ZAMBIA REVENUE AUTHORITY | *Working To Serve You Efficiently*

ZAMBIA REVENUE AUTHORITY

Annual Report 2014

ZAMBIA REVENUE AUTHORITY | Working To Serve You Efficiently

Letter of Transmittal

CHAIRMAN OF THE ZAMBIA REVENUE AUTHORITY GOVERNING BOARD

17th June 2015

Honourable Alexander B. Chikwanda, MP
Minister of Finance
Ministry of Finance
P. O. Box 50062
LUSAKA

Honourable Minister,

I have the honour of presenting to you, on behalf of the Governing Board, the 20th Annual Report of the Zambia Revenue Authority, covering the financial year 1st January 2014 to 31st December 2014.

This report has been prepared in accordance with the requirements of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia.

Yours faithfully,

Mwila Lumbwe
Chairman of the Governing Board

Vision

"To be a world class organisation recognised as a beacon of excellence in revenue administration."

Mission Statement

"To optimise and sustain revenue collection through integrated, efficient, cost effective and transparent systems professionally managed to meet the expectations of all stakeholders."

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Glossary

ACC	Anti-Corruption Commission
ASYCUDA	Automated System for Customs Data
BMS	Block Management Strategy
BCP	Business Continuity Plan
CIP	Customs Import Permit
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
CSR	Corporate Social Responsibility
DEC	Drug Enforcement Commission
DFID	Department for International Development (UK)
DOMT	Domestic Taxes Division
ERM	Enterprise Risk Management
FDI	Foreign Direct Investment
FISIM	Financial Intermediation Services Indirectly Measured
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICF	Investment Climate Facility
ICT	Information and Communication Technology
IGC	International Growth Centre
IMF	International Monetary Fund
ITAS	Integrated Tax Administration System
ISIC	International Standards of Industrial Classification
LTO	Large Taxpayer Office
MCU	Mobile Compliance Unit
MoF	Ministry of Finance
MVCMP	Mineral Value Chain Monitoring Project
NTA	Norwegian Tax Agency
OECD	Organisation for Economic Cooperation and Development
OSBP	One-Stop Border Post
PACRA	Patents and Companies Registration Agency
PEE	Prevention, Education and Enforcement
PEMFA	Public Expenditure Management and Financial Accountability
PFMRP	Public Financial Management Reform Programme
PMDC	Performance Management and Development Contract
SADC	Southern African Development Community
SAP	Systems Applications Products
SME	Small and Medium Taxpayers
SMTO	Small and Medium Taxpayer Office
TADAT	Tax Administration Diagnostic Assessment Tool
UNCTAD	United Nations Conference on Trade and Development
VSAT	Very Small Aperture Terminal
VSS	Voluntary Support Scheme
WCO	World Customs Organisation
WTO	World Trade Organisation
ZRA	Zambia Revenue Authority
ZRAIC	ZRA Integrity Committee

Corporate Profile

The Zambia Revenue Authority (ZRA) was established on 1st April 1994 as a corporate body, under the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia enacted in 1993. Pursuant to this Act, ZRA is charged with the responsibility of collecting revenue on behalf of the Government of the Republic of Zambia under the supervision of the Minister of Finance.

The operations of ZRA are overseen by the Governing Board which, as provided for in the Act, comprises: the Secretary to the Treasury; the Permanent Secretary - Ministry of Justice; the Governor of the Bank of Zambia; representatives from: the Law Association of Zambia; the Zambia Association of Chambers of Commerce and Industry; the Bankers' Association of Zambia; the Zambia Institute of Chartered Accountants; and two other members appointed by the Minister of Finance. 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.

Responsibilities

The main responsibilities of ZRA are to:

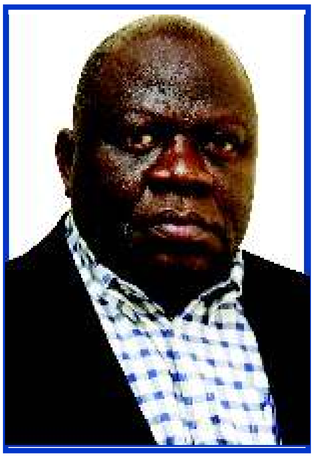
- properly assess and collect the following taxes, duties, levies and fees at the right time:
  - Income Taxes;
  - Value Added Tax;
  - Excise Duties;
  - Customs and Export Duties;
  - Mineral Royalty;
  - Property Transfer Tax;
  - Motor Vehicle Fee; and
  - Carbon Emissions Surtax.
- ensure that all monies collected are properly accounted for and banked;
- properly enforce all relevant legislation and administrative provisions;
- provide revenue and trade statistics to the Government;
- give advice on Tax Policy to Government; and
- facilitate international trade.

Stakeholders

The stakeholders in the operations of ZRA include:

- the Zambian people;
- the Zambian business community and those groups which represent their interests, together with their professional advisors;
- banks and other financial institutions;
- taxpayers;
- members of Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), World Trade Organisation (WTO) and other countries transacting business with Zambia, or transiting goods through Zambia;
- tourists, travellers and traders crossing Zambia's borders;
- the donor community and multilateral agencies, e.g. International Monetary Fund (IMF), World Bank, Department for International Development (DFID);
- the Governing Board, Management and Staff of ZRA;
- the mass media in general; and
- Non-Governmental Organisations and other interest groups.

Governing Board

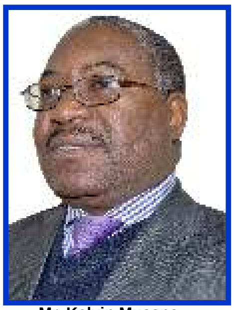


Mr. Mwila Lumbwe
Chairman (Retired 11/11/2014)
re-appointed and elected Chairman on 24/02/2015

Mr. Joseph Akafumba
Member

Mr. Wesley M. Beene
Vice Chairperson
(appointed member on 24/02/2015)

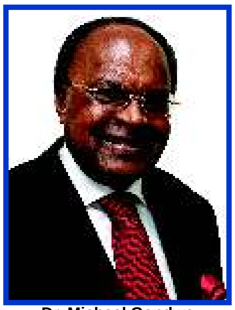
Mr. Fredson K. Yamba
Member



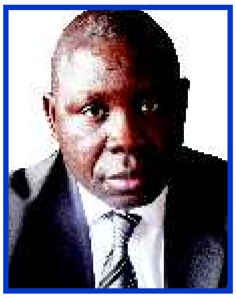
Mr. Kelvin Musana
Member
(appointed member on 24/02/2015))

Dr. Denny Kalyalya
Member
(appointed member on 24/02/2015))

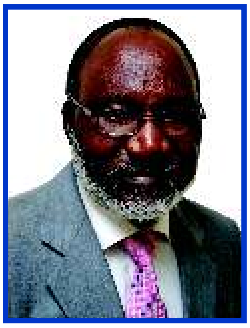
Ms. Exhildah Lumbwe
Member
(appointed member on 24/02/2015))



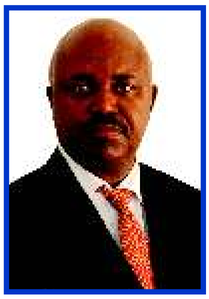
Dr. Michael Gondwe
Member (Retired)



Mr. Charles L. Mutemwa
Member (Retired 11/11/2014)
and re-appointed on 24/02/2015



Mr. Francis Alutuli
Member (Retired)



Mr. Geoffrey Sakulanda
Member (Retired)

Senior Management Members

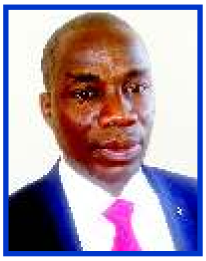
Mr. Berlin Msiska
Commissioner General

Ms. Nana M. Mudenda
Commissioner Corporate & Board Secretary

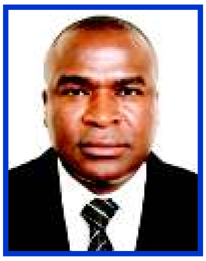
Mr. Dingani C. Banda
Commissioner - Customs Services

