward to 2022.

External Scrutiny

Parliamentary Committees

Parliament oversees Government administration and subjects its activities to scrutiny on behalf of the electorate. To effectively carry out this function, Parliament has established Parliamentary 67 Committees that scrutinise particular areas of Government administration. ZRA, being a public body, is one such institution that is subject to Parliamentary scrutiny.

In 2021, the Authority made 12 submissions on different subjects

to seven Parliamentary Committees. These included; the Planning and Budgeting Committee; the Joint Committee on Media, Information and Communication Technologies and National Security and Foreign Affairs; and the Committee on Health, Community Development and Social Services. Subjects of interaction included commenting on proposed pieces of legislation and other matters of interest to the Committees.

Office of the Auditor General

The office of the Auditor General has a constitutional mandate to audit institutions financed from public funds in order to among others ascertain that money appropriated by Parliament has been applied for the purpose for which it was intended.

It is in this regard that the Authority was in 2021 subjected to three audits by the Office of the Auditor General. These audits covered tax revenue collection activities, operations and public finance management for the year ended 31st December 2020. Arising from these audits, 33 queries were raised in the Tax Revenue Collection Audit Report and the Operations of the Authority Audit Report. No queries were raised in the Public Finance Management Audit. The Authority managed to close 22 queries during the year while six in the Revenue Audit and five on operations of the Authority, were still being attended to as at the end of the year.

Furthermore, all the six prior year audit queries were followed up and resolved resulting in their closure after verification by the Office of the Auditor General.

Litigation

Litigation provides an alternative avenue for the Authority to enforce compliance and resolve disputes with respect to the interpretation of the law. The Authority, during the year, was involved in civil and criminal litigation.

Civil Litigation

The number of civil cases litigated by the Authority in 2021 was 48 compared to 51 in 2020, representing a 5.9 percent reduction. Of these, six were before the Supreme Court; 12 were before the High Court; 19 were before the Tax Appeals Tribunal; 10 were before the Industrial Relations Court and one was before the Subordinate Court (see Table 34).

Table 34: Tax Related Litigation in 2021 and 2020

Type of Court	2021	2020	% Change
Supreme Court	6	8	-25.0%
Court of Appeal	0	2	-100.0%
High Court	12	13	-7.7%
Tax Appeals Tribunal	19	18	5.6%
Industrial Relations court	10	9	11.1%
Magistrates Court	1	1	0.0%
Total Cases	48	51	-5.9%

In terms of litigation by tax type, a total of 25 cases or 52 percent were related to customs and excise, while eight cases or 17 percent related to direct and indirect taxes. The labour related cases were 10 or 21 percent and five cases or 10 percent were general civil cases.

The total number of cases concluded during the year was 16 out of which 12 were concluded in favour of the Authority, three cases through consent settlements and one case was withdrawn by the taxpayer. As at the end of the year, a total of 32 cases were active in the various courts and at the Tax Appeals Tribunal.

Tax Appeals

During the year under review, the Authority handled 236 tax appeal cases compared to 224 in 2020, representing an increase of five percent. Of these, 68 were appeals on assessments while 168 were on other determinations such as seizure and forfeiture. A total of 93 appeals were against decisions of the Enforcement Unit which accounted for 39 percent of the total appeals. Appeals from decisions of the Customs, Direct Taxes, Indirect Taxes and Excise Divisions, and the Investigations Department accounted for 61 percent. The number of cases resolved stood at 178, giving a resolution rate of 75 percent in 2021 compared to 84 percent in 2020 (see Table 35).

Table 35: Tax Appeals Handled in 2021 and 2020

Year	Appeal Type	Customs	Direct Taxes & Indirect Taxes	Finance	Investigations	ICE	Totals
2021	Assessments	16	16	0	2	34	68
	Other Determinations	90	16	0	3	59	168
	Total Received	106	32	0	5	93	236
	Total Resolved	89	22	-	5	62	178
	% Resolved	84%	69%	-	100%	67%	75%
2020	Assessments	41	31	0	6	112	190
	Other Determinations	17	4	1	0	12	34
	Total Received	58	35	1	6	124	224
	Total Resolved	51	29	1	5	103	189
	% Resolved	88%	83%	100%	83%	83%	84%
% Change Total Received		83%	-9%	-100%	-17%	-25%	5%

Criminal Litigation (Prosecutions)

During the year, 23 cases were prosecuted out of which 19 were customs related while 4 related to domestic taxes. The number of cases concluded was five, out of which two convictions were secured while one was acquitted, and two cases were withdrawn. One other case was referred for

further investigation. The total number of cases prosecuted in 2021 decreased to 23 from 29 cases in 2020. As at end of year, 16 cases were under prosecution and one was at planning stage (see Table 36).

Table 36: Prosecuted Cases by Tax Type in 2021

Office Type	Brought Forward	New Cases	Total	Concluded				Carried Forward
				Conviction	Acquittal	Withdrawn	Referred	
Customs	12	7	19	2	1	2	1	13
Domestic Taxes	2	2	4	0	0	0	0	4
Total	14	9	23	2	1	2	1	17

Seizure of Goods

In 2021, the Authority seized goods on account of various tax offences valued at K90.7 million, representing a 14.8 percent decrease from K106.4 million seized in 2020. The goods were

either forfeited to the State and auctioned to recover taxes or donated to public and charitable organisations in accordance with the law.





MANAGING PEOPLE

Managing People

Staff Strategy

To ensure adequate staff levels and enhance productivity, the Authority in 2021 promoted 222 employees in line with the Promotion Policy, appointed 96 employees through internal job advertisements and recruited 286 new employees.

Staff Complement

The Authority's staff complement in 2021 was 2,261 employees compared to 2,066 employees at the close of 2020, representing an increase of 9.4 percent. This increment was attributable to operational and structural changes implemented during the year. The staff complement stood at 92.2 percent of the approved establishment of 2,451 employees compared to 96.4 percent of 2,144 approved in 2020 (see Table 37).

Table 37: ZRA Staff Complement by Division/Department/Unit as at end 2021 and 2020

Division / Unit	2021		2020	
	Actual	Approved	Actual	Approved
Commissioner General's Office	62	71	54	57
Direct Taxes	403	423	372	385
Indirect Taxes	320	335	268	272
Customs Services	677	716	640	663
Administration Department	283	321	283	296
Legal Department	20	23	18	21
Research & Corporate Strategy	86	95	26	27
Human Resource	36	47	38	46
Finance	161	167	157	160
Information & Comm Technology	71	77	70	76
Innovation & Projects Management	94	109	85	86
Internal Audit & Risk	26	26	24	24
Investigations	22	41	31	31
Total	2261	2451	2,066	2,144

As an equal opportunity employer, the Authority is committed to achieving gender balance and this is reflected in the increase in the share of female staff in 2021 to 40.3 percent from 38.1 percent in 2020.

With regard to category of employees, the share of non-represented

contract staff was unchanged at 12.6 percent of the workforce between 2020 and 2021. Staff numbers in the represented contract/permanent staff category increased to 50.0 percent in 2021 from 47.3 percent in 2020 while the share of staff in the represented non-contract staff category declined to 37.3 percent from 40.1 percent in 2020 (see Table 38).



Table 38: ZRA Staff Complement by Category and Gender in 2021 and 2020

Staff Category	2021				2020			
	Male	Female	Total	% of Total	Male	Female	Total	% of Total
Non-represented Contract Staff (ZRA00 – ZRA04)	214	72	286	12.6	200	61	261	12.6
Total Represented Contract & permanent Staff (ZRA05 – ZRA06): o/w	613	519	1132	50.1	562	415	977	47.3
<i>Represented Contract Staff (ZRA05 – ZRA06)</i>	93	71	164	7.3	206	150	356	17.2
<i>Represented Permanent Staff (ZRA05 – ZRA06)</i>	520	488	968	42.8	356	265	621	30.1
Represented Non-Contract Staff (ZRA07 – ZRA10)	521	322	843	37.3	517	311	828	40.1
Total	1,348	913	2,261	100.0	1,279	787	2,066	100.0

The staff complement in the operating divisions/departments was 1,422 or 62.9 percent in 2021 compared to 1,311 or 63.5 percent in 2020 (see Table 39).

Table 39: ZRA Staff Classification as Operations and Support in 2021 and 2020

Division/Department	2021	2020	% Change
Operations o/w:	1,422	1,311	8.5%
<i>Direct Taxes</i>	403	372	8.3 %
<i>Indirect Taxes</i>	320	268	19.4%
<i>Customs Services</i>	677	640	5.8%
<i>Investigations</i>	22	31	-29%
Support Services o/w:	839	755	11.1%
<i>Commissioner General's Office</i>	62	54	14.8%
<i>Research & Corporate Strategy</i>	86	26	230.7%
<i>Administration Department</i>	283	283	0%
<i>Legal Department</i>	20	18	11.1%
<i>Human Resource</i>	36	38	-5.2%
<i>Finance</i>	161	157	2.5%
<i>Internal Audit & Risk</i>	26	24	8.3%
<i>Information Technology</i>	71	70	1.4%
<i>Innovation & Projects Management</i>	94	85	10.6%
Grand Total	2,261	2,066	9.4%

Resourcing and Selection

Out of a total of 604 vacancies that were filled in 2021, internal recruitment accounted for 318 while 286 were filled through external recruitment.

