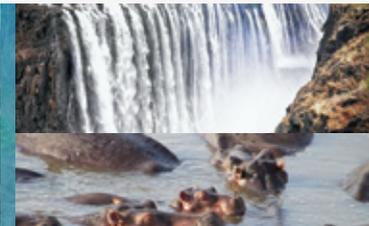




**ZAMBIA
REVENUE
AUTHORITY** | *My Tax
Your Tax
Our Destiny*

2021



BUDGET Highlights

Overview of Tax Changes

Taxpayer Due Dates

Self-Assessed Tax

Under Section 46, the taxpayer is required to submit an Income Tax return and pay the balance of tax due, if any, by 21st June each year.

Assessed Tax

Assessed tax arises where the Inspector of Taxes has raised assessments under Sections 63 and 64. Assessed tax on the assessment raised under Section 63 and 64 (a) and (b) is due and payable 30 days after the date of issue of the assessment, while the tax on the assessment raised under Section 64 (c) is payable on demand.

Provisional Tax

Provisional tax as calculated on any return of provisional income under Section 46 (a) is payable in four equal installments as follows: 1st installment is due on 31st March and payable on or before 10th April. 2nd installment is due on 30th June and payable on or before 10th July. 3rd installment is due on 30th September and payable on or before 10th October. 4th installment is due on 31st December and payable on or before 10th January.

PAYE

All employers are required under Section 71 of the Income Tax Act and PAYE regulations, to deduct tax from payments of emoluments made to their employees.

The PAYE tax deducted must be remitted by employers to Zambia Revenue Authority by the 10th of the month following the month in which the deduction was made using the Monthly PAYE Return ITF/P16.

Turnover Tax

Payment is due by the 14th day of the subsequent month of turnover.

Withholding Tax

WHT deducted, should be remitted on or before the 14th day of the subsequent month of deduction.

Lumpsum Payment

Payment is due within 14 days from the date of completion of the transaction.

Income Tax Annual Return

Payment for the balance on the return is due by 21st June.

Excise Return

Payment is due by the 15th day of the subsequent month.

Property Transfer Tax

Payment is due within fourteen days from the date of completion of the transactions.

Mineral Royalty

Payment is due by the 14th day of the subsequent month in which the sale of the minerals was done.

Excise Manufacturer and Bonded Warehouse License Renewal Application

Due date is by 31st December

Assessed Customs and Excise Duties

Assessed duties and taxes under Customs and Excise must be paid within five (5) days from date of assessment.

Insurance Premium Levy

Return and Payments are due on the 18th of every month

Value Added Tax (VAT)

Payment for electronic submissions are due on the 18th of every month

Withholding VAT (WVAT)

Return and Payments are due on the 16th of every month



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INTRODUCTION

I am pleased to present an overview of the major changes in the tax legislation and other relevant information to our taxpayers and stakeholders as announced by the Minister of Finance in his Annual National Budget Address to the National Assembly for the fiscal year 1st January, 2021 to 31st December, 2021.

The overview gives a guide on the measures announced in the Budget as reflected in the various Bills, Statutory Instruments and Commissioner General's Rules that contain the enabling legislation. The details are contained in the published legislation. However, it should be noted that some of the measures in this pamphlet are subject to Parliamentary approval while others take effect as per Minister's pronouncement.

Kindly visit the ZRA website (www.zra.org.zm) which includes all the information contained in this pamphlet and other useful tax details. You may also contact our Call Centre on +260 211 381111 or +260 971 281111 or 4111.



Kingsley Chanda
Commissioner General.

1. DIRECT TAXES MEASURES

1.1 COMPENSATING MEASURES

1.1.1 Increase the tax rate on betting to 25 % from 10 % of gross takings.

The measure seeks to harmonize the tax rate of betting with that of similar games. Currently, the betting games are charged a presumptive tax at the rate of 10 % on gross takings.