Mrs. Priscilla C. Banda
Commissioner Domestic Taxes

Mrs. Brigitte N. Muyenga
Commissioner Finance



Mr. Ezekiel Phiri
Director Research & Planning



Mr. Moses Shuko
Director Investigations

Mr. Yakomba Yavwa
Director Information Technology

Mr. David Ndumba
Director Human Resource

Mr. Kwibisa Siyunyi
Director Internal Audit

Mr. Callistus Kaoma
Director Administration

Mrs. Diana Bunting Goramota
Legal Counsel

Mr. Andrew Kazilimani
Director Project Management

Mr. Timothy Milambo
Director Finance

Ms. Nkanga Shimwandwe
Deputy Commissioner Operations

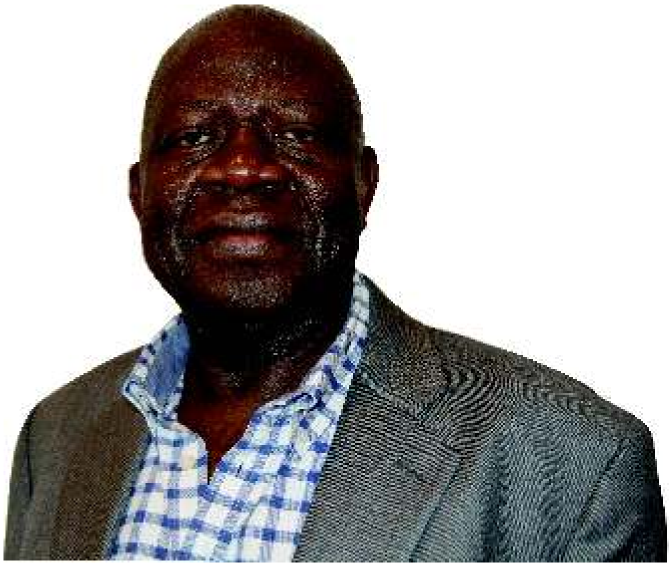
Mr. Reuben Kunda
Deputy Commissioner HQ

Mr. Peter Phiri
Director Large Taxpayer Office

Mr. Joseph Nonde
Director Design & Monitoring

Mr. Chansa Shambuluma
Director Small & Medium Taxpayer Office

Chairman's Statement



It is with great pleasure that I present to you the 20th Annual Report of the Zambia Revenue Authority (ZRA) for the financial year ended 31st December 2014, the year of the commemoration of the country's fifty years of independence.

The overall performance of ZRA during the year under review was favourable with revenue collection of K27,631.3 million exceeding the Parliament target of K26,675.9 million by K955.4 million or 3.6 percent. The revenue to GDP ratio increased marginally in 2014 to 16.6 percent from 16.0 percent in 2013. This increase was largely due to the strong performance of domestic Value Added Tax (VAT).

Although the revenue performance was above target, the year was not without challenges. The task of broadening the tax base continued to be a vexing one. This was especially evident in taxation of the micro, small and medium enterprises. In addition, the euphoria surrounding the taxation of the mining sector meant that ZRA had to refocus the implementation of the Mineral Value Chain Monitoring Project (MVCMP) in collaboration with the Norwegian Government, in order to enhance transparency in the sector.

Major Economic Developments Affecting Revenue Performance

In 2014, revenue collection continued to be affected by both global and domestic economic conditions.

On the global front, the economy continued to recover albeit at a moderate pace estimated at 2.6 percent in real terms compared to a real growth of 2.9 percent, recorded in 2013.

The sluggish growth in the world economy had a dampening effect on commodity prices. For instance copper prices which averaged US$7,325 per metric tonne in 2013, declined to an average of US$6,858.7 per metric tonne in 2014. The price of crude oil also declined to an average of US$96.5 per barrel in 2014 from an average of US$104.3 per barrel in 2013.

With regard to the domestic economy, Zambia's Gross Domestic Product (GDP) grew to K166.5 billion in 2014 from K144.7 billion in 2013, translating into a real GDP growth of 6.0 percent compared to 6.7 percent recorded in 2013. The decline in real GDP growth is mainly attributed to the the mining and quarrying sector which registered negative growth of 1.4 percent compared to a positive growth of 5.9 percent in 2013.

The average inflation rate for the year 2014 at 7.8 percent was higher than 7.0 percent recorded in 2013. This increase in the rate of inflation was mainly attributed to increases in the prices of some non-food items which were further exacerbated by the depreciation of the Kwacha against major currencies.

The average exchange rate of the Kwacha against the US Dollar in 2014 was K6.15 compared to K5.39 in 2013. This depreciation of the Kwacha was largely due to supply constraints occasioned by the decline in the price of copper on the international market, which is the country's major foreign exchange earner.

In order to mitigate the free fall of the exchange rate, the Government revoked two Statutory Instruments (SIs) namely, The Bank of Zambia (Currency) Regulations SI No. 33 of 2012 and The Bank of Zambia (Monitoring of Balance of Payments) Regulations SI No.55 of 2013. Statutory Instrument No. 33 banned the quoting and payment of goods and services in foreign currencies within Zambia while SI No. 55 empowered the Bank of Zambia to monitor inflows, outflows and international transactions.

Sadly, amidst all these economic challenges, the nation lost the Republican President, His Excellency Mr. Michael Chilufya Sata, who had a passion for enhancing the efficiency of our tax administration system. His demise had a negative effect on general economic activity thereby putting more pressure on the tax administration. On behalf of ZRA and indeed my own behalf, I wish to place on record heartfelt condolences to his family and to the nation at large.

Operations

During the year under review, the Board made decisions and resolutions that facilitated the smooth operation of the Authority. The Board considered and approved the revised 2014 ZRA operational budget following changes to some budget assumptions. In the same vein, the Board approved the Authority's operational budget for 2015. The Board further approved the opening of collection accounts at various commercial banks including two accounts at the Bank of Zambia, one for Domestic Taxes and the other for Customs Duties, in line with provisions of the Treasury Single Account. In addition, the Board continued to provide oversight by enforcing recommendations of the Audit Committee of the Board in order to ensure prudent use of resources and effectiveness of processes and procedures.

Furthermore, the roll out of ASYCUDAWorld and the 2nd phase of Tax*O*nline, which centred on e-payment solutions and back-end functions such as debt management and audit, were accelerated. In addition, the Mineral Monitoring Value Chain Project and other donor funded projects such as the Electronic Records Management System continued to be implemented during the year.

The Board also received regular reports on the status of Management negotiations with the Union to ensure timely interventions and smooth operations of the Authority.

In addition, the Board sanctioned the renovation and construction of new infrastructure at various stations in line with the modernisation programme to support the business of ZRA.

General administration

During the year under review, the Governing Board approved the-

- increase of the staff establishment from 1, 482 employees to 1, 557 employees;
- establishment of the first ever Management Trainee Programme;
- Resourcing and Selection Policy and Procedure Manual;
- revised ZRA budget for the year 2014 and salary adjustments for all members of staff;
- 2015 Budget and the Audited Financial Statements of ZRA for 2013;
- ZRA Annual Report for the year 2013;
- disposal of obsolete and unserviceable ZRA assets by Public Auction;
- Personal Development Loan Scheme for members of staff;
- Defined Contributory Pension Scheme for members of staff; and
- construction of various infrastructure.

The ZRA actual staff number declined from 1, 450 as at December 2013 to 1,439 as at end 2014, representing a decrease of 0.7 percent mainly on account of attrition.

In addition, significant resources were committed to capacity building that resulted in the successful training of 2,437 participants in various programmes in 2014 compared to 1,632 participants trained in 2013.

In conclusion, I would like to thank my colleagues on the Governing Board for their dedication and professionalism by diligently providing the necessary guidance and oversight. I also want to thank management for the exceptional results recorded during the year, and the ZRA staff for their exemplary performance and loyalty to ZRA.

I also want to take this opportunity to thank the Minister of Finance, Honourable Alexander B. Chikwanda, MP, and his officials for their prompt and unwavering support to ZRA in ensuring that it continues to deliver on its mandate.

Finally, I wish to thank all our taxpayers and assure them of even better service delivery from ZRA in the coming year as the modernisation reforms that we have embarked on over the last few years begin to bear fruit.

Mwila Lumbwe
<u>Chairman of the ZRA Governing Board</u>

Commissioner General's Report

This Report reviews the operations of ZRA in general, the performance of tax revenue and presents the attendant audited financial statements.

During the year under review, ZRA collected K31, 068.7 million in gross taxes while the refunds stood at K3, 437.4 million resulting in a net tax outturn of K27, 631.3 million against the Parliament target of K26, 675.9 million. The net revenue collection was therefore K955.4 million or 3.6 percent above target. This favourable outturn was on account of strong performance of PAYE and domestic VAT. In particular, PAYE was above the Parliament target by K1, 178.6 million while domestic VAT was K2, 752.5 million above target.

Despite the recorded overall surplus against the Parliament target, income taxes, excise and trade tax types were below their programmed level. Income taxes underperformed mainly on account of reduced mining profits while excise duties were negatively affected by reduced imports of some excisable products. Trade taxes were generally affected by the decline in import volumes mainly occasioned by the depreciation of the Kwacha against major trading currencies.