Staff Development and Training

The Authority implements a continuous training and development programme for its staff to improve service delivery in a dynamic business environment. In this regard, 4,260 participants undertook training programmes in 2021 compared to 3,438 participants in 2020. Further, the Authority undertook an evaluation of its training and development activities to assess the impact of programmes on participants.

Launch of eLearning Platform

During the period under review, the Authority with support from GIZ launched an e-learning Platform called Atingi for delivery of its training programmes. The platform was launched together with the customer service e-learning course which is accessible to all employees in the Authority. Atingi provides an alternative platform for delivering the Authority's training programmes through virtual learning, access to recorded lessons and training materials. By year end, the Authority was developing e-learning content to be uploaded on the platform.

Performance Management and Development Process

The performance of staff in the Authority is monitored through the Performance Management Development Contracts (PMDC) between supervisors and subordinates. In 2021, the performance rating of staff indicated that 99.5 percent of employees met their performance objectives compared to 97.8 percent in 2020.

Staff Pension Scheme

At the end of the year under review, the ZRA Pension Trust Scheme (ZRAPTS) had a membership of 1,653 with a total Fund value of K202.7 million. Following the approval of the scheme's financial statements for the year 2020, the Trustees approved a bonus declaration of 10 percent. Furthermore, in line with corporate governance guidelines issued by Pensions and Insurance Authority, the Trustees established three sub-

committees namely the Finance and Investment Committee, the Audit and Risk Committee and the Administration and Communications Committee and also automated the annual member statement distribution.

In December 2021, the Trustees convened an inaugural Annual General Meeting for the ZRAPTS members.

Staff Separations

During the year under review, 96 employees separated from the Authority compared to 89 in 2020. The separations were on account of dismissals, resignations, early/normal retirement, expiry of fixed term contracts, discharges from employment and deaths (see Table 40).

Table 40: Separations Recorded in 2021 and 2020

Year	2021	2020
Dismissal	18	16
Termination of Contract/ Employment	8	2
Contract Expiry	4	15
Resignation	13	6
Retirements by Service and Age	39	42
Medical/ Employment Discharge	4	-
Death	10	7
Redundancy	-	1
Total	96	89

Staff Welfare and Employee Relations

Employee Wellness

In its quest to promote a healthy workforce, the Authority has in place a compulsory wellness scheme. This scheme encourages lifestyle changes and healthy living through fitness programmes. Under this Wellness Scheme, 70 employees and their families were accessing Anti-Retroviral Therapy. The implementation of some activities under the Employee Wellness Policy were however, hampered by the COVID-19 pandemic.

During the year, 103 members of staff tested positive and recovered from COVID-19. As at end- year, a total of 757 members of staff were vaccinated against the COVID-19, representing 36.2 percent of the workforce.

Employee Relations

During the year under review, employee relations remained stable and cordial between management, the union and members of staff.





Physical Asset Management and Information & Communications Technology

Physical Asset Management

In 2021, the Authority undertook to implement a number of infrastructure development projects at its various locations

across the country. The total value of the construction and rehabilitation projects was K32.4 million (see Table 41).

Table 41: Major Construction Projects in 2021

No.	Project Description	Contract Value (K)	Status
1	Proposed refurbishment of Mpendwa House in Ndola (Lot 2) 2 nd and 3 rd floor, roof repairs and external works	8,443,498	Awaiting contract signing
2	Proposed refurbishment of Mpendwa House in Ndola (Lot 1) 1 st and ground floor	8,015,295	Awaiting contract signing
3	Proposed construction of the primary Data Centre at Revenue House	7,561,864	Works in progress 65% Complete
4	Lot 2 & 3 – Contract for alterations to the existing buildings and external works for ZRA at New Makeni Yard along Kafue Road in Lusaka	3,053,084	Project Completed
5	Variation to the contract on the completion of Chinsali office block in Muchinga Province	2,575,155	Project Completed
6	Lot 1 – Contract for alterations to the existing buildings and external works for ZRA at New Makeni Yard along Kafue Road in Lusaka	1,768,865	Project Completed
7	Repair of one flat at Kenneth Kaunda International Airport.	393,433	Project Completed
8	Rehabilitation of ZRA offices in the Lusaka Showgrounds.	365,449	Works in progress 45% Complete
9	Repair of wall fence, roof and ceiling board at ZRA Kalundu house.	176,754	Project Completed
10	Partitioning of the pool office on the 8th floor of Revenue House.	81,774	Project Completed
Total		32,435,171	

Information and Communication Technology

Corporate Systems Support

During the year, the Authority undertook to enhance system stability, user functionality and customer experience on its core tax administration platforms, TaxOnline and ASYCUDAWorld.

Other initiatives undertaken during the year included the launch of the e-learning platform called Atingi, and the upgrade of Oracle WebLogic servers running TaxOnline. In addition, some internal business processes namely leave application, plant maintenance

and real estate management, gratuity computation, business intelligence and the bridge toll payment system at Kazungula were automated and upgraded on SAP.

Furthermore, there was an extension of remote working capabilities to more staff to facilitate offsite access to critical systems during the height of the pandemic. Virtual Private Network (VPN) connections were configured for staff and provisions for internet connectivity were put in place.



MANAGING RESOURCES

Managing Resources

For the year 2021, ZRA received total income of K2,101.3 million and recorded total expenditure amounting to K1,784.0 million, thereby posting a surplus of K317.3 million. The largest source of financing in 2021 was Government funding at K1,640.7 million.

In comparison to 2020, Government funding to ZRA in 2021 increased by 27.6 percent.

Table 42 provides a comparative summary of the Authority's operating income and expenditure for 2021 and 2020.

Table 42: Summary of Income and Expenditure, 2021 and 2020

	2021	2020
	K	K
Revenue from non-exchange transactions		
Government grants	1,640,689,768	1,285,366,971
Deferred income	4,651,173	3,819,399
Sub total	1,645,340,941	1,289,186,370
Revenue from exchange transactions		
Asycuda processing fees	440,725,747	378,420,006
Other income	6,632,369	8,886,148
Finance income	2,350,828	2,762,534
Kasumbalesa Agency fees	6,280,744	7,089,219
Kariba Dam Agency fees	29,314	31,830
Sub total	456,019,002	397,189,737
Total Revenue	2,101,359,943	1,686,376,107
Expenditure		
Personnel expenses	(1,443,025,682)	(1,147,996,922)
Administrative expenses	(111,056,918)	(106,222,015)
Other operating expenses	(196,970,848)	(145,495,244)
Gain/(Loss) on foreign exchange transactions	90,041,925	(224,711,324)
Depreciation and amortisation expenses	(122,995,476)	(114,122,595)
Total expenses	(1,784,006,999)	(1,738,548,100)
Surplus/(Deficit) for the year	317,352,944	(52,171,993)

Other significant sources of income in 2021 included the ASYCUDA processing fees, financing income and the Kasumbalesa Joint Venture Project where ZRA is the appointed profit collection agent on behalf of the Government. In terms of the ASYCUDA processing fee, the Authority collected K440.7 million in 2021 compared to K378.4 million in 2020.

Further, a total of K6.3 million was received as commission from the Kasumbalesa Joint Venture Project from which the Authority retains 10 percent of the total amount collected as administration fee in accordance with the approval granted by the Minister of Finance.

Recurrent Expenditure

In 2021, staff related expenditure, operating expenses and administrative expenses respectively were K1,443.1 million or 77.0 percent, K111.1 million or 5 percent and K197.0 million or 5.9 percent of the recurrent expenditure. Further, the Authority incurred K123.0 million as depreciation and amortization expenses, while gains on foreign exchange transactions amounted to K90.0 million.

When compared to 2020, administrative expenses increased by 4.6 percent while other operating expenses reduced by 35.4 percent in 2021. Staff related expenditure in 2021 increased by 25.7 percent relative to 2020, largely on account of the expanded staff establishment and improved emoluments.

Capital Expenditure

For the fiscal year ended 31st December 2021, capital expenditure for the Authority was pegged at K336.4 million and this included additions to capital work in progress.

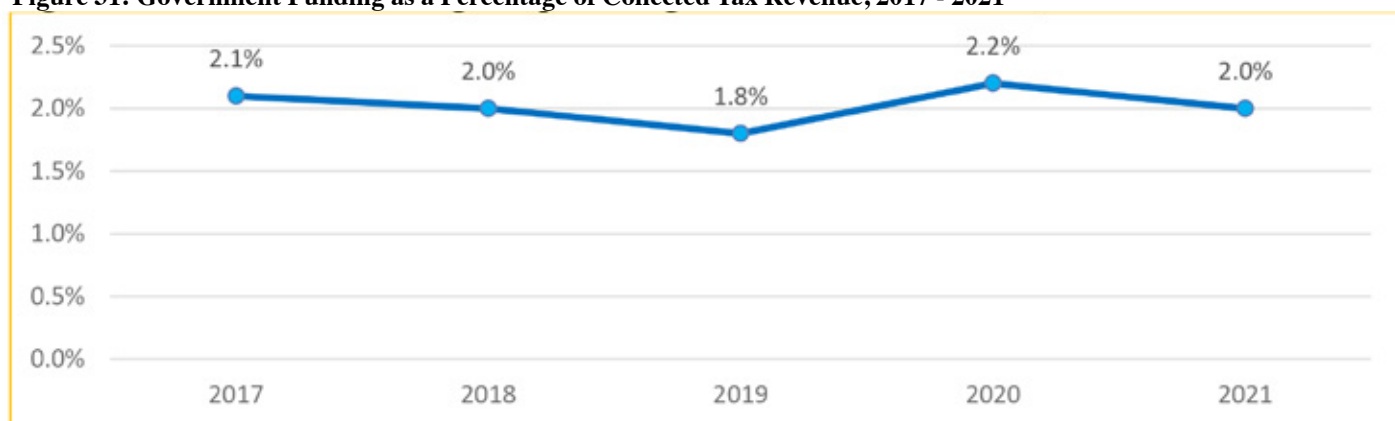
The detailed financial performance based on International Public Sector Accounting Standards (IPSAS) and Accrual Basis of Accounting is shown in the Financial Statements.