1.2 REVENUE CONCESSION MEASURES

1.2.1 Increase the exempt threshold for Pay As You Earn (PAYE) to K4, 000 per month from K3, 300 and adjust the income bands accordingly.

This measure is intended to give relief to employees and self-employed individuals under the Personal Income tax regime by increasing their disposable income. Currently, the exempt threshold for Pay As You Earn (PAYE) is at K3,300 and has not been adjusted since 2017.

CURRENT PAYE REGIME		PROPOSED PAYE REGIME	
Income Band	Tax Rate	Income Band	Tax Rate
0 – K3,300 per month	0%	0 – K4,000 per month	0%
K3,301 – K4,100 per month	25%	K4,001 – K4,800 per month	25%
K4,101 – K6, 200 per month	30%	K4,801 – K6, 900 per month	30%
Above K6,200	37.5%	Above K6,900	37.5%

1.2.2 Increase the amount allowed for deduction by an employer for employing a differently abled person to K2, 000 per annum from K1, 000 per annum.

The measure is aimed at encouraging employment of differently abled persons.

1.2.3 Increase the monthly tax credit for differently abled persons to K500 from the current K250.

The measure is intended to provide further relief to differently abled persons in our society.

1.2.4 Increase the number of years for claiming the 10% development allowance to 5 years from the existing 3 years.

The measure is aimed at providing relief to the horticulture and floriculture subsectors. This development allowance is applicable to persons growing rose flowers, tea, coffee, banana plant or citrus fruit trees or other similar plants or trees.

1.2.5 Introduce a Local Content Allowance at the rate of 2% to encourage value addition to products such as Mangoes, Pineapples and Cassava.

The measure intends to further incentivize the manufacturing and processing of products that utilize such locally available raw materials as Mangoes, Pineapples and Cassava.

1.2.6 Reduce the corporate income tax rate to 15% from 35% on income earned by hotels and lodges on accommodation and food services.

The measure is aimed at giving relief to businesses in the hospitality industry that have been highly affected by the COVID-19 pandemic for the 2021 charge year.

1.3 HOUSEKEEPING MEASURES

1.3.1 Insert a subsection in the appropriate place in Section 29 of the Income Tax Act to clarify that the rule limiting the interest deductibility is applicable on aggregate interest expense.

The measure seeks to clarify that the limitation rule applies on all interest deductions of borrowings of both revenue and capital nature.

1.3.2 Amend the Income Tax Act by removing “Domestic Taxes Division” wherever it appears and replace it with “Zambia Revenue Authority”.

The measure seeks to address reference ambiguities in the Act.

1.3.3 Amend the Income Tax Act to clarify that the obligation to furnish information to the Commissioner General extends to information that might be held outside the Republic or by a person who is not a resident of the Republic.

The measure clarifies that the obligation to furnish information in relation to the tax affairs of a person includes information that may be held outside the Republic or by a third party who is not a resident of the Republic.

1.3.4 Amend Section 55(4) of the Income Tax Act to provide for the keeping of all books of accounts in Zambian Kwacha.

The measure seeks to make it mandatory to keep books of accounts in local currency.

1.3.5 Amend Section 55 of the Income Tax Act to extend the keeping of books of accounts in United States Dollars to mining companies whose foreign exchange earnings are from within Zambia.

The measure intends to extend the keeping of books in United States Dollars to mining companies that earn at least 75% of their income in form of foreign exchange within the Republic.

1.3.6 Amend the definition of “reference price” in Section 97A(1) of the Income Tax Act:

- a) By the deletion of words ‘Metal Bulletin’ and replacement with the words ‘FastMarkets MB’ wherever it appears; and
- b) insertion of the terms ‘or its successor or successor name’ in the appropriate places.

The measures replaces the words Metal Bulletin with “FastMarkets MB” following its rebranding. Additionally the measure seeks to ensure that there will be no need to amend the Income Tax Act when there are subsequent name changes.