The operations conducted by ZRA were within the framework of its Corporate Strategic Plan (CSP) for the period 2013 to 2015. The CSP enables ZRA to prioritise its actions in accordance with Government policy and the resources at its disposal.

At the end of 2014, 26.1 percent of all the planned Corporate Actions were reported to be fully implemented while 73.9 percent were reported to be partially implemented. The partially implemented actions have been carried forward for implementation in 2015 and beyond.

During the year, ZRA continued to undertake its Modernisation Programme of its business processes and operations so as to improve service delivery to its stakeholders and in turn increase revenue collection. In this regard, ZRA installed and commissioned non-intrusive inspection equipment commonly known as scanners at Kapiri Mposhi, Mwami, Kazungula and Kasumbalesa. In addition, the process of implementing an Electronic Cargo Tracking System was commenced during the year.

Further, ZRA commenced the construction of fifteen semi-detached staff houses spread across Chinsali, Choma, Kazungula, Mokambo and Mwami. In order to ensure availability of safe and clean drinking water for its staff and clients, ZRA sunk boreholes,

complete with storage tanks, at Nakonde, Zombe, Chavuma, and Jimbe.

In 2014, the Government, through the Ministry of Transport, Works, Supply and Communication continued to construct an ultra-modern border facility at Nakonde. The facility which is expected to be completed in 2015 will be handed over to ZRA and this development will help improve the flow of traffic at Nakonde and ultimately enhance trade facilitation.

In order to make tax administration easier and less costly for both the taxpayer and the tax collector, ZRA continued the roll-out of the new and robust ICT and business systems namely TaxOnline and ASYCUDAWorld, which cover the administration of Domestic and Trade taxes, respectively. These systems are web based thus enabling the taxpayers to access them on a 24 hour basis from any place with internet connectivity. As a result of this major milestone, taxpayers will now be able to conduct all their tax affairs on the e-business platform; from e-registration, e-filing of monthly or annual returns, e-declaration, to making electronic payments of their taxes through banks that we have partnered with. With this innovation, ZRA will transform its tax administration model by responding to one of the major concerns expressed by taxpayers that tax compliance is costly especially in relation to the average distances travelled and the time taken to queue in order for them to meet their periodic tax obligations.

In 2014, the roll-out of ASYCUDAWorld continued bringing the total of automated stations to 23 out of the 28 stations designated for automation. The second phase of ASYCUDAWorld will mainly focus on the development of non-standard features and business process improvement through concepts such as the Central Processing Centres (CPCs) at Kabwe, Lusaka and Ndola whose implementation also commenced during the year under review.

With regard to TaxOnline, Phase 2 of the implementation of the system was rolled out to include: Audit and Assessment; Debt Collection; Objections and Appeals; Interfaces; Investigations; and Refunds. In order to realise the electronic payments functionality, ZRA worked with various banks and other payment solution providers.

In line with the policy on Staff Health and Safety, and as part of Business Continuity Planning (BCP), ZRA took a proactive measure when the World Health Organisation (WHO) declared Ebola a public health emergency in August 2014. In this regard, Ebola preventive kits were procured for use at ports of entry and other inland stations. In addition, ZRA also participated in the National and Provincial Ebola Preparedness and Response Committees coordinated by the Ministry of Health in conjunction with the Disaster Management and Mitigation Unit (DMMU).

Under the Mineral Value Chain Monitoring Project (MVCMP), ZRA commenced the development of, among other things, the technical specifications for the Project and the attendant ICT infrastructure. The development of the monitoring system with specific user requirements was also initiated. The system developer, UNCTAD, was engaged during the year and the Terms of Reference were agreed upon and a draft contract was drawn.

During the year, ZRA continued with the quarterly monitoring of service delivery performance against the standards as outlined in the Taxpayer Charter. The general performance of ZRA against these standards was favourable.

As part of our Change Management strategy, ZRA continued to engage with various stakeholders. This was with the view of maintaining a well-informed taxpayer population as one of the key strategies towards enhancing compliance and contributing towards the reduction in the cost of doing business. Various tax education activities were undertaken which included business clinics, stakeholder fora and tax sensitisation programmes aired both on national and community radio stations.

The year 2014 marked ZRA's 20 years of existence as the Government agency mandated to administer tax policy in Zambia. This journey came with its own successes and challenges. In the recent past, ZRA has repositioned itself in order to meet the dynamic demands of the evolving business environment in Zambia and also to move in tandem with global revenue administration trends with respect to increased use of ICT. It is our desire that as we continue to execute our mandate of optimising revenue collection to finance the national development agenda, we remain competitive and maintain a motivated workforce that is critical to achieving this task.

Let me take this opportunity to thank the Ministry of Finance and the Governing Board for their support and guidance. In addition, I would like to thank the members of staff, the tax paying community and all other stakeholders for their commitment and contribution towards the realisation of our goal of revenue collection.

Berlin Msiska
Commissioner General

Values

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

Integrity	:	exhibiting the highest standards of personal probity and behaviour;
Professionalism:		performing official duties with skill, care and diligence; and providing the public with service and advice in a professional manner;
Fairness	:	performing official duties in an impartial manner free of political, personal or other biases;
Equity	:	treating all taxpayers, colleagues and members of the public equitably in accordance with the provisions of legislation and procedures in force;
Courtesy	:	treating all taxpayers, colleagues and members of the public with courtesy and being sensitive to their rights, duties and aspirations;
Teamwork	:	working as a team, not only to reinforce each others' divisional functions, but also at a collegiate level in order to strengthen mutual confidence, respect and trust;
Value for Money:		avoiding wastage and extravagant use of resources;
Confidentiality	:	upholding the highest level of secrecy in respect of information that comes to one's knowledge in the course of duty;
Goal orientation:		focusing on the development and achievement of personal and organisational goals in the course of duty;
Innovation	:	consistently improving on quality, quantity, timeliness and cost.

Overview of the Authority

Overview of the Authority

The following sections provide an overview of ZRA's Corporate Strategic Plan (CSP), administration and the Taxpayer Charter.

Corporate Strategic Plan 2013-15

The overall strategic direction for ZRA in 2014 was provided by the Corporate Strategic Plan 2013-2015. The 2013-2015 CSP was developed in line with the Government's economic policy aimed at achieving inclusive development and social justice as outlined in the Sixth National Development Plan (SNDP), Vision 2030, Medium Term Expenditure Framework (MTEF), and the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia.

The 2013-2015 CSP contains the following four Strategic Objectives that support ZRA's Vision, Mission and Values:

1. to optimise revenue collection;
2. to improve operational efficiency and service delivery;
3. to enhance the professionalism and productivity of the workforce; and
4. to develop and improve infrastructure.

Progress towards these Strategic Objectives is ensured through the implementation of specific and traceable Corporate Actions contained in the Plan. Each Corporate Action encompasses one or more Key Performance Indicators which enable the progress made in the implementation of actions to be measured.

In 2014, ZRA fully implemented 26.1 percent of the planned corporate actions, while the rest of the actions were partially implemented and are expected to be implemented in 2015 and beyond. A Corporate Action only becomes fully implemented when all the approved Key Performance Indicators have been fully implemented.

Administration of ZRA

<u>The Governing Board</u>

The Governing Board oversees ZRA's overall organisation and administration. This function is carried out through the following Committees:

Audit Committee

The Audit Committee is responsible for overseeing and providing independent assurance and advice to the Board on the governance and risk management frameworks; effectiveness of internal controls; integrity of financial statements; compliance with relevant regulatory requirements and performance of the internal and external audit functions of ZRA.

Finance Committee

The Finance Committee is responsible for, amongst others, approving ZRA's financial policies, reviewing and approving guidelines that ensure proper accountability of operational funding and of revenue into the Treasury, approving policies that safeguard ZRA's assets and approving banking arrangements guidelines.

Legal, Staff and Disciplinary Committee

The Committee provides guidance on all legal matters referred to it by management and resolves any grievances referred to it in line with the Grievance and Disciplinary Procedures Code. The Committee also oversees issues related to human resource which includes the recruitment of senior management staff, and the revision of conditions of service for staff, among others.