Cost of Tax Revenue Collection

The cost of tax collection is the ratio of government funding to the total taxes collected. It represents the efficiency of the tax system in mopping up domestic resources using a unit of government's money.

The cost of tax collection in 2021 was recorded at 2.0 percent, a decline from 2.2 percent in 2020, indicating an improvement in efficiency. During the last five years, the cost of revenue collection ratio has averaged at 2.0 percent (See Figure 31).

Figure 31: Government Funding as a Percentage of Collected Tax Revenue, 2017 - 2021



ANNEX

List of institutions that the Zambia Revenue Authority collaborated with in 2021.

1. African Tax Administration Forum (ATAF)
2. Anti-Corruption Commission (ACC)
3. Bank of Zambia (BoZ)
4. Botswana Unified Revenue Services (BURS)
5. Common Market for Eastern and Southern Africa (COMESA)
6. Department for International Development (DFID)
7. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ);
8. Drug Enforcement Commission (DEC)
9. Financial Intelligence Centre (FIC)
10. Gambia Revenue Authority (GRA)
11. International Growth Centre (IGC)
12. International Monetary Fund (IMF)
13. Law Association of Zambia (LAZ)
14. Malawi Revenue Authority (MRA)
15. Ministry of Agriculture
16. Ministry of Commerce, Trade and Industry
17. Ministry of Finance and National Planning
18. Ministry of Local Government and Rural Development
19. Ministry of Mines and Minerals Development
20. Ministry of Health
21. National Assembly of Zambia
22. National Institute of Public Administration (NIPA)
23. National Pension Scheme Authority (NAPSA)
24. Organization of Economic Cooperation and Development (OECD)
25. Patents and Companies Registration Agency (PACRA)
26. Road Transport and Safety Agency (RATSA)
27. Southern African Development Community (SADC)
28. Tanzania Revenue Authority (TRA)
29. The Copperbelt University (CBU)
30. United Nations Conference on Trade and Development (UNCTAD)
31. United Nations University World Institute for Development Economics Research (UNU-WIDER)
32. United States Agency for International Development (USAID)
33. United States Department of the Treasury
34. World Bank
35. World Customs Organization (WCO)
36. World Trade Organization (WTO)
37. Zambia Compulsory Standards Agency
38. Zambia Chamber of Commerce and Industry (ZACCI)
39. Zambia Development Agency (ZDA)
40. Zambia Institute for Policy Analysis and Research (ZIPAR)
41. Zambia Institute of Chartered Accountants (ZICA)
42. Zambia Information and Communications Technology Authority (ZICTA)
43. Zambia National Broadcasting Corporation (ZNBC)
44. Zambia Police Service
45. Zambia Postal Services (ZAMPOST)
46. Zambia Public Procurement Agency (ZPPA)
47. Zambia Statistics Agency (ZAMSTATS)
48. Zimbabwe Revenue Authority (ZIMRA)



FINANCIAL STATEMENTS

ZAMBIA REVENUE AUTHORITY**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021**

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ZAMBIA REVENUE AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

GOVERNING BOARD'S REPORT

The Governing Board submit their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of the Authority.

PRINCIPAL ACTIVITIES

The principal activities of the Authority are to assess, charge, levy and collect revenue due to the Government of the Republic of Zambia ("the Government") under such laws as the Minister of Finance and National Planning may, by enacted legislation or statutory instrument, specify; and to ensure that revenue collected is, as soon as reasonably practicable, credited to the Government Treasury. The Authority is a grant aided institution.

RESULTS	2021 K	2020 K
Revenue	<u>2,101,359,943</u>	<u>1,686,376,107</u>
Surplus/(deficit) for the year	<u>317,352,944</u>	<u>(52,171,993)</u>

The surplus for the year of K317.4 million (2020: deficit of K52.2 million) has been adjusted in the capital fund.

GOVERNING BOARD

The members who held office during the year until 3 December 2021 were:

Amb. Bwalya S. K. Chiti- Chairperson
Mrs. Cecilia M. B. Zimba – Vice Chairperson
Mr. James Koni
Mr. Andrew Nkunika
Mr. Willis Chipango
Mrs. Lydia M. Sibanda
Mrs. Grace T. Bwanali
Mr. Christopher M. Mvunga

Mr. Christopher M. Mvunga resigned as Bank of Zambia Governor on 6 September 2021. Mr. Fredson K Yamba's appointment to the Board was revoked on 11 May 2021 and he was replaced by Mr. Willis Chipango.

There was no representative from the Law Association of Zambia on the Board during the year. The Board was dissolved by the Minister of Finance and National Planning on 6th December 2021.

The following who were members of the Board at the date of approval of the financial statements were appointed by the Minister of Finance and National Planning on 15th March 2022.

Dr. Caleb Fundanga - Chairperson
Ms. Nana M. Mudenda - Vice Chairperson
Mr. Willis Chipango
Dr. Denny Kalyalya
Mrs. Mutinta M. Pensulo
Ms. Valerie A. Nambeye
Ms. Grace N. Likando
Ms. Venus Hampinda
Mr. Allan Nyirenda

ZAMBIA REVENUE AUTHORITY**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****GOVERNING BOARD'S REPORT(CONTINUED)****EMPLOYEES**

The total remuneration of employees during the year amounted to K1,443.0 million (2020: K1,148.0 million).
The average number of employees for each month of the year was as follows:

Month	Number	Month	Number
January	2,095	July	2,291
February	2,094	August	2,318
March	2,108	September	2,328
April	2,122	October	2,316
May	2,111	November	2,300
June	2,236	December	2,294

The Authority has policies and procedures to safeguard the occupational health, safety and welfare of its employees.

PROPERTY AND EQUIPMENT

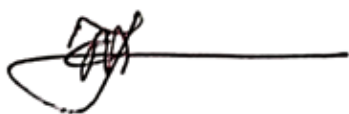
The Authority purchased property and equipment amounting to K280.4 million (2020: K70.7 million) during the year. In the opinion of the Directors, the carrying value of property and equipment is not more than their recoverable value.

GIFTS AND DONATIONS

Donations to charitable organisations and events during the year amounted to K856,964 (2020: K1,389,069).

AUDITOR

The Authority's Auditors, Messrs Grant Thornton were appointed for a term of three years following a competitive bidding process. Their current term of office is in respect of the audit of the financial years 31 December 2021, 2022 and 2023.


DIRECTOR

Date: 25 April 2022

ZAMBIA REVENUE AUTHORITY

STATEMENT OF GOVERNING BOARD'S RESPONSIBILITIES

The Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia (the "Act") requires the Governing Board to:

- assess, charge, levy and collect all revenue due to the Government of the Republic of Zambia under such laws as the Minister of Finance and National Planning may, by enacted legislation or statutory instrument, specify;
- ensure that all revenue collected is, as soon as reasonably practicable, credited to the Government Treasury;
- keep proper books of account and other records which disclose with reasonable accuracy at any time the financial position of the Authority;
- safeguard the assets of the Authority and hence take reasonable steps for the prevention and detection of fraud and other irregularities; and
- prepare financial statements for each financial year which comply with International Public Sector Accounting Standards (IPSAS).

The Governing Board is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Grant Thornton, have audited the annual statements and their report is shown on pages 4 to 7.

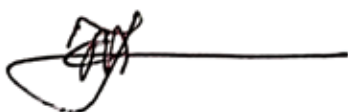
The Governing Board is also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements.

The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties.

Nothing has come to the attention of the Governing Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the members of the Governing Board, the Authority has complied with the requirements of the Act.