1.3.7 Amend the definition of “norm value” in Section 89(5) of the Mines Minerals Development Act:

- a) By the deletion of words ‘Metal Bulletin’ and replacement with the words ‘FastMarkets MB’ wherever it appears; and
- b) insertion of the terms ‘or its successor or successor name’ in the appropriate places.

The measures replaces the words Metal Bulletin with “FastMarkets MB”

following its rebranding. Additionally the measure seeks to ensure that there will be no need to amend the Mines and Minerals Development Act when there are subsequent name changes.

1.3.8 Increase the commissions paid to tax agents to a maximum of 10% from 3%.

The measure is meant to empower the Commissioner General to give a commission that reflects the agent's operational costs up to a maximum of 10%.

1.3.9 Adjust the reference interest rate to be used in the determination of tax applicable on employee loan interest benefits to be the Bank of Zambia policy rate plus a margin of 2%.

The measure seeks to ensure uniform application of the law across all industries and sectors. The current practice note no. 1 of 2020 provides for open market price application in the calculation of staff loans benefit tax.

1.3.10 Amend the Hospitality and Tourism Regulations (Tourism Levy) to replace the reference to Income Tax Act with Value Added Tax Act.

The measure seeks to align the Tourism Levy to the Value Added Tax Act.

1.3.11 Amend the Hospitality and Tourism (Tourism Levy) Regulations to provide for the imposition of a penalty for under-declaration on Tourism Levy returns.

The measure intends to provide for the imposition of penalties.

1.3.12 Amend Section 4 (3) of the Skills Development Levy Act to correct a drafting error by replacing the word 'employee' with 'employer'.

The measure seeks to correct a drafting error.

1.3.13 Amend the Income Tax Act to provide for the charging of Withholding Tax (WHT) on payments made by a Zambian resident to a non-resident in respect of royalty financing arrangements.

The measure seeks to introduce withholding tax on payments made under royalty financing arrangements.

Royalty financing is a novel method of funding business operations, which is gaining popularity in the commodities value chain; particularly in the extractive industries. Royalty agreements generally cover the life of the project being funded.

1.3.14 Amend section 81B of the Income Tax Act to mandate all statutory regulatory bodies to require a tax clearance certificate and Taxpayer Identification number before registering or renewing membership or before issuing any licence, practicing certificate, permits or similar documents etc. Further, empower the Minister to issue a statutory order to exempt certain categories of membership.

The measure is intended to improve tax compliance.

1.3.15 Amend the Transfer Pricing Regulations to provide for the Country by Country (CbC) Report.

The measure will provide for the automatic exchange of the relevant Country by Country reports with other tax Jurisdictions for entities operating in Zambia that are part of Multi-National Enterprises group. The measure is one of the requirements under the Inclusive framework on Base Erosion and Profit Shifting (BEPs) to which Zambia is a member.

1.3.16 Amend the Transfer Pricing Regulations to increase the threshold to K50 million from K20 million for local companies which are not required to provide transfer pricing documentation.

The measure seeks to extend the exemption from providing transfer pricing documentation to local small and medium sized businesses that have an annual turnover of K50 million and below. Currently only businesses that have an annual turnover of K20 million and below are exempt.

2. PROPERTY TRANSFER TAX MEASURES

2.1 HOUSEKEEPING MEASURES

2.1.1 **Amend Section 5(2A) of the Property Transfer Tax Act by redefining how to determine the realized value on indirect transfer of shares so as to capture only the Zambian proportion of the value of the consideration or the nominal value.**

The measure revises the determination of the realized value in respect of the transfer of shares issued by a company incorporated outside the Republic to:

- a) The proportion of the consideration for the transferred shares that relates to the value of the Zambian company
- b) Proportion of the nominal value of the transferred shares that relates to the value of the Zambian company

Currently the realized value that is based on the consideration and the nominal value is the full value and not the proportion.