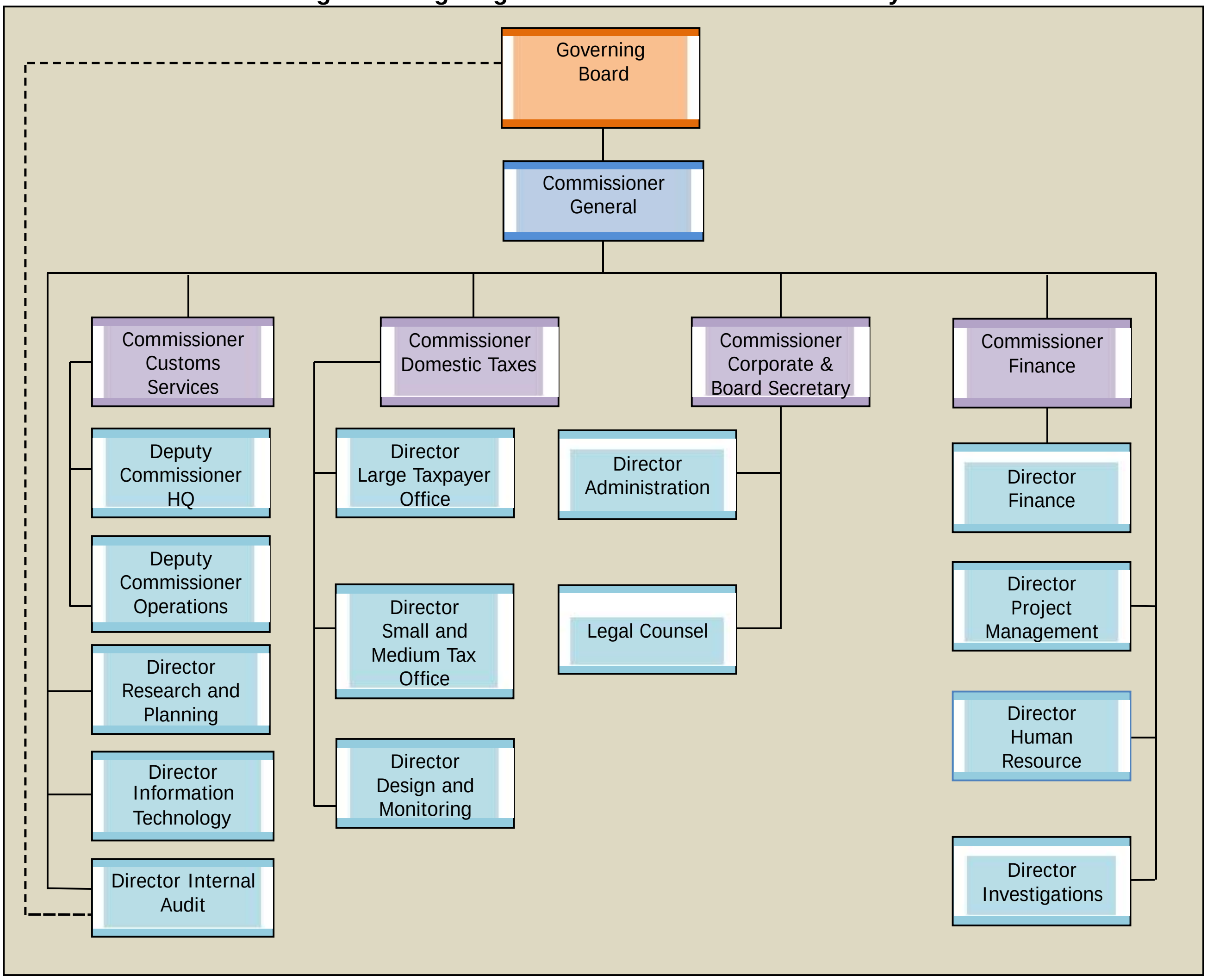
Customs Clearing and Forwarding Licensing Committee

The Customs Clearing and Forwarding Licensing Committee is responsible for approval of issuance and renewal of Customs Clearing and Forwarding Agent licences.

<u>The Office of the Commissioner General</u>

The Commissioner General, who is the Chief Executive Officer, is responsible for the day to day running of ZRA, under the direction of the Governing Board. In executing this mandate, the Commissioner General is assisted by the Senior Management Members (SMM), as indicated in Figure 1 on the next page.

Figure 1: Organogram of Zambia Revenue Authority



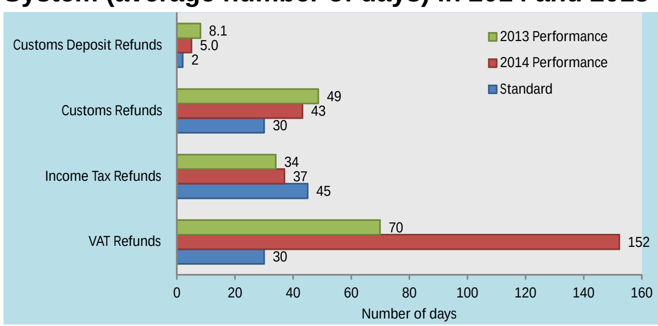
Taxpayer Charter

The Taxpayer Charter prescribes minimum standards of service that clients should expect to access from ZRA as it performs its core mandate of optimising revenue collection on behalf of the Government. The service standards outlined in the Taxpayer Charter can broadly be divided into two categories:

a) standards related to the processing of tax refunds; and
b) standards related to tax registration and advisory services.

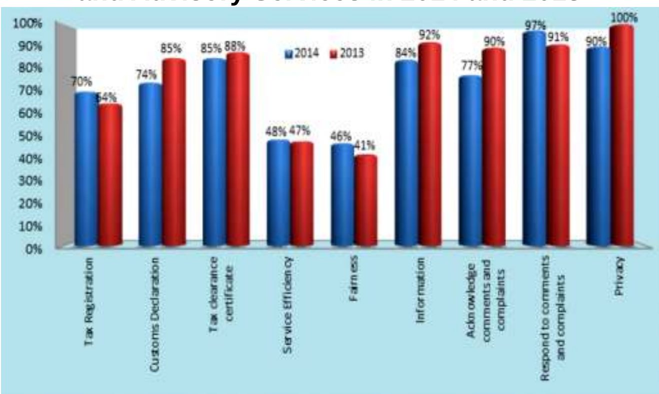
During the year under review, performance with respect to income tax refunds was favourable, with an average processing time of 37 days compared to the set standard of 45 days. However, ZRA encountered challenges in meeting or exceeding the set standards for customs deposit refunds, customs refunds and VAT refunds resulting in average processing times that were above the standards in the Taxpayer Charter. It should be noted, however, that a significant proportion of the refund claims had queries while others were submitted with incomplete information, resulting in delays in processing the refunds. Compared to 2013, an improvement was recorded in respect of the time in which customs deposit refunds and customs refunds were processed. However, performance in respect of VAT refunds worsened in 2014 (See Figure 2).

Figure 2: Efficiency of Tax Refunds Processing System (average number of days) in 2014 and 2013



Performance with respect to advisory services[1], was generally good during the year under review. Notably, responses to comments and complaints were provided within 14 days in 97 percent of the sampled cases. Furthermore, 91 percent of the clients indicated that they were treated in a private and confidential manner. In addition, ZRA processed 85 percent of the tax clearance certificates within the set standard of 2 days, while 84 percent of the clients revealed that the tax information they received from ZRA was adequate (See Figure 3 below). In comparison to 2013, ZRA registered service improvement in 4 out of 9 standards related to advisory services (See Figure 3).

Figure 3: Effectiveness of Taxpayer Registration and Advisory Services in 2014 and 2013



During the year under review, it is worth noting that desirable performance was not attained in most service standards including tax registrations, customs declaration, service efficiency, fairness and acknowledgement of receipt of comments and complaints (See Figure 3). Service performance in tax registrations and customs declaration was adversely affected by the lack of submission of adequate support documentation by taxpayers and also system challenges which led to lower processing efficiency. The service efficiency standard, on the other hand, just like fairness, was poorly rated in 2014 largely owing to the long queues that characterised the initial stages of implementing Tax*O*nline. The long queues were as a result of increased taxpayer visits to ZRA offices in order to enquire about how to use various services on Tax*O*nline. The long queues meant that, on average clients incurred more waiting time at our offices leading to only 48 percent of them being attended to within the standard of 20 minutes, which also swayed their rating of fairness by ZRA to mostly negative. Acknowledgement of receipt of comments and complaints in 2014 was dampened by the centralised procedure of handling such cases in order to safeguard confidentiality.

[1] ZRA's performance with respect to advisory services is measured through quarterly client service monitoring surveys through which client perceptions on the service delivered are gathered. Other data regarding tax registration is captured through internal systems and processes.