Signed on behalf of the Board by:



DIRECTOR



DIRECTOR

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE AND NATIONAL PLANNING

Report on the financial statements

Opinion

We have audited the accompanying financial statements of the Zambia Revenue Authority (the "Authority") as set out on pages 8 to 37, and which comprise the statement of financial position as at 31 December 2021, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE AND NATIONAL PLANNING (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Actuarial valuation of pension obligations <p>The Authority operates an unfunded lump sum gratuity arrangement. As the arrangement is unfunded, gratuity benefits are paid out of the Authority's general revenues. Upon retirement of unionised and contract employees, a liability is settled by the Authority under the final salary principles. The Authority has legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees' service in the current and prior periods.</p> <p>International Public Sector Accounting Standard No. 39 Employee Benefits states that "An entity shall determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period."</p>	<p>In considering the actuarial valuation of pension obligation, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained the actuarial report based on 31 December 2021 numbers. • Reviewed that the valuation in relation to IPSAS 39 requirements. • Reviewed key inputs used within the report as well as challenged key assumptions made. • Performed a retrospective review to assess obligation for reasonableness. • Corroborated the inflation rates used to inflation projections in the region and tested for reasonableness.
<p>We focused on this audit area because of the significant assumptions and judgements which are included to arrive at the pension obligation. Key assumptions that are involved in the calculation of the defined benefit obligation as per note 23 to the financial statements are:</p> <ul style="list-style-type: none"> • Discount rate; • Expected rate of salary increment; and • Average longevity at retirement age for current employees. 	<p>Compared the discount rates to used Government bond yield rates available with the Bank of Zambia.</p> <p>Reviewed the reasonableness the mortality rates by comparing the rates to those of the Central Statistics Agency.</p> <p>Reviewed the qualifications of the Independent Actuaries who carried out the valuation.</p> <p>Tested assumptions for reasonableness.</p> <p>Further, we reviewed the disclosures pertaining to the pension obligations as to whether they were found to be appropriate and comprehensive in the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE AND NATIONAL PLANNING (CONTINUED)

Other information

The Governing Board is responsible for the other information. The other information comprises the Governing Board's Report and the statement of Governing Board's responsibilities, as required by the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Governing Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards and the requirements of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia, and for such internal control as the Governing Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Board either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so. The Directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governing Board.
- Conclude on the appropriateness of the Governing Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Governing Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Governing Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

The Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia, requires that in carrying out our audit we confirm the following:

In our opinion, the Zambia Revenue Authority has maintained proper accounting records and other records as required by the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia.



Chartered Accountants



Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm

Lusaka

Date: 25 April 2022

ZAMBIA REVENUE AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 K	2020 K
Revenue from non-exchange transactions			
Government grants	6	1,640,689,768	1,285,366,971
Deferred income	10	<u>4,651,173</u>	<u>3,819,399</u>
		<u>1,645,340,941</u>	<u>1,289,186,370</u>
Revenue from exchange transactions			
Asycuda processing fees	7	440,725,747	378,420,006
Other income	8	6,632,369	8,886,148
Finance income	9	2,350,828	2,762,534
Kasumbalesa Agency Fees	12 (a)	6,280,744	7,089,219
Kariba Dam Agency Fees	12 (b)	<u>29,314</u>	<u>31,830</u>
		<u>456,019,002</u>	<u>397,189,737</u>
Total revenue		<u>2,101,359,943</u>	<u>1,686,376,107</u>
Expenditure			
Personnel expenses	13	(1,443,025,682)	(1,147,996,922)
Administrative expenses	14	(111,056,918)	(106,222,015)
Other operating expenses	15	(196,970,848)	(145,495,244)
Gain/(loss) on foreign exchange transactions	16	90,041,925	(224,711,324)
Depreciation and amortisation expenses	17, 18	<u>(122,995,476)</u>	<u>(114,122,595)</u>
Total expenses		<u>(1,784,006,999)</u>	<u>(1,738,548,100)</u>
Surplus/(Deficit) for the year		<u>317,352,944</u>	<u>(52,171,993)</u>

ZAMBIA REVENUE AUTHORITY

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Note	2021 K	2020 K
ASSETS			
Current assets			
Inventories	19	4,329,788	9,042,847
Employee loans and advances (exchange transactions)	20	48,807,131	67,860,510
Other assets	21	49,917,623	50,803,909
Cash and cash equivalents	22	130,675,899	149,346,111
Customs deposit bank accounts	26	1,009,945	3,092,782
Tax refunds bank accounts	27	<u>220,110,938</u>	<u>53,680,821</u>
		<u>454,851,324</u>	<u>333,826,980</u>
Non-current assets			
Property, plant and equipment	17	986,037,826	801,104,512
Intangible assets	18	134,007,186	108,366,320
Employee loans and advances (exchange transactions)	20	<u>73,210,697</u>	<u>22,620,170</u>
		<u>1,193,255,709</u>	<u>932,091,002</u>
TOTAL ASSETS		<u>1,648,107,033</u>	<u>1,265,917,982</u>
Liabilities			
Current liabilities			
Deferred income	10	1,324,947	835,029
Post employment benefits	23	108,290,846	49,717,020
Payables	24	186,431,680	115,121,370
Borrowings	25	95,486,116	119,003,981
Customs deposits bank accounts	26	1,009,945	3,092,782
Tax refunds for taxpayers	27	<u>220,110,938</u>	<u>53,680,821</u>
Total current liabilities		<u>612,654,472</u>	<u>341,451,003</u>
Non-current liabilities			
Deferred income	10	2,926,751	1,677,132
Post employment benefits	23	613,648,128	265,923,953
Borrowings	25	<u>234,669,269</u>	<u>407,524,425</u>
Total non-current liabilities		<u>851,244,148</u>	<u>675,125,510</u>
TOTAL LIABILITIES		<u>1,463,898,620</u>	<u>1,016,576,514</u>
NET ASSETS		<u>184,208,413</u>	<u>249,341,469</u>
Capital deficiency		(187,681,811)	(130,261,715)
Revaluation reserve		<u>371,890,224</u>	<u>379,603,184</u>
NET ASSETS/EQUITY		<u>184,208,413</u>	<u>249,341,469</u>

ZAMBIA REVENUE AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Capital deficiency K	Revaluation reserve K	Total K
At 1 January 2020	(89,019,682)	387,316,144	298,296,462
Deficit for the year	(52,171,993)	-	(52,171,993)
Other comprehensive income:			
Gain on employee retirement benefit plan	3,217,000	-	3,217,000
Amortisation of revaluation surplus	<u>7,712,960</u>	<u>(7,712,960)</u>	<u>-</u>
Total comprehensive loss for the year	<u>(41,242,033)</u>	<u>(7,712,960)</u>	<u>(48,954,993)</u>
At 1 January 2021	(130,261,715)	379,603,184	249,341,469
Surplus for the year	317,352,944	-	317,352,944
Other comprehensive income:			
Loss on employee retirement benefit plan	(382,486,000)	-	(382,486,000)
Amortisation of revaluation surplus	<u>7,712,960</u>	<u>(7,712,960)</u>	<u>-</u>
Total comprehensive loss for the year	<u>(57,420,096)</u>	<u>(7,712,960)</u>	<u>(65,133,056)</u>
At 31 December 2021	<u>(187,681,811)</u>	<u>371,890,224</u>	<u>184,208,413</u>

ZAMBIA REVENUE AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 K	2020 K
Cash flows from operating activities			
Surplus/(deficit) for the year		317,352,944	(52,171,993)
Adjustments for:			
Amortisation of capital grant	10	(4,651,173)	(3,819,399)
Depreciation and amortisation	17,18	122,995,477	114,122,595
Amortisation of staff benefits	23	14,979,652	27,311,267
Impairment loss on employee loans and advances	20	109,125	-
(Gain)/loss on disposal of equipment		99,639	(1,787,800)
Net exchange/(gain) losses on borrowings	25	(87,946,022)	225,436,602
Unrealised exchange losses		21,513,275	46,235,700
Interest paid on borrowings	25	(4,457,749)	(5,149,410)
Net finance income		(2,350,828)	(2,762,534)
Capital work in progress written off	17	2,651,915	973,177
Defined benefit obligation expense	23	<u>255,184,000</u>	<u>160,290,000</u>
Operating cash flows before movements in working operating funds		635,480,255	508,678,205
Changes in operating funds:			
(Increase) decrease in inventories	19	4,713,059	(6,786,515)
Increase in employee loans and advances	20	(46,625,925)	(74,586,824)
Decrease (increase) in other assets	21	886,286	294,533
Increase (decrease) in payables	23	<u>71,310,308</u>	<u>21,693,514</u>
		30,283,728	(59,385,292)
Employee benefits paid from plan	23	<u>(231,372,000)</u>	<u>(164,445,000)</u>
Net cash generated from operating activities		<u>434,391,983</u>	<u>284,847,913</u>
Cash flows from investing activities			
Interest received	17, 18	2,350,828	2,762,534
Acquisition of property and equipment and intangible assets		(336,384,069)	(102,727,866)
Proceeds from disposal of equipment		62,860	1,995,448
Capital grant received	10	<u>6,390,711</u>	<u>3,004,437</u>
Net cash used in investing activities		<u>(327,579,670)</u>	<u>(94,965,447)</u>
Cash flows from financing activities			
Repayment of borrowings	25	<u>(103,969,250)</u>	<u>(98,358,750)</u>
Net cash used in financing activities		<u>(103,969,250)</u>	<u>(98,358,750)</u>
Net increase in cash and cash equivalents		2,843,063	91,523,716
Cash and cash equivalents at beginning of the year		149,346,111	104,058,096
Effect of foreign exchange rate changes		<u>(21,513,275)</u>	<u>(46,235,700)</u>
Cash and cash equivalents at end of the year	22	<u>130,675,899</u>	<u>149,346,112</u>