2.1.2 **Amend the Property Transfer Tax Act to clarify that only Trusts that are approved as Public Benefit Organisations are exempt from Property Transfer Tax.**

This measure intends to align the exemption with the provisions of the Second Schedule to the Income Tax Act.

2.1.3 **Amend the Property Transfer Tax Act to prescribe the exchange rate applicable to foreign currency denominated transactions.**

The measure seeks to prescribe the exchange rate applicable on transactions that are denominated in foreign currency.

2.1.4 **Amend the Property Transfer Tax Act to restrict the application of the property transfer tax, in the case of indirect transfers of shares, to the foreign transfer of shares that represents at least 10% of the value of shares in the Zambian company.**

This measure seeks to exempt from property transfer tax the indirect

transfer of shares where the value of the transferred shares is less than 10% of the value of the Zambian company. Generally, these could be shares held by minority shareholders of the foreign company and mostly traded on the stock exchanges. The measure will also remove the compliance burden on local companies accounting for Property Transfer Tax on transfers by this category of shareholders.

3. VALUE ADDED TAX MEASURES

3.1 REVENUE CONCESSION MEASURES

3.1.1 Zero rate the following equipment used for full body sanitisation to combat the spread of Covid-19:

The measure intends to zero-rate full body sanitization equipment for a specified period of one year with effect from 26th September 2020 to support the fight against the COVID-19 pandemic.

3.1.2 Extend the zero rating of tractors to those above 90 horsepower

This measure intends to support the scaling up of agricultural productivity through mechanisation.

3.2 HOUSEKEEPING MEASURES

3.2.1 Amend Section 19(1A) of the Value Added Tax Act to clarify the obligation to provide an electronic payment machine and in turn impose a penalty for failure to comply.

The measure intends to:

- (a) Clarify that the electronic payment machine should be available for use by a customer that wants to pay using this option; and
- (b) Impose a penalty on the taxable supplier for failure to comply.

3.2.2 Amend Section 11(1) of the Value Added Tax Act to provide clarity for the definition of "place of supply of goods".

This measure intends to provide clarity in the wording of sub-section 11(1).

3.2.3 Amend Section 21(6) of the Value Added Tax Act to clarify on when the two-year limitation period commences.

This measure intends to clarify the point at which the two-year limitation period shall commence.

3.2.4 Amend Section 43 of the Value Added Tax Act to provide for an escalatory fine chargeable on false returns and statements as follows:

Offence	Applicable Penalty
<i>First Occurrence</i>	<i>Up to 60,000 penalty units per period audited</i>
<i>Second occurrence</i>	<i>Up to 120,000 penalty units per period audited</i>
<i>Third occurrence</i>	<i>Up to 240,000 penalty units per period audited</i>
<i>Any repeat event beyond third occurrence</i>	<i>Deemed as Evasion of Taxation and escalated for treatment under Section 44.</i>

This measure intends to increase the fine for any false return or other declaration whether in writing or otherwise as well as introduce a graduated penalty regime.

3.2.5 Amend Section 44 (2) of the Value Added Tax Act to increase the fine chargeable for evasion of tax to 300,000 penalty units from 30,000 penalty units.

This measure intends to stiffen the penalty for tax evasion.

3.2.6 Amend the Value Added Tax Act by the deletion of "Domestic Taxes" and "Commissioner – Domestic Taxes" wherever they appear and replace it with "Zambia Revenue Authority" and "Commissioner General" respectively.

The measure intends to cure reference ambiguities in the Value Added Tax Act.

4. CUSTOMS AND EXCISE MEASURES

4.1 REVENUE CONCESSION MEASURES

- 4.1.1 Reduce customs duty to 5% from 15% on secateurs of HS 8201.50.00, pruners of HS 8214.90.00 to 5% from 25%, and to 0% from 5% and 25% on agricultural clippers of HS 8510.20.10 and 8214.90.00, respectively.**

This measure intends to reduce the cost associated with the procurement of the products in order to support agriculture productivity.