Priorities for the Year

Priorities for the Year

The priorities for the year were broadly anchored on widening the tax base in order to achieve the corporate objectives of optimising revenue collection, complemented by making compliance easier for our taxpayers through improved service delivery. These included the acceleration of the implementation of the Mineral Value Chain Monitoring Project; taxation of informal activities where most small and medium businesses operate; enhancing operational efficiency through continuous monitoring of our service delivery levels as reported in the Taxpayer Charter and adoption of good business practices; intensifying compliance and enforcement actions through mobile compliance patrols and the use of non-intrusive scanners; and the facilitation of local and international trade through the roll out of TaxOnline and ASYCUDAWorld.

Widening the Tax Base

Increasing tax collection from the Mining Sector

During the year under review, ZRA stepped up its effort to operationalise the implementation of the Mineral Value Chain Monitoring Project (MVCMP), which is aimed at improving mechanisms for monitoring the quality and quantity of minerals produced in Zambia. Following the production of the baseline survey report which marked an end to the first phase of the Project, the team commenced the second phase of the Project which involves automation of the proposed monitoring system that was developed in the first phase.

One major development under this Project was the signing of a financing agreement between the Government of the Republic of Zambia and Norwegian Government amounting to US$10.2 million. This funding contribution comprised Norwegian Government (US$6 million), Public Financial Management Reform Programme (US$2 million) and the Government of Zambia (US$2.2 million).

Under this agreement, the Norwegian Government seconded consultants from Statistics Norway to the MVCMP, with expertise in data collection and database systems to assist with the development of the appropriate monitoring systems. Furthermore, the Project team has been re-organised into five working groups with representation from Ministry of Mines, Energy and Water Development (MMEWD), Central Statistical Office (CSO), Patents and Company Registration Agency (PACRA), Zambia Bureau of Standards (ZABS) and Road Development Agency. The focus areas for the Working Groups are:

a) Reporting from the mines;
b) Sampling system and independent laboratory testing;
c) Export Permits;
d) Using weighbridges for data collection and control purposes; and
e) Using trade information data by furthering the analytical use of ASYCUDA data.

As part of defining the technical specifications for the monitoring systems, the team further carried out a benchmarking visit to Tanzania Mineral Audit Authority (TMAA), which is an institution established by the Government of Tanzania to carry out similar monitoring activities in the mining sector. In addition, a monitoring system was implemented on ASYCUDAWorld with the aim of, among others, facilitating seamless integration of key systems in the value chain. To this effect, the supplier of ASYCUDAWorld, UNCTAD was engaged and availed a proposal on the development of the monitoring system.

Taxation of Small and Medium Taxpayers

Following the recommendations of the GIZ sponsored study on revenue enhancement with regard to Small and Medium Taxpayers, an assessment of tax potential was conducted using the 2010 Economic Census and tax revenue data.

The study identified four priority sectors with the greatest potential for revenue enhancement. These were: wholesale and retail trade; construction; transportation and storage; and real estate activities subsectors, which are predominantly cash-based and dominated by small and medium businesses.

As a step towards developing strategies for the taxation of the identified sub sectors, ZRA intends to engage a consultant to develop industry specific notes that will detail various practical issues applicable to the Zambian environment for each of the sectors. The notes will be used to assist ZRA staff, in particular auditors, to further their understanding of issues and accounting practices of Small and Medium Enterprises (SMEs). The Terms of Reference for this consultancy were developed and finalised in 2014.

Further, a study to review the presumptive tax regime in Zambia was commissioned and undertaken in September 2014. The objective of the study was to comprehensively review and evaluate the legal, administrative and policy matters surrounding the presumptive tax regime with a view of establishing better ways of administering the regime and ultimately improving revenue collection. A number of recommendations with regard to administration, tax policy and legislation were made, some of which have been considered for the 2015 fiscal year.

Enhancing revenue collection using the Block Management System

The Block Management System (BMS), a tax compliance monitoring methodology adopted by ZRA to enhance revenues and broaden the tax base, continued to be utilised in 2014. Out of 810 taxpayers in the block, 725 were migrated to Tax*O*nline and 15 of these were identified as having registered for income tax but not for VAT.

A total of K3.2 million in assessment was raised across various tax types from BMS activities. In terms of filing compliance, monitoring activities revealed a drop in compliance from 2013, especially in respect of VAT which stood at 46 percent from 59 percent in 2013. A similar trend was recorded for payment compliance for VAT, dropping to 60 percent from 65 percent.

A door-to-door education campaign was carried out in the same area focusing mainly on withholding tax on rental income and the use of e-services on Tax*O*nline.

Improving operational efficiency

Physical Infrastructure Development

In 2014, ZRA undertook several projects to improve infrastructure at various stations country-wide. These included the following:

Housing Projects:

- 1 semi-detached house was constructed at Mokambo Border.
- 4 semi-detached houses were constructed at Kazungula Border.
- The construction of 3 semi-detached housing units at Chinsali commenced in October 2014 and was on-going as at the end of the year.

Office Building Projects:

- Construction, refurbishment and remodeling works of office buildings at Kabwe and Ndola, for the creation of Central Processing Centres (CPCs).
- Remodeling works of office buildings at Chipata, for creation of a Customer Service Centre.
- Refurbishment and remodeling of office buildings at Kapiri Mposhi, the construction of a new Customs Enforcement Centre and the creation of new offices at Kapiri Mposhi Station.

Health and Sanitation Projects:

- Boreholes were drilled at Nakonde, Chavuma, Jimbe and Zombe.
- Public toilets were constructed at Kenneth Kaunda International Airport (KKIA), Lusaka Port Office and Revenue House.

General Infrastructure Projects:

- A new access road and a guard house were constructed at Mpendwa House in Ndola. Security lighting was also provided.
- Works to resurface the concrete driveway and truck parking area at Kasumbalesa were commenced.

Electronic Records Management System

Implementation of the Electronic Records Management System (ERMS), which commenced in 2012 with the financial support of the Public Financial Management Reform Programme (PFMRP), gained momentum in 2014. To this end, preparatory activities were carried out to enable full-scale implementation of the project in the first quarter of 2015. The preparatory works carried out by the Central Registry included:

- sorting and re-arrangement of about 90 percent of the total files collected;
- assigning of new TPINs on tax files;
- changing of the file jackets in line with the new colour coding system;
- merging of files according to different tax types;
- running of documents/returns on files;
- transferring of semi active and inactive records to Mpendwa House, in Ndola, to create storage space at the Lusaka Central Registry and other outer stations; and
- training of clerks based at the Chipata Office,

Mwami Border Post, and Lusuntha Border Post, in basic Records Management.

Enforcement and Compliance Actions

Customs Services Division

a) Scanner Operations

The deployment of non-intrusive inspection equipment (Scanners) in the examination of import and export shipments has complimented enforcement activities in the clearance of goods, resulting in reduced processing time and increased compliance among importers and exporters.

As depicted in Table 1 below, 239,150 trucks were recorded in 2014 at the eight border posts with Scanners. A total of 70,186 trucks or 29 percent of the total were scanned. Discrepancies were recorded for 392 trucks that resulted in additional revenue amounting to K514, 940.50. Only five trucks were scanned at the Kapiri Mposhi Enforcement Centre due to the breakdown of the scanner for most of the year, however, physical inspections were conducted and 18 trucks were found with discrepancies resulting in additional revenue of K71, 703.00.

The major risk identified was the concealment and non-declaration of various goods as well as misclassification of goods such as second hand clothing and bicycles as new garments and spares, respectively.

Table 1: Scanners Activity Report for 2014

Port	Total Truck Traffic	Scanned	Truck with discrepancies	Additional Revenue Collected (K)
Chanida	3,701	3,453	78	325,068.9
Chirundu[2]	84,038	43,104	7	0.0
Kapiri Mposhi Enforcement Centre[3]	42	5	18	71,703.0
Kasumbalesa	122,388	3,744	24	832.0
Katima Mulilo	12,833	7,595	20	14,599.0
Kazungula	15,441	11,846	245	102,737.6
Livingstone	169	107	0	0.0
Mwami	538	332	0	0.0
Total	**239,150**	**70,186**	**392**	**514,940.5**

No discrepancies were found on the twenty-five train wagons scanned at the Kapiri Mposhi railway scanner for the period it was operational in the year under review.

Beyond the additional revenue recorded, the unquantifiable outcome of having scanners is that they have a deterrent effect.

b) Border Enforcement

Enforcement and compliance activities were undertaken at various ports using a risk based approach through inspections, road blocks and follow ups on intelligence information received from the various stakeholders. Compliance visits were also made to Bonded Warehouses and Customs Areas for inland ports.