ZAMBIA REVENUE AUTHORITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Approved budget K	Revised budget K	Actual amounts K	Performance difference K
Revenue					
Government grants	31.1.1	2,086,314,568	2,098,551,205	1,640,689,768	(457,861,437)
Asycuda processing fees	31.1.2	435,254,663	435,254,647	440,725,747	5,471,100
Other income	31.1.3	15,899,139	6,899,139	6,632,369	(266,770)
Finance income	31.1.4	2,958,904	2,958,904	2,350,828	(608,076)
Deferred income	31.1.5	-	-	4,651,173	4,651,173
Kasumbalesa Agency Fees	31.1.6	6,283,396	7,643,023	6,280,744	(1,362,279)
Kariba Dam Agency Fees	31.1.7	-	-	29,314	29,314
		<u>2,546,710,670</u>	<u>2,551,306,918</u>	<u>2,101,359,943</u>	<u>(449,946,975)</u>
Expenditure					
Personnel expenses	31.2.1	1,432,549,333	1,410,362,670	1,443,025,682	(32,663,012)
Administrative expenses	31.2.2	113,737,103	124,520,888	111,056,918	13,463,970
Other operating expenses	31.2.3	300,016,276	334,822,672	196,970,848	137,851,824
Depreciation and amortisation expenses	31.2.4	-	-	122,995,476	(122,995,476)
Net exchange losses	31.2.5	-	-	(90,041,925)	90,041,925
Total expenditure		<u>1,846,302,712</u>	<u>1,869,706,230</u>	<u>1,784,006,999</u>	<u>85,699,231</u>
Surplus/(deficit) for the year		<u>700,407,958</u>	<u>681,600,688</u>	<u>317,352,944</u>	<u>(364,247,744)</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General Information

The Zambia Revenue Authority ("the Authority") was established following the enactment by Parliament of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia (the "Act"), to carry out the affairs of the former Customs and Excise Department and the Department of Income Taxes. The Act, which came into effect on 1 April 1994, also transferred the assets and liabilities of those former Departments to the Authority. The address of its registered office is:

Revenue House
Kabwe Roundabout
P. O. Box 35710
Lusaka

2. Statement of Compliance

The financial statements of the Authority have been prepared in accordance with and comply with International Public Sector Accounting Standards ("IPSAS"). The financial statements are presented in Zambian Kwacha (K), which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of IPSAS 13 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IPSAS 21 Impairment of non-cash generating assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

- Level 3 inputs are unobservable inputs for the asset or liability.

The Authority had a capital deficiency of K187,681,211(2020: K130,261,715) as at the reporting date. On the basis that the Authority is Grant aided and funding by the Government has continued in the subsequent period, the Governing Board is of the opinion that the preparation of these financial statements on the going concern basis remains appropriate. In this respect, the Government of the Republic of Zambia through the Ministry of Finance and National Planning has confirmed that it will continue to provide operational funding to the Zambia Revenue Authority.

(b) Foreign currency translation

In preparing the financial statements of the Authority, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in income and expenditure in the year in which they arise.

(c) Revenue recognition

Revenue from non-exchange transactions

Government revenue grants

Income represents the revenue grants receivable from the Government and other co-operating partners during the year and is accounted for on an accruals basis. Government Grants are recognised when there is reasonable assurance that they will be received and the Authority will comply with the conditions associated with the grant. Grants that compensate the Authority for expenses incurred are recognised in income and expenditure as other income on a systematic basis in the periods in which the expenses are recognised.

Capital grants

Capital grants are recognised initially as deferred income at fair value where there is reasonable assurance that they will be received and the Authority will comply with the conditions associated with the grant, and are then recognised in the income and expenditure as other income on a systematic basis over the useful life of the asset. Specifically, government grants whose primary condition is that the Authority should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to surplus or deficit on a systematic and rational basis over the useful lives of the related assets.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of Significant Accounting Policies (continued)

(c) Revenue recognition (continued)

Revenue from exchange transactions**Other income**

Other income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Rental income

Rental income from properties is recognised in income and expenditure on a straight line basis over the term of the relevant lease agreement.

Sale of cigarette stamps

Revenue from the sale of cigarette stamps is recognised upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Authority expects to receive in exchange for those goods or services. Revenue is measured net of returns, trade discounts and volume rebates.

Interest income

Interest income is recognised using the effective interest rate method.

(d) **Property and equipment**

Leasehold land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve. All other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

ZAMBIA REVENUE AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****3. Summary of Significant Accounting Policies (continued)****(d) Property and equipment (continued)**

Leasehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold buildings	2%
Office equipment, furniture, fixtures and fittings	20%
Furniture, fixtures and fittings	20%
Motor vehicles	25%
Equipment	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in income and expenditure. When revalued assets are sold, the amounts included in the revaluation reserve relating to those asset are transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(f) Inventories

Inventories are stated in the statement of financial position at the lower of cost and net realisable value. Cost comprises direct material costs. Cost includes all costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value takes into account all directly related costs to be incurred in marketing, selling and distribution. Provision is made where necessary, for defective, slow moving and obsolete inventories.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of Significant Accounting Policies (continued)

(g) **Impairment of intangible assets**

At each reporting date, the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is leasehold land or buildings, other than investment property, carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) **Provisions**

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, for which it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(i) **Financial instruments**

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instrument.

(i) **Financial assets**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as loans and receivables or held-to-maturity investments, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Authority commits to purchase or sell the asset. The Authority's financial assets include: cash and short-term deposits, employee loans and advances and other receivables.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

(a) Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(b) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost less any impairment.

(c) Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Authority's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one year, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

(d) De-recognition of financial assets (continued)

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of financial performance.

(ii) Financial liabilities

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Authority's financial liabilities include payables, other payables and borrowings.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(j) Deferred income

Income intended to compensate costs over a period of time is deferred and released to the profit or loss over the periods necessary to match it with the costs for which it is intended to compensate.

(k) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of Significant Accounting Policies (continued)

(m) Employee benefits

i) Retirement benefit obligations

The Authority operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Authority pays contributions to publicly administered pension insurance plans on a mandatory basis. The Authority has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

The Authority and all its employees also contribute to the appropriate National Social Security Fund, which is a defined contribution scheme.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of Significant Accounting Policies (continued)

(m) Employee benefits (continued)

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits at the earlier of the following dates:

- (a) when the Authority can no longer withdraw the offer of those benefits; and
- (b) when the entity recognises costs for a restructuring that is within the scope of IPSAS 39 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Authority determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Authority considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. Financial risk management objectives and policies

The Authority's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Authority does not hedge any of its risk exposures.

Financial risk management is carried out by the Finance Department under policies approved by the Governing Board. The Governing Board provides written principles for overall risk management, as well as written policies covering specific areas such as credit risk and investment of excess liquidity.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables. The Authority does not have significant concentrations of credit risk.

For cash and cash equivalent balances, the Authority's exposure and credit ratings of counterparties are regularly monitored and the aggregate value of transactions spread amongst approved financial institutions. The Authority actively seeks to limit the amount of credit exposure to any one financial institution.

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority undertakes certain transactions denominated in foreign currencies hence exposure to exchange rate fluctuations arise. Exchange rate exposure is managed within approved policy parameters as approved by the Board of Directors.

The Authority is exposed to foreign exchange risk which arises primarily with respect to bank and cash balances which are denominated in US Dollars. Foreign exchange risk also arises from a loan from Ministry of Finance and National Planning (a subsidiary loan which the Government of the Republic of Zambia secured from the People's Republic of China denominated in Chinese Yuan) and supplier payments denominated in US Dollars. Below is the Kwacha equivalent of the financing assets and liabilities that are denominated in foreign currencies:

	2021 K	2020 K
Assets		
US Dollar denominated	<u>14,744,514</u>	<u>19,818,789</u>
Liabilities		
Chinese Yuan denominated	330,155,385	526,528,406
US Dollar denominated	<u>16,603,563</u>	<u>13,531,172</u>
	<u>346,758,948</u>	<u>540,059,578</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Authority's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 25) at all times so that the Authority does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Authority's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation.

The table below analyses the Authority's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year K	Between 1 and 5 years K	Over 5 years K
31 December 2021:			
- borrowings	95,486,116	234,669,269	-
- payables	186,431,680	-	-
- employee benefits	<u>108,290,846</u>	<u>386,598,321</u>	<u>227,049,807</u>
	<u>390,208,642</u>	<u>621,267,590</u>	<u>227,049,807</u>

Liquidity risk

	Less than 1 year K	Between 1 and 5 years K	Over 5 years K
31 December 2020:			
- borrowings	119,003,981	407,524,425	-
- payables	115,121,370	-	-
- employee benefits	<u>49,717,020</u>	<u>167,532,090</u>	<u>98,391,863</u>
	<u>283,842,371</u>	<u>575,056,515</u>	<u>98,391,863</u>

Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern. Adequacy of the capital of the Authority is maintained by the Authority on a regular basis. As and when required the Authority will request supplementary funding from the Ministry of Finance and National Planning.