- 4.1.2 Suspend 5% customs duty on agricultural chemicals (biological control agents) of HS Code 0106.49.00**

The measure intends to provide relief to the Agricultural sector and promote the non-traditional exports.

- 4.1.3 Remove 15% customs duty on Greenhouse plastic of HS Code heading 3921**

The measure intends to provide relief to the horticulture and floriculture subsectors and promote non-traditional exports.

- 4.1.4 Reduce customs duty on Exfoliated Vermiculite of HS 6806.20.00 to 0% from 5% and Amaryllis Bulb plant of HS 0601.20.00 to 0% from 25%.**

The measure intends to provide relief to the horticulture and floriculture subsector and promote non-traditional exports. The measure also seeks to align treatment of Amaryllis bulb to similar imported products such as rose flower seedlings.

- 4.1.5 Remove 10% export duty on crocodile skins.**

The measure intends to revive the performance of the crocodile subsector and promote non-traditional exports.

- 4.1.6 Reduce customs duty to 15% from 30% on electric motor vehicles of HS 8703.80.90**

The measure intends to encourage the use of electric motor vehicles and reduce the use of fossil fuel.

4.1.7 Remove 5% customs duty on copper ores and concentrates of HS Code heading 2603.

The measure intends to encourage local processing of copper ores and concentrates.

4.1.8 Suspend 15% customs duty on tourist buses and coaches (double decker) and safari game viewing vehicles of HS Code headings 8702 and 8704 respectively for a period of one year.

This measure intends to provide relief to the tourism sector. The tax relief is for a period of one-year effective 1st January 2021.

4.1.9 Suspend 15% customs duty on importation of Refrigerated Trucks of HS code heading 8704 for a period of one year.

The measure intends to support the cold chain industry in both domestic and export markets.

4.1.10 Reduce customs duty to 5% from 25% on trimmings (sewing thread, zips, buttons and reflective tape used for garments) of HS code headings 5808 and 6002.

The reduction of the customs duty rate on these products intends to promote the local garments and textile industry.

4.2 COMPENSATING MEASURES

4.2.1 Increase customs duty to 40% from 25% on the following agro products; beef and beef processed products of HS Code heading 0201, pork and pork processed products of HS Code heading 0203, chicken and chicken processed products HS Code heading 0207, and fish of HS Code heading 0302.

The measure intends to promote the growth of the domestic livestock industry.

4.2.2 Introduce excise duty at the rate of K1.50 per litre on reconstituted milk and harmonise the customs duty rate at 15% for powdered milk.

The measure intends to promote the growth of the local dairy sector.

4.2.3 Adjust the specific excise duty rate on cigarettes to K302 per mille from K265 per mille.

The measure is intended to raise revenue and discourage the consumption of cigarettes in line with the World Health Organisation guidelines.

4.2.4 Introduce Selected Goods Surtax at the rate of 20% on Imported undenatured ethyl alcohol (Ethanol) of an alcoholic strength by volume of 80% volume or higher of HS Code 2207.10.00.

The measure intends to encourage local manufacture of ethyl alcohol.

4.2.5 Introduce excise duty on "Flat Plastic Bags" at the rate of 30%.

The measure intends to extend the application of excise duty rate to flat plastic bags in order to encourage the use of biodegradable packaging material.

4.2.6 Amend Section 2 of the Customs and Excise Act by excluding high value motor vehicles from the definition of used motor vehicles and subject such vehicles to ad valorem customs duty.

The measure intends to ensure that the appropriate taxes are collected on all high value motor vehicles.

4.2.7 Harmonize the customs duty rates for fabric of HS Code Heading 5208 with 5513 and 5514 by extending the specific rate to polyester fabric at a rate of K1.82 per Kg.

The measure intends to promote the cotton industry by making cotton fabric more affordable.