A comparative analysis of the values of goods detained and seized in 2014 indicates a decrease of 7.2 percent compared to 2013 (See Table 2A). The detentions and seizures mostly related to the following: motor vehicles awaiting final clearance and those on expired bonding entries and CIPs; goods that had overstayed in Customs Areas; and those with pending payments.

Table 2A: Detentions and Seizures in 2014

Type	2014 (K'Mn)	2013 (K'Mn)	Change (K'Mn)	% Change
Value of Detained Goods	40.3	42.7	(2.4)	(5.6)%
Value of Seized Goods	20.2	22.5	(2.3)	(10.2)%
Total	**60.5**	**65.2**	**(4.7)**	**(7.2)%**

Investigations

In 2014, the Investigations Department accelerated its enforcement and compliance activities. A comparative analysis of the number and value of enforcement activities between 2014 and 2013 indicates that there was an increase of 11 percent in the number of activities undertaken and a 4 percent increase in value terms (See Table 2B).

Table 2B: Enforcement Outcomes in 2014

Category	Number		Value		Variance (K'Mn)		% Variance	
	2014	2013	2014 (K'Mn)	2013 (K'Mn)	Number	Value	Number	Value
Interception	1,448	1,120	269	251	328	17	29%	6%
Detentions (R.I.H)	82	176	15	14	(94)	1	(53)%	7%
Seizures	27	104	4	11	(77)	(7)	(74)%	(170)%
Total	**1,557**	**1,400**	**288**	**276**	**157**	**11**	**11%**	**4%**

Domestic Taxes Division

The Domestic Taxes Division increased the enforcement and compliance activities in the period under review. The number of audits conducted increased by 26.9 percent to 8, 366 in 2014 from 6, 593 in 2013. The MTO office conducted 5, 030 audits while 184 audits were conducted under the Mining sector in LTO, yielding K1, 013.3 million out of which K172.6 million was deferred tax. Further ZRA charged penalties amounting to K828.9 million in the same period for non-compliance to tax regulations.

[2] At Chirundu , the trucks indicated with discrepancies are those that were sighted with suspicious packaging during scanning and were cleared after physical examinations without any revenue yield.
[3] Note that examination at Kapiri Mposhi was still physical during the year under review due to breakdown of the scanner.

In addressing concerns in the informal sector, ZRA continued with enforcement activities within the blocks in Kamwala trading area. Currently the 810 taxpayers in the block are being monitored for filing and payment compliance. Plans are underway to extend the blocks to the central business area in 2015.

Further work was done in the enforcement of withholding tax on rentals. A total of 1, 969 taxpayers were visited in the period under review out of which 1, 248 were found not to have registered for withholding tax, while 721 taxpayers were registered. The Division commenced registration of the unregistered taxpayers.

Business Development

Risk Management and Business Continuity Planning

The ZRA undertook two notable initiatives in 2014 regarding risk management as follows:

Firstly, a comprehensive review of its Risk Management Policy was successfully conducted. Among the matters addressed in the new Policy were: clarification of the scope of Risk Management in ZRA; introduction of sanctions for non-adherence to the Policy; revision of the risk appetite model; and introduction of two risk appetite versions for use depending on the complexity of the situation being analysed.

Secondly, a third form of risk management response was introduced which involved active monitoring of risks that were analysed to be of moderate risk exposure. Previously all identified risks were treated, unless they were deemed to be within acceptable exposure levels, in which case they were simply noted in the Risk Register. In 2014, active monitoring was done through introduction of *Key Risk Indicators* on which data was collected on a monthly basis for the purpose of gauging changes in exposure levels.

At operational level, risk management continued to be applied to aid decision-making processes in various divisions' core business activities.

In terms of Business Continuity Planning (BCP), ZRA achieved a number of milestones in 2014:

- the development process of the corporate BCP which commenced in 2013 was completed and approved by Management in the first quarter of 2014;
- the organisation-wide Business Impact Analysis (BIA) and Risk Assessment (RA) to identify the risks was completed; and
- the divisional/departmental Business Continuity Plans (BCPs) including Business Units (BU) and Stations BCPs were developed.

The primary purpose of BCP is to ensure continuity and/or relocation of critical business functions of ZRA in the event of major disasters or prolonged disruption to critical business operations. These could include natural or human disasters. Key to this process has been ZRA's Risk Management Framework.

To ensure that the implementation of BCP is embedded into the culture of the organisation and became part of everyday activities, ZRA undertook a number of awareness activities in all major stations and Head Office in 2014. These included presentations at the stations and training of the BCP Committee Members at a workshop conducted in April 2014.

As part of assurance of the resilience of the IT systems, ZRA began testing its newly implemented systems for Disaster Recovery capability. In December 2014, the first test was conducted on Tax*O*nline. The testing programme will be an annual activity and aims to cover all the core systems as required in the ZRA BCP Policy.

In August 2014, the World Health Organisation (WHO) declared Ebola a public health emergency and as part of BCP, ZRA took a proactive stance by procuring Ebola preventive kit worth K80, 000.00, for use at ports of entry and other inland stations. The kit included facemasks, surgical gloves and hand sanitisers. At the peak of the Ebola pandemic, ZRA participated in the National and Provincial Ebola Preparedness and Response Committees coordinated by the Ministry of Health in conjunction with the Disaster Management and Mitigation Unit (DMMU).

Implementation of Tax*O*nline

Following the successful roll out of the first phase of Tax*O*nline in 2013 that saw the launch of the Web-portal, e-registration, e-filing, e-payments and other e-services, and Tax Accounting, the second phase of the project was rolled out on 19th May 2014, which centred on back-end functions as outlined below:

- Audit and Assessment;
- Debt Collection;
- Objections and Appeals;
- Investigations; and
- Refunds.

In order to realise the electronic payments functionality, ZRA has worked with various stakeholders such as banks and other payment solution providers. Finance Bank (Z) Limited implemented the electronic payment system in 2014 which enabled clients to make payments electronically through the web portal and their ATMs.

Furthermore, internet bureaus were established at various stations to train taxpayers in order to encourage and increase uptake of electronic filing of returns. In addition to the establishment of internet bureaus, training was provided to internet café owners on Tax*O*nline to enable them assist their clients in accessing e-services.

The usage of online services has gradually increased since inception in October 2013. A total of 28, 469 portal sign ups have been recorded bringing the cumulative total to 32,938 at the end of 2014. The percentage of e-registration to total registrations averaged 13 percent in 2014. There has been a significant rise in the usage of e-filing with 54 percent of all the returns received in 2014 being electronically filed.

Modernisation of Trade Logistics

In 2014, ZRA continued with the implementation of strategies to improve trade facilitation by modernising trade logistics. To this effect, the following major milestones were achieved in the implementation of ASYCUDAWorld and scanner installations:

- ASYCUDAWorld was rolled out to sixteen stations in 2014. This was in addition to the seven stations that were covered in 2013, bringing the total to twenty-three;

- Non-intrusive fixed scanners were installed at Kasumbalesa and Mwami Border Posts as well as a railway scanner at Kapiri Mposhi;

- The Enforcement Centre was commissioned at Kapiri Mposhi;

- The Lusaka CPC was piloted with KKIA and connection to the Centre was implemented on 3rd November 2014;

- The preparations of the Kabwe CPC were finalised and is scheduled to be opened in 2015;

- A benchmarking Study Tour to Rwanda was undertaken to appreciate the implementation of the COMESA Electronic Cargo Tracking System (ECTS);

- A team from Zambia Revenue Authority led by Commissioner Customs Services was part of the Zambian Government delegation to Tanzania, in October, to discuss, among other things, measures to reduce congestion at the Nakonde-Tunduma Border. This included the modalities of operationalising the One Stop Border Post (OSBP) Concept between the two countries at the said Borders;

- A meeting to finalise the programme for the development and implementation of customs to customs electronic data exchange between ZRA and Tanzania Revenue Authority (TRA) was held from 25th to 27th November 2014, in Lusaka; and

- The Change Management activities conducted in November 2014 included the induction workshop for officers from most of the stations in relation to the general operations of the CPCs.

Furthermore, ZRA continued to monitor the construction works at Nakonde Border, which, when concluded will provide an enhanced working environment from which Customs and other Government Agencies will conduct their business. The completion of these works will pave way for the construction of the physical inspection bay and scanner installation that will improve customs processing times and taxpayer compliance.

Stakeholder Relations

Cooperating Partner Relations

In 2014, the core of modernisation reforms remained centred on improving operational efficiency and service delivery. In this regard, ZRA engaged a number of cooperating partners for financial and technical assistance especially in the areas of capacity building for staff and the development of new business processes.