Fair value measurements

This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

Fair value of the Authority's financial assets and financial liabilities that are measured at fair value on a recurring basis.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. Financial risk management objectives and policies (continued)

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period. Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	Carrying value 2021 K	Fair value 2021 K	Carrying value 2020 K	Fair value 2020 K
Financial assets				
Employee loans and advances	122,017,828	122,017,828	90,480,680	90,480,680
Other assets	49,917,623	49,917,623	50,803,909	50,803,909
Customs deposits bank accounts	1,009,945	1,009,945	3,092,782	3,092,782
Tax refunds bank accounts	220,110,938	220,110,938	53,680,821	53,680,821
Financial liabilities				
Borrowings	330,155,385	330,155,385	526,528,406	526,528,406
Payables	186,431,680	186,431,680	115,121,370	115,121,370
Customs deposits bank accounts	1,009,945	1,009,945	3,092,782	3,092,782
Tax refunds bank accounts	220,110,938	220,110,938	53,680,821	53,680,821

Fair value hierarchy as at 31 December 2021

	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets				
Employee loans and advances	-	-	122,017,828	122,017,828
Other assets	-	-	49,917,623	49,917,623
Customs deposit bank account	-	-	1,009,945	1,009,945
Tax refunds bank accounts	-	-	220,110,938	220,110,938
Financial liabilities				
Borrowings	-	-	330,155,385	330,155,385
Payables	-	-	186,431,680	186,431,680
Customs deposit bank accounts	-	-	1,009,945	1,009,945
Tax refund bank accounts	-	-	220,110,938	220,110,938

Fair value Hierarchy as at 31 December 2020

	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets				
Employee loans and advances	-	-	90,480,680	90,480,680
Other assets	-	-	50,803,909	50,803,909
Customs deposits bank accounts	-	-	3,092,782	3,092,782
Tax refunds bank accounts	-	-	53,680,821	53,680,821
Financial liabilities				
Borrowings	-	-	526,528,406	526,528,406
Payables	-	-	110,829,430	110,829,430
Customs deposits bank accounts	-	-	3,092,782	3,092,782
Tax refunds bank accounts	-	-	53,680,821	53,680,821

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. Government Grants	2021 K	2020 K
Annual budgetary allocation	918,664,001	905,587,024
Supplementary funding	<u>722,025,767</u>	<u>379,779,947</u>
	<u>1,640,689,768</u>	<u>1,285,366,971</u>

Supplementary funding includes K300 million for the purchase and development of a parking yard in Makeni, K75 million for the development of a Customs Management System, K180.2 million for recruitment of 300 new staff to support the modernisation drive, K12 million for the construction of a data centre in Lusaka and Ndola and K154 million for other modernisation activities which includes K55.8 million from Kasumbalesa government profit sharing which has been allocated to ZRA for use as part of modernisation fund.

7. Asycuda processing fees
Asycuda processing fees are derived from the charge of K500.10 per transaction for the processing of imported goods at the borders. This income is partly used to maintain the scanners that are used to process imported goods.

2021 K	2020 K
<u>440,725,747</u>	<u>378,420,006</u>

8. Other income	2021 K	2020 K
Cigarette stamps sales proceeds	2,919,420	3,127,265
Rental income	2,559,647	2,338,249
(Gain)/loss on disposal of property and equipment	(99,639)	1,787,799
Sundry income	<u>1,252,941</u>	<u>1,632,835</u>
	<u>6,632,369</u>	<u>8,886,148</u>

Rental income arises from the excess office space that is let to third parties.

9. Finance income	2021 K	2020 K
Relates to interest income on short term bank deposits.	<u>2,350,828</u>	<u>2,762,534</u>
10. Deferred income	2021 K	2020 K
At beginning of the year	2,512,161	3,327,123
Receipts during the year	6,390,710	3,004,437
Recognised in statement of financial performance	<u>(4,651,173)</u>	<u>(3,819,399)</u>
At end of the year	4,251,698	2,512,161
Amounts falling due within one year	1,324,947	835,029
Amounts falling due after one year	<u>2,926,751</u>	<u>1,677,132</u>
	<u>4,251,698</u>	<u>2,512,161</u>

In October 2016, the Authority received assets from the World Bank, in the form of motor vehicles valued at K3,602,292 and office equipment valued at K497,766. These have been treated as deferred income and are being depreciated over their respective estimated useful lives of 5 and 4 years respectively, with the associated deferred income being amortised accordingly.

In May 2018, the Authority received various assets from the German Development Cooperation, in the form of computers and office furniture valued at K293,400 and K16,691 respectively. These have been treated as deferred income and are being depreciated over their respective estimated useful lives of 5 years with the associated deferred income being amortised accordingly.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Deferred income (continued)

In 2019, the Authority received various assets from the World Bank which included handheld scanners, sirens and drones all valued at K1.5 million. The German Development Cooperation donated various office furniture and ICT equipment valued at K952,411. The Public Financial Management Reform Programme (PFMRP) donated Canon document scanners valued at K154,104. The World Customs Organisation donated ICT equipment valued at K66,833. These have been treated as deferred income and are being depreciated over their respective estimated useful lives with the associated deferred income being amortised accordingly.

During the year 2020, the Authority received K2.3 million worth of seals from the World Bank for use in the management of transit cargo vehicles for customs purposes, laptops worth K0.4 million from the German Agency for International Co-operation - Deutsche Gesellschaft für Internationale Zusammenarbeit, (GIZ) GmbH and laptops worth K0.14 million from the Ministry of Commerce Trade and Industry.

During the year 2021, the Authority received assets valued at K6 million from GIZ. These consisted of computers and related accessories. The Authority also received donations of furniture and equipment from UNCTAD and the Ministry of Transport and Logistics valued at K400,000.

11. Mineral Value Chain and Norwegian Tax	2021	2020
Administration Grants	K	K
At beginning of the year	-	1 375
Refunds	-	(1 375)
At end of the year	=	=

12. Agency fees

(a) Kasumbalesa Agency Fees

In March 2017, the Authority was appointed by the Government of the Republic of Zambia (GRZ) as a Profit Collection Agent in respect of the Concession Agreement between the GRZ and the Zambian Intellectual Property Border Crossing Company Limited (ZipBCC) for collection of profits on its behalf. The income of K6,280,744 (2020: K7,089,219) reported in the statement of financial performance represents 10% administrative fees for collecting Government's share of profits during the year.

(b) Kariba Dam Agency Fees

In January 2013, the Authority signed a memorandum of understanding with Zambezi River Authority for the collection of toll fees on the Kariba Dam on its behalf. The income of K29,314 (2020: K31,830) reported in the statement of financial performance represents 10% agency fees on the toll fees collected on behalf of Zambezi River Authority during the year.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Personnel expenses	2021 K	2020 K
Basic pay	574,085,212	474,826,524
Retirement benefit expenses	258,485,257	177,111,088
Housing allowance	166,281,976	135,373,887
Leave pay	133,400,507	129,918,543
Other allowances	69,335,746	50,722,446
Overtime	49,386,842	44,447,790
Bonuses	68,151,246	38,287,142
Pension Scheme contributions	42,649,981	26,474,411
NAPSA contributions	28,369,682	24,991,531
Medical expenses	31,626,071	23,490,068
Training	3,970,620	8,176,456
Staff welfare and professional subscriptions	10,116,773	7,645,459
Insurance	5,652,041	5,431,862
ART/Employee wellness contributions	<u>1,513,728</u>	<u>1,099,715</u>
	<u>1,443,025,682</u>	<u>1,147,996,922</u>
14. Administrative expenses		
Repairs and maintenance - buildings	17,322,818	20,355,781
Travel expenses	20,304,422	13,393,245
Advertising and public relations	4,934,300	10,348,116
Office rentals	10,952,945	9,467,582
Postage and telephones	5,896,206	4,350,637
Fuel	5,352,931	6,543,020
Staff uniforms	4,878,535	5,288,661
Electricity, water and rates	9,197,916	6,881,138
Printing and stationery	4,812,021	7,100,094
Motor vehicle repairs	9,094,238	7,094,400
Subscriptions and publications	5,771,805	4,351,237
Board expenses	2,428,768	2,300,228
Motor vehicle insurance and licences	3,307,258	2,321,389
Conferences and seminars	3,998,950	3,610,420
Corporate social responsibility	856,964	1,389,069
Audit expenses	950,000	632,858
Bank charges	197,069	326,094
Insurance	<u>799,772</u>	<u>468,046</u>
	<u>111,056,918</u>	<u>106,222,015</u>
15. Other operating expenses		
Repairs and maintenance - IT	105,576,046	67,452,386
Travel/relocation	43,046,716	31,627,061
Security	26,995,340	22,044,274
Advertising/promotional material and conferences	4,319,208	8,298,803
Field work - fuel	5,976,447	6,566,041
Scanner operations	2,550,682	2,973,196
Printing and stationery	2,319,307	2,506,580
Cigarette stamps	3,846,141	2,091,754
Legal and professional expenses	382,677	949,976
Tender Expenses	1,823,893	659,923
Other professional fees	<u>134,391</u>	<u>325,250</u>
	<u>196,970,848</u>	<u>145,495,244</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Gain/(loss) on foreign exchange transactions

The movements in the US Dollar exchange rates during the year were as follows:

Mid market exchange rate at 1 January	21.2	14.1
Mid market exchange rate at 31 December	16.7	21.2
Average (appreciation)/depreciation	(21%)	50%

The Zambian Kwacha appreciated against the US Dollar and other major convertible foreign currencies during the year. The impact of the appreciation of the Zambian Kwacha during the year is that the Authority earned some net unrealised exchange gains on its foreign currency denominated monetary liabilities.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. Property, plant and equipment