4.3 HOUSE KEEPING MEASURES

4.3.1 Amend Section 115 of the Customs and Excise Act to include distribution as one of the activities that may be supervised by an authorised officer.

The measure intends to provide for the supervision and monitoring of the supply chain of excisable products.

4.3.2 Amend Section 117 of the Customs and Excise Act to extend its application to dealers of excisable products.

The measure intends to extend the captioned obligations to dealers in order to enhance compliance.

4.3.3 Amend the Customs and Excise Act to impose on service providers, obligations with respect to record keeping and penalties for non-compliance and include the word "service(s) wherever applicable.

This measure intends to extend to service providers, the record keeping requirements that are applicable to persons dealing in goods.

4.3.4 Amend Section 141 of the Customs and Excise Act to extend penalties for false invoices, false representation and forgery to service providers.

This measure is intended to provide for penalties to service providers who submit false information to the Authority.

4.3.5 Amend Section 139A of the Customs and Excise Act to provide for a credit mechanism for an intermediary to deduct the excise duty paid on airtime and in turn charge excise duty to the end user.

The measure intends to provide for a refund mechanism to cure the distortion in the excise duty regime and avoid double incidence of the tax on excisable services.

4.3.6 Amend the Customs and Excise Act by deleting the term "Customs Services Division" and replacing it with "The Zambia Revenue Authority" wherever necessary.

The measure intends to cure reference ambiguities in the Customs and Excise Act.

4.3.7 Introduce a definition for High value motor vehicles in Section 2 of the Customs and Excise Act.

The measure intends to provide a definition of used high value motor vehicles for customs duty purposes.

4.3.8 Amend Section 32B of the Customs and Excise Act to provide for an exception to the pre-registration requirement.

This measure intends to provide for exceptional circumstances to the pre-registration requirement as the Commissioner General may determine.

4.3.9 Amend Section 77(9) of the Customs and Excise Act by extending the validity period of a Carbon Emission Certificate from 90 days to 1 year for motor vehicles in transit or imported temporarily.

The measure intends to extend the validity period of the carbon emission certificate for transit or temporary importations.

4.3.10 Amend Section 77(5)(d) of the Customs and Excise Act to specify the category of vehicles subject to payment of Carbon Emission Surtax annually.

The measure intends to provide clarity on the category of the vehicles that are subject to Carbon Emission Surtax on an annual basis.

4.3.11 Amend Section 84C of the Customs and Excise Act to limit advance tariff ruling to goods that are envisaged to be imported or exported.

The measure intends to align provisions on advance tariff ruling with the provisions on Origin advance rulings ultimately aligning the provisions on advance rulings in the Customs and Excise Act with the provisions in the Trade Facilitation Agreement.

4.3.12 Amend Section 87 of the Customs and Excise Act to provide for the assessment and collection of duty in convertible currencies as prescribed by the Commissioner General.

The measure intends to provide for assessment and collection of duty in foreign currency.

4.3.13 Amend the Customs and Excise Act to provide for a production loss allowance at 5% for tobacco products.

The measure intends to provide for allowable losses during production of various tobacco products.

4.3.14 Amend Regulation 14A of the Customs and Excise (General) Regulations to introduce a fine for failure to utilise the pre-registration facility.

The measure intends to encourage importers to utilize the pre-registration facility, facilitate timely importations and provide advance vital information to the authority for risk management purposes.

4.3.15 Amend the ports of entry and routes order (SI 60 of 2014) to extend the operating hours at Chirundu One Stop Border Post.

The measure intends to reduce dwell time for taxpayers.

4.3.16 Amend Regulations 80(c) and 86 of the Customs and Excise (General) Regulations to increase the value of goods to US\$ 2000 from US\$ 1000 on which a remission of duty shall be granted.

The measure increase the duty free allowance for petty importations.

5. ZAMBIA REVENUE AUTHORITY ACT

Amend the Zambia Revenue Authority Act to enhance tax administration

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