Major cooperating partners of ZRA, and their areas of co-operation include the following:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

In 2014, the GIZ continued to provide support to ZRA with regard to widening of the tax base. Support was also extended to the following areas:

- improving the audit capabilities and skills among Small and Medium Taxpayer Officers;
- a Training of Trainers Programme for 20 Officers from the Domestic Taxes Division;
- formulation of the International Standard of Industrial Classification (ISIC) Training Manual and the training of ISIC Trainers; and
- the financing of a study to review the cost-effectiveness of presumptive taxes in Zambia.

International Finance Corporation (IFC) and the World Bank Group (WBG)

Technical assistance was received from IFC and WBG towards validation of the Needs Self-Assessment conducted in preparation for the implementation of the World Trade Organisation Trade Facilitation Agreement (WTO TFA)

The scope of the technical assistance included an analysis of key elements of Zambia's trade facilitation environment on the basis of an evaluation of its alignment with the articles of the WTO TFA.

The outcomes of review and validation included suggested changes, where appropriate, to the Needs Self-Assessment that was conducted prior to the Bali Ministerial Conference in Indonesia that took place in December 2013.

International Growth Centre (IGC)

The IGC Programme supports the Research and Planning Department and the Mining Unit by providing mining tax policy research and analysis.

Investment Climate Facility for Africa (ICF)

The Investment Climate Facility for Africa (ICF) continued to support the implementation of TaxOnline Project through support of change management activities that were aimed at enhancing the usage of the electronic modules under the TaxOnline System. The ICF further supported ZRA in procuring electronic billboards to further enhance the ZRA's information dissemination and communication channels and capabilities.

Public Finance Management Reform Programme (PFMRP)

PFMRP is a cross-donor programme with a budget of US$10.8 million allocated to ZRA for the period 2014 to 2016. It has the following components:

a) infrastructure development;
b) increasing internal training capacity;
c) enhanced ICT solutions in tax administration; and
d) support to the development of the Mineral Value Chain Monitoring Project in collaboration with the Norwegian Government.

Royal Norwegian Embassy

The Government of Norway, through the Norwegian Tax Administration (NTA) and the International Monetary Fund (IMF), continued to render support to the Large Taxpayer Office. During the year, work was commenced on the development of user requirements for the implementation of an automated mineral value chain monitoring mechanism.

US Treasury - Office of Technical Assistance (OTA)

The US Treasury Technical support programme continued in 2014 through the provision of onsite expert assistance to operating division and other departments. This support included the following:

a) Support for Internal Affairs Unit through a US study tour;
b) Training and Development of operational procedures manual and the prosecution strategy for Investigations Department;
c) Enhancement and re-engineering of the of the Work Flow for Self-Assessment and scanner operation training under Customs; and
d) Audit training and support for domestic taxes.

The assistance rendered has enabled ZRA to improve operational efficiency through enhanced operational capacity.

World Customs Organisation

The World Customs Organisation (WCO) in partnership with the ZRA facilitated the National Policy Dialogue (NPD) under the theme 'Building Trade Capacity through Customs Modernization in the Eastern and Southern Africa Region.' Both public and private sector stakeholders attended the event and a consensus was reached on the need to operationalise integrated border management as a means to effectively facilitate cross border trade and also to reduce the cost of doing business in Zambia.

<u>Institutional Partnerships</u>

In order to enhance information sharing among regional tax authorities and strengthen tax compliance and cooperation at common borders, ZRA signed a Memorandum of Understanding (MoU) with Malawi and reviewed the existing MoUs with Botswana and Zimbabwe:

Bilateral engagement with Botswana Unified Revenue Services (BURS)

An inaugural meeting of Commissioners of Customs of ZRA and BURS was held in June 2014 in Zambia. The purpose of the meeting was to discuss the proposed OSBP at Kazungula Border Post and to review the MoU signed between the two administrations in 2007.

The outcome of this bilateral engagement included resolutions aimed at enhancing the MoU, undertaking preparatory work for the OSBP and measures for facilitating trade during the construction of a bridge at Kazungula.

Bilateral engagement with Zimbabwe Revenue Authority (ZIMRA)

ZIMRA hosted the inaugural meeting of Commissioners of Customs of ZRA and ZIMRA on 5th March 2014 in Victoria Falls, Zimbabwe. The Commissioners had been mandated by the Commissioner Generals of the two Administrations to exchange notes on modalities of operationalising the reviewed operating hours at Chirundu and Victoria Falls.

Significant progress was made towards implementing the resolutions of the meeting. Among these is the finalisation of the necessary legislation, by Zambia, pertaining the Namafula-Binga Border Post and extention of working hours at Chirundu.

The two Administrations will be meeting in March 2015 to finalise the modalities of implementing the extended operating hours at Chirundu.

Memorandum of Understanding (MoU) with Malawi Revenue Authority

ZRA hosted the ceremony for the signing of the MoU on Mutual Administrative Assistance in Customs Matters with Malawi Revenue Authority on 27th August 2014. The purpose of the MoU is to formalise and enhance bilateral cooperation that exists between the two Administrations.

The MoU will allow for joint enforcement activities at common borders and also exchange of information on matters of mutual interest.

Other Local Partners

In 2014, ZRA continued to work closely with other local partner institutions such as the Ministry of Finance, Other Government Ministries and Departments, the Bank of Zambia, commercial banks, the Central Statistical Office (CSO), Zambia Development Agency (ZDA), the Anti-Corruption Commission (ACC), the Financial Intelligence Centre (FIC), the Drug Enforcement Commission (DEC), and Zambia Police. The National Assembly of Zambia and the Office of the Auditor General also engaged with ZRA through their oversight roles.

Corporate Social Responsibility

In 2014, as part of the 20th anniversary celebrations of ZRA's existence, ZRA carried out a number of Corporate Social Responsibility (CSR) activities such as donating an assortment of floor tiles, window panes, paint and other materials to the Matero Home for the Aged. Donations were also made in five selected stations across the country namely; Ndola, Kitwe, Livingstone, Chirundu and Nakonde.

Various deserving charities ranging from orphanages to a school for the visually impaired on the Copperbelt and a maternity wing of a hospital in Nakonde received assistance.

Staff Welfare and Relations

<u>HIV and AIDS</u>

ZRA has in place an HIV and AIDS Workplace Policy which guides its strategies in the fight against the pandemic. Strategies towards mitigating the impact of HIV and AIDS in ZRA include: an HIV and AIDS Policy; Peer Educators' Programmes; a Contributory Scheme for Anti-Retroviral Therapy known as Voluntary Support Scheme (VSS); and a general Medical Scheme for members of staff of ZRA.

By the close of 2014, the membership to the VSS stood at 505 employees out of a workforce of 1,439 representing 35 percent of the total workforce. The number of employees accessing anti-retroviral therapy, under VSS was 81, representing 5.6 percent of the total workforce of ZRA.

<u>Employee Relations</u>

During the period under review, the management-employee relations remained stable and conducive for business.

Trends in Domestic and Global Economic Indicators

Trends in Domestic and Global Economic Indicators

Revenue performance is largely influenced by movements in key economic variables both in the domestic and global economy such GDP, inflation, exchange rate, interest rates and commodity prices.

Gross Domestic Product

In 2014 Zambia's GDP recorded a real growth of 6.0 percent compared to 6.7 percent in 2013.

The economic activities that recorded significant real growth include: Transport, Storage and Communications at 13.2 percent; Financial Intermediaries and Insurance at 13.2 percent; Agriculture, Forestry and Fishing at 6.5 percent; Wholesale and Retail Trade at 6.2 percent, Restaurant, Bars and Hotels 4.0 percent. It is worth noting that growth in the Mining and Quarrying sector declined by 1.4 percent.

The structure of the economy across sectors remained fairly unchanged between 2014 and 2013 as evidenced by the sector contribution to real GDP (See Table 3). Wholesale and Retail Trade and Community, Social and Personal Services sectors were the main drivers of real GDP accounting for 15.6 percent and 17.8 percent, respectively. The Construction sector accounted for 12.7 percent while Mining and Quarrying and Transport, Storage and Communications, each contributed 9.7 percent to real GDP.