	Leasehold land K	Leasehold buildings K	Plant and machinery K	Office equipment K	Motor Vehicles K	Furniture fixtures and fittings K	Capital work in progress K	Total K
Cost/valuation								
At 1 January 2020	39,570,402	507,291,380	437,372,637	131,152,894	72,444,355	32,381,510	6,991,616	1,227,204,794
Additions	-	-	139,645	46,599,818	4,662,462	3,731,920	15,520,576	70,654,421
Disposals	-	-	-	(348,745)	(2,773,969)	(563,563)	-	(3,686,277)
Transfers	-	4,391,177	-	-	-	-	(4,391,177)	-
Expensed*	-	-	-	-	-	-	(973,177)	(973,177)
At 1 January 2021	39,570,402	511,682,557	437,512,282	177,403,967	74,332,848	35,549,867	17,147,838	1,293,199,761
Additions	-	-	288,005	35,281,631	-	2,328,765	242,547,306	280,445,707
Disposals	-	-	(2,320)	(334,926)	(6,463,372)	(223,135)	-	(7,023,753)
Transfers	-	249,722,390	-	-	-	-	(249,722,390)	-
Expensed*	-	(770,135)	-	-	-	-	(1,881,780)	(2,651,915)
At 31 December 2021	<u>39,570,402</u>	<u>760,634,812</u>	<u>437,797,967</u>	<u>212,350,672</u>	<u>67,869,476</u>	<u>37,655,497</u>	<u>8,090,974</u>	<u>1,563,969,800</u>
Depreciation and impairment losses								
At 1 January 2020	-	29,295,521	242,202,699	69,941,819	48,128,752	15,604,288	-	405,173,079
Depreciation charge	-	10,182,985	41,095,819	23,196,372	10,943,891	4,981,731	-	90,400,798
Eliminated on disposal	-	-	-	(273,554)	(2,669,564)	(535,511)	-	(3,478,629)
At 1 January 2021	-	39,478,506	283,298,518	92,864,637	56,403,079	20,050,508	-	492,095,248
Depreciation charge	-	10,430,935	41,112,191	26,785,814	8,934,294	5,434,747	-	92,697,981
Eliminated on disposal	-	-	(2,321)	(180,177)	(6,463,372)	(215,385)	-	(6,861,255)
At 31 December 2021	<u>-</u>	<u>49,909,441</u>	<u>324,408,388</u>	<u>119,470,274</u>	<u>58,874,001</u>	<u>25,269,870</u>	<u>-</u>	<u>577,931,974</u>
Carrying amounts								
At 31 December 2020	<u>39,570,402</u>	<u>472,204,051</u>	<u>154,213,764</u>	<u>84,539,330</u>	<u>17,929,769</u>	<u>15,499,359</u>	<u>17,147,838</u>	<u>801,104,513</u>
At 31 December 2021	<u>39,570,402</u>	<u>710,725,371</u>	<u>113,389,579</u>	<u>92,880,398</u>	<u>8,995,475</u>	<u>12,385,627</u>	<u>8,090,974</u>	<u>986,037,826</u>

* The capital work in progress expense asset relates to the renovation costs incurred by the Authority in creating a Data Centre at Head Office.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

17. Property and equipment (continued)

Fair values of buildings

An independent valuation of the Authority's buildings was performed by valuers, Hallmark Properties Limited to determine the fair value of the land and buildings. This revaluation was performed at the end of 2018. The revaluation surplus is credited to other comprehensive income and is shown in revaluation reserves in capital fund and reserves. The Authority carries out a valuation every five years to ensure that the carrying amount of the buildings does not significantly differ from the fair value.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

The buildings are all classified as Level 2 and are recurring fair value measurements with significant observable inputs. There were no transfers between different levels during the year.

Valuation techniques to derive Level 2 fair values

Level 2 fair values were derived using comparable value of similar buildings adjusted for differences in key attributes such as property size and condition. The most significant input into this valuation is the price per square metre. If buildings were stated on the historical cost basis, the amounts would be as follows:

	2021 K	2020 K
Cost	431,758,786	196,967,451
Accumulated depreciation	<u>(67,242,311)</u>	<u>(45,654,372)</u>
Carrying amount	<u>364,516,475</u>	<u>151,313,079</u>

The Authority holds title to the Revenue House and a few other properties. However, the Government holds title to all other properties transferred to the Authority in 1994. There is a project committee that has been tasked with the responsibility of ensuring that all title deeds currently with the Government are transferred to the Authority. Management has engaged the Ministry of Local Government, Ministry of Lands and the respective Local Authorities and Planning Authorities to, among other things, prepare and approve site plans, number the plots and survey the plots before title deeds can be processed.

18. Intangible assets

	Capital work in progress		
Cost	Software K	progress K	Total K
At 1 January 2020	109,909,359	31,908,758	141,818,117
Additions	-	32,073,445	32,073,445
Transfers	<u>54,142,410</u>	<u>(54,142,410)</u>	-
At 1 January 2021	164,051,769	9,839,793	173,891,562
Additions	-	55,938,362	55,938,362
Transfers	<u>13,758,878</u>	<u>(13,758,878)</u>	-
At 31 December 2021	<u>177,810,647</u>	<u>52,019,277</u>	<u>229,829,924</u>
Amortisation			
At 1 January 2020	41,803,445	-	41,803,445
Amortisation charge for the year	<u>23,721,797</u>	-	<u>23,721,797</u>
At 1 January 2021	65,525,242	-	65,525,242
Amortisation charge for the year	<u>30,297,496</u>	-	<u>30,297,496</u>
At 31 December 2021	<u>95,822,738</u>	-	<u>95,822,738</u>
Carrying amount			
At 31 December 2021	<u>81,987,909</u>	<u>52,019,277</u>	<u>134,007,186</u>
At 31 December 2020	<u>98,526,527</u>	<u>9,839,793</u>	<u>108,366,320</u>

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	2021 K	2020 K
19. Inventories		
Uniforms	1,772,095	6,838,816
Cigarette stamps	974,127	1,031,582
Stationery	1,391,518	1,007,052
Other consumables	<u>192,048</u>	<u>165,397</u>
	<u>4,329,788</u>	<u>9,042,847</u>

No allowance has been made for obsolescence and slow moving inventory (2020: Nil).

	2021 K	2020 K
20. Employee loans and advances		
Advances against gratuity	66,438,828	42,121,507
Vehicle ownership loans	24,408,814	22,442,719
Other loans	18,387,313	14,537,344
Personal loans	<u>13,155,212</u>	<u>11,642,324</u>
	122,390,167	90,743,894
Impairment allowance	<u>(372,339)</u>	<u>(263,214)</u>
	<u>122,017,828</u>	<u>90,480,680</u>
Amounts falling due within one year	48,807,131	67,860,510
Reconcile amounts falling due after one year	<u>73,210,697</u>	<u>22,620,170</u>
Total employee loans and advances	<u>122,017,828</u>	<u>90,480,680</u>

Interest is charged at 5% per annum for all employee loans except for senior management car loans which are charged at 18%.

House, car and personal development loans are enhanced by collateral of landed property and in the case of car loans, the vehicle registration certificate is endorsed with the Authority as the absolute owner

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

20. Employee loans and advances (continued)	2021	2020
	%	%
The prevailing interest rates on staff loans were as follows:		
Personal loans	5	5
Personal Development loans	5	5
House loans	5	5
Car loans	5	5
Car loans-senior management	18	18
 Movement in the impairment allowance	2021	2020
	K	K
At beginning of year	263,214	280,801
Amounts recovered in the year	-	(17,587)
Impairment in the current year	<u>109,125</u>	<u>-</u>
Balance at end of the year	<u>372,339</u>	<u>263,214</u>
 21. Other assets		
Funds receivable from Kasumbalesa Concession	14,744,514	19,818,789
Prepayments	19,904,539	22,347,869
Other receivables	<u>15,268,570</u>	<u>8,637,251</u>
	<u>49,917,623</u>	<u>50,803,909</u>
 The carrying amounts of the other receivables approximate to their fair values. None of the above assets are past due or impaired. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.		
	2021	2020
	K	K
22. Cash and cash equivalents		
Cash at bank and in hand	<u>130,675,899</u>	<u>149,346,111</u>
Held as follows:		
Zambia National Commercial Bank Plc	102,391,850	122,182,340
Bank of Zambia (Asycuda Fees)	10,059,312	11,621,487
Citi Bank Limited	8,511,331	7,645,356
Atlas Mara Bank Limited	7,681,484	5,976,134
Cash on hand	1,230,329	1,087,531
Indo Zambia Bank Limited	732,890	760,790
Investrust Bank PLC	14,543	12,710
First Capital Bank Limited	11,700	10,000
First Alliance Bank Limited	10,000	10,000
Cavmont Bank Limited	10,000	10,000
Standard Chartered Bank Plc	8,901	9,501
Stanbic Bank Limited	6,390	8,362
First National Bank Limited	4,369	6,700
Eco Bank Limited	<u>2,800</u>	<u>5,200</u>
Total cash and cash equivalents	<u>130,675,899</u>	<u>149,346,111</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. Post employment benefits	2021 K	2020 K
End of contract gratuity and retirement benefits	<u>721,938,974</u>	<u>315,640,973</u>
Amounts falling due within one year	108,290,846	49,717,020
Amounts falling due after one year	<u>613,648,128</u>	<u>265,923,953</u>
	<u>721,938,974</u>	<u>315,640,973</u>
Movement in the present value of the defined benefit obligations:		
Defined benefit obligations at 1 January	315,640,974	323,012,973
Benefits paid by the plan	(231,372,000)	(164,445,000)
Service costs	168,078,000	105,034,000
Interest cost	87,106,000	55,256,000
Actuarial loss/(gain)	<u>382,486,000</u>	<u>(3,217,000)</u>
Defined benefit obligation at end of year	<u>721,938,974</u>	<u>315,640,973</u>
Expense recognised in surplus or deficit		
Service costs	168,078,000	105,034,000
Interest costs	<u>87,106,000</u>	<u>55,256,000</u>
	<u>255,184,000</u>	<u>160,290,000</u>

The significant actuarial assumptions were as follows:

	31 December 2021		31 December 2020	
	Retirement benefits	End of contract gratuities	Retirement benefits	End of contract gratuities
Discount rate	21.4%	21.4%	30.1%	30.1%
Inflation	10.7%	10.7%	10.0%	10.0%
Future salary increases	12.2%	12.2%	11.5%	11.5%

Assumptions regarding future experience are set based on the Authority's observations and experience.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in Assumption	Impact on defined benefit obligation K
Discount rate	1%	22,914,000
Salary growth rate	-1%	25,005,000

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

24. Payables	2021 K	2020 K
Accrued leave pay	75,340,699	66,137,053
Trade payables	68,763,657	27,660,355
Accrued expenses	<u>42,327,324</u>	<u>21,323,962</u>
	<u>186,431,680</u>	<u>115,121,370</u>

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

25. Borrowings		
Loan from Ministry of Finance and National Planning	<u>330,155,385</u>	<u>526,528,406</u>
Amounts falling due within one year	95,486,116	119,003,981
Amounts falling due after one year	<u>234,669,269</u>	<u>407,524,425</u>
	<u>330,155,385</u>	<u>526,528,406</u>
At beginning of year	526,528,406	404,599,964
Loan repayments during the year	(103,969,250)	(98,358,750)
Loan interest paid during the year	(4,457,749)	(5,149,410)
Net exchange (gains)/losses during the year	<u>(87,946,022)</u>	<u>225,436,602</u>
	<u>330,155,385</u>	<u>526,528,406</u>
	CNY	CNY
At beginning of year	161,437,500	198,275,000
Loan repayments during the year	(35,000,000)	(35,000,000)
Loan interest paid during the year	<u>(1,487,500)</u>	<u>(1,837,500)</u>
Balance at the end of the year	<u>124,950,000</u>	<u>161,437,500</u>

In 2012, the Authority assumed a subsidiary loan which the Government of the Republic of Zambia secured from the People's Republic of China for the procurement, installation and operation of 8 non-intrusive scanners from Exim Bank.

The loan is for a duration of 13 years at a fixed interest rate of 1% per annum (revised). Under the terms of this loan, the Authority is to pay annual interest amounts in two instalments March and September with effect from 2013, while principal repayments commenced in 2015.

26. Customs deposits bank accounts	2021 K	2020 K
Customs deposits bank accounts	<u>1,009,945</u>	<u>3,092,782</u>

The Customs deposits bank accounts relate to monies held on behalf of importers pending assessments. The Customs and Excise Act, Chapter 322 of the Laws of Zambia requires that after 30 days any monies not refunded to importers must be returned to the Government. The corresponding liability to refund importers is included as a payable.

27. Tax refunds bank accounts		
Value Added Tax (VAT) refunds	207,905,170	5,038,073
Income tax refunds	7,415,276	44,346,808
Customs refunds	<u>4,790,492</u>	<u>4,295,940</u>
	<u>220,110,938</u>	<u>53,680,821</u>

The tax refunds bank accounts relate to monies from the Government being amounts payable to taxpayers on their claims for tax paid. The corresponding liability to refund taxpayers is shown as a payable.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 202128. **Contingent liabilities**

There were legal proceedings outstanding against the Authority, which were awaiting ruling/judgement by courts of law as at 31 December 2021. One such case was the case of the Post Newspapers and Dr. Fred M'membe Vs 5 others and Zambia Revenue Authority whose judgement was made by the Supreme Court on 17th February 2022 in favour of The Post Newspaper and Dr. Fred M'membe. Further, a letter demanding costs in the sum of K5 million was received from Dr. M'membe's lawyers. However, in the opinion of the Governing Board, this claim and other lawsuits in aggregate will not have a significant adverse effect on the financial statements of the Authority. Besides, all tax related litigation claims will be funded by the Government of the Republic of Zambia.

29. **Commitments**

Capital expenditure at the end of the reporting period but not recognised in the financial statements is as follows:

	2021 K	2020 K
Property, plant and equipment	<u>72,460,897</u>	<u>11,577,766</u>
Operating lease commitments		

The Authority leases various properties under non-cancellable operating leases. The lease terms are between 1 and 5 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2021 K	2020 K
Not later than 1 year	7,727,119	9,580,078
Later than 1 year and not later than 5 years	<u>8,383,941</u>	<u>19,160,156</u>
	<u>16,111,060</u>	<u>28,740,234</u>

30. **Related party transactions**

Funding received from Government	<u>1,640,689,768</u>	<u>1,285,366,971</u>
Scanner loan and interest repayments to Government	<u>108,426,999</u>	<u>103,508,161</u>

Key management personnel compensation

Key management includes Governing Board and members of Senior management. The compensation paid or payable to key management for employee services is shown below:

Salaries and other short-term employment benefits	34,079,296	24,479,210
Post-employment benefits	12,045,096	10,654,657
Directors Fees	<u>1,078,913</u>	<u>1,119,052</u>
	<u>47,203,305</u>	<u>36,252,919</u>
Loans to Commissioners		
Loans and advances	<u>14,101,521</u>	<u>16,356,621</u>

The Authority has been providing short term loans to key management personnel at rates below average commercial rates of interest. The loans are unsecured.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 202131. **Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

31.1 **Revenue**31.1.1 **Government grants**

The actual grant received in the current year is lower than the approved budget because some supplementary funds which were provided for in the budget for various modernisation initiatives were not funded by the Government. There was also a negative variance on the performance of the Kasumbalesa profit sharing budget line owing to the decline in the number of trucks due to the covid-19 which saw the reduction in the number of transits.

31.1.2 **Asycuda processing fees**

The Asycuda processing fee per transaction was maintained at K500.10 per transaction. The actual transaction volumes were more than the budgeted volumes by 10,940 transactions in the year resulting in a favourable variance of K5,471,100.

31.1.3 **Other income**

Other income was less than budgeted because the planned auction of the Authority's disused and obsolete assets did not take place during the year. Sales of cigarette tax stamps was also lower than budgeted.

31.1.4 **Finance income (Mineral Value Chain and NTA)**

The projects sponsored by the Royal Norwegian Government for strengthening of Tax administration came to an end in 2018. No activity was recorded in the current year.

31.1.5 **Deferred income**

This comprises of amortization of various assets donated to the Authority (including office equipment and motor vehicles) by Public Expenditure Management and Financial Accountability (PEMFA), Public Financial Management Reform Programme (PFMRP), World Bank and World Customs Organisation (WCO). These figures are not included in the budget due to the uncertainty of the grant income from donors.

31.1.6 **Kasumbalesa Agency Fees**

The Authority's agency fee of 10% on the Kasumbalesa profit sharing was lower than the budget in the period due to the gain of the Zambian Kwacha against the United States Dollar (US\$). The fees are paid in United States Dollars (US\$).

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

31. Budget information (continued)

31.1 Revenue (continued)

31.1.7 Kariba Dam Agency fees

This relates to the 10% agency fee on Kariba Dam toll fees collected on behalf of Zambezi River Authority.

31.2 Expenditure

31.2.1 Administrative expenses

The actual expenditure remained within budget for the year despite an increase in some operating costs.

31.2.2 Other operating expenses

The expenditure was well within budget. Most activities were carried out within the allocated budget amounts.

31.2.3 Depreciation and amortization expenses

The actual depreciation and amortisation of both tangible and intangible assets for the year is not included in the annual budget but is shown in the final audited financial statements of the Authority. This is due to the uncertainty of the number of assets and class which the Authority will have at the end of any reporting period.

31.2.4 Net exchange gains

The Authority had assumed a subsidiary loan on non -intrusive scanning equipment from Exim bank through the Government. As this is denominated in Chinese Yuan (CYN), the outstanding balance is translated into Zambian Kwacha at year end. Net exchange gains were recorded in the year due to movements in the exchange rate between the CYN and the Kwacha. The Scanner loan balance at the reporting date was CNY 124,950,000 (2020: CNY 161,437,500).

32. Events after the Reporting Date

There have been no material facts or circumstances that have occurred between the reporting date and the date of these financial statements that require disclosure in or adjustment to the financial statements.



*"The moment you have protected an individual,
you have protected society".*

Dr. Kenneth David Kaunda

First President of the Republic of Zambia

April 28, 1924 - June 17, 2021