Table 3: Growth and Share of Real GDP in 2014 and 2013

KIND OF ECONOMIC ACTIVITY	Percentage growth		Percentage share of real GDP	
	2014	2013	2014	2013
Agriculture, Forestry and Fishing	6.5	(7.4)	8.7	8.7
Mining and Quarrying	(1.4)	5.9	9.7	10.4
Manufacturing	2.3	4.5	7.6	7.9
Electricity, Gas and Water	2.7	5.9	1.8	1.8
Construction	8.5	11.4	12.7	12.4
Wholesale and Retail trade	6.2	5.2	17.8	17.8
Restaurants, Bars and Hotels	4.0	2.2	1.5	1.5
Transport, Storage and Communications	13.2	12.4	9.7	9.1
Financial Intermediaries and Insurance	13.2	12.2	4.9	4.6
Real Estate and Business services	3.1	3.1	6.7	6.9
Community, Social and Personal Services	5.6	12.8	15.6	15.7
Real GDP Growth	**6.0**	**6.7**		

Source: CSO

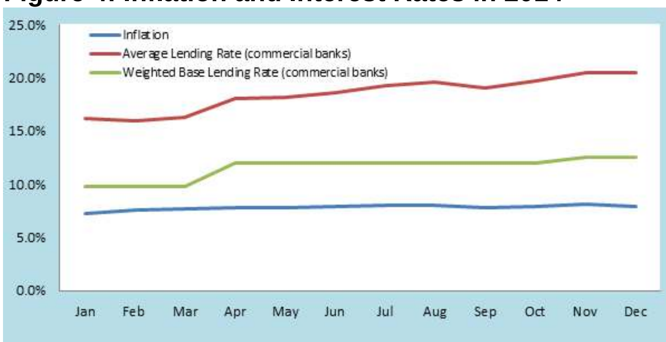
Inflation

In 2014, the average annual inflation rate was maintained within the single digit levels, at 7.8 percent compared to 7.0 percent in 2013. The minimum annualised rate of 7.3 percent was recorded in January whereas the maximum rate of 8.1 percent was posted in November 2014 (See Figure 4). The gradual rise in inflation from the onset of the year was influenced by the increase in prices of some non-food items and was further worsened by the sustained depreciation of the Kwacha exchange rate against major trading currencies.

Interest Rates

In the money markets, commercial banks' lending rates increased to an average of 18.5 percent in 2014 up from 16.0 percent in 2013 (see Figure 4). Similarly, the commercial banks' weighted average lending base rate rose to 11.5 percent in 2014 from 9.5 percent in 2013.

Figure 4: Inflation and Interest Rates in 2014



Source: Bank of Zambia

Exchange Rate

Between January 2014 and December 2014, the Kwacha exchange rate depreciated against the US Dollar by 14.6 percent, with the highest exchange rate of K6.62 per US Dollar being recorded in the month of May. The average exchange rate for the year depreciated to K6.15 per US Dollar from an average of K5.39 per US Dollar in 2013. This development can partially be attributed to the decline of the price of copper, the country's major foreign exchange earner, on the international market. The steep depreciation in the first half of the year was largely a reflection of the pass through effects of the Bank of Zambia (Currency) Regulations SI No. 33 of 2012, and the Bank of Zambia (Monitoring of Balance of Payments) Regulations SI No.55 of 2013, which prohibited the payment and quoting of goods and services in foreign currency, and further empowered the Bank of Zambia to monitor the inflows and outflows of money and also to monitor international transactions, respectively (See Figure 5).

Figure 5: Exchange Rate Movement in 2014

Source: Bank of Zambia

Commodity Prices

Movements in the international prices of copper and crude oil, Zambia's major export and import commodities respectively, tend to affect the direction of key macroeconomic variables such as the exchange rate and inflation.

The price of copper on the international market was generally lower in 2014 compared to 2013. This exerted pressure on the overall balance of trade for Zambia despite the countervailing effect of lower crude oil prices (See Table 4).

As shown in Table 4, the average price of copper in 2014 was US$6, 858.7 per metric tonne compared to US$7,325.3 per metric tonne in 2013, while the price of cobalt increased to an average of US$30, 491.3 per tonne in 2014 from US$26, 561 per tonne in 2013.

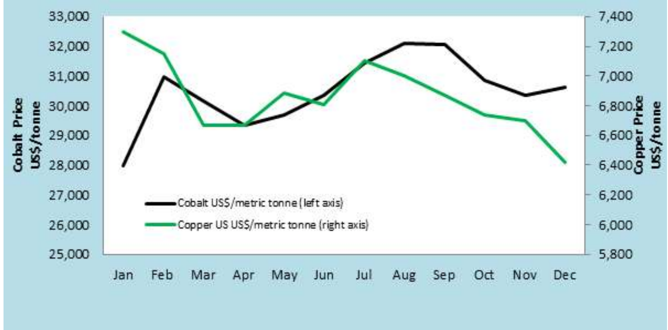
Table 4: Commodity Prices in 2014 and 2013

	Copper US$ per metric tonne		Cobalt US$ per metric tone		Crude oil US$ per barrel	
	2014	2013	2014	2013	2014	2013
Average	6,858.7	7,325.3	30,491.3	26,561.0	96.5	104.3
High	7,293.8	8,069.6	32,102.5	29,545.0	107.2	111.0
Low	6,421.5	6,892.0	27,988.6	23,710.5	61.4	99.7

Source: London Metal Exchange and Bank of Zambia

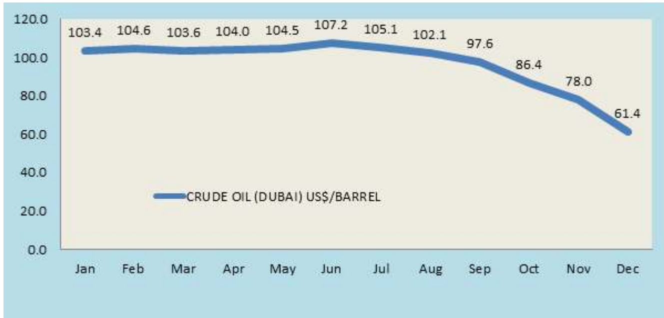
The monthly dynamics in the prices of cobalt indicates that the price tended to steadily fluctuate throughout the year, while that of copper tended to have a downward trend (See Figure 6).

Figure 6: Price of Copper and Cobalt in 2014 (Average monthly prices)



The price of crude oil registered a significant reduction towards the close of 2014 at US $61.4 per barrel (See Figure 7). This had easing effects on the country's inflation, exchange rate and ultimately the balance of payments.

Figure 7: Price of Crude Oil in 2014 (Average monthly price)



Source: Bank of Zambia

Tax Policy Support

Tax Policy Review Committee

One of the key responsibilities of ZRA is to provide advice on tax policy to the Minister responsible for Finance. This is achieved is through ZRA's participation in the Tax Policy Review Committee (TPRC) under the Ministry of Finance, which is responsible for the development and design of tax policy. In addition, ZRA is called upon to provide advice on various tax matters that arise throughout the year.

Provision of Tax Revenue Data and Information

Another major responsibility of ZRA is the provision of statistics on revenue and international trade to the Government and other stakeholders. Statistics have increasingly become critical in policy formulation, planning, implementation, monitoring and evaluation of programmes and projects. In this regard, ZRA provided revenue and trade related statistics to various stakeholders such as Central

Statistical Office (CSO), Ministry of Finance (MoF), Parliament, Bank of Zambia (BoZ), National Pension Scheme Authority (NAPSA), and other private stakeholders and business organisations such as universities and research institutions. Statistical data provided to the Ministry of Finance was mainly in respect of establishing revenue impacts of proposed tax policy changes.

Budget Legislation

In December 2014, Parliament approved the national budget for the fiscal year 1st January 2015 to 31st December 2015, after passing five Bills, containing thirty-one tax measures, which were to become effective from 1st January 2015.

These included fourteen income tax measures; nine customs and excise related measures; seven VAT related measures and one cross-cutting measure. As part of its robust taxpayer education programme, ZRA produced Budget Highlight Pamphlets to explain, in simple language, the measures as contained in the Budget. Both the *Budget Speech* and the *Budget Highlight Pamphlets* were posted on the ZRA Website. Furthermore, educational workshops for various stakeholders across the country were conducted as part of the outreach programme.

Ministerial and Parliamentary Services

In 2014, ZRA interacted with several stakeholders. Principal among these were Ministries, Government agencies and Parliament. The mode of interaction was through the over 1,170 pieces of correspondence received during the year.

Further, ZRA provided Parliamentary briefs directly to Parliament and through the Ministry of Finance. ZRA also responded to the Reports of the Committee on Economic Affairs; Energy and Labour; the Committee on Health; Community Development and Social Services; and the Committee on Education, Science and Technology. In addition, ZRA appeared before the Public Accounts Committee; the Committee on Economic Affairs; Energy and Labour, the Committee on Estimates; the Committee on Lands; Environment and Tourism; and the Expanded Committee on Estimates for the 2015 Budget Estimates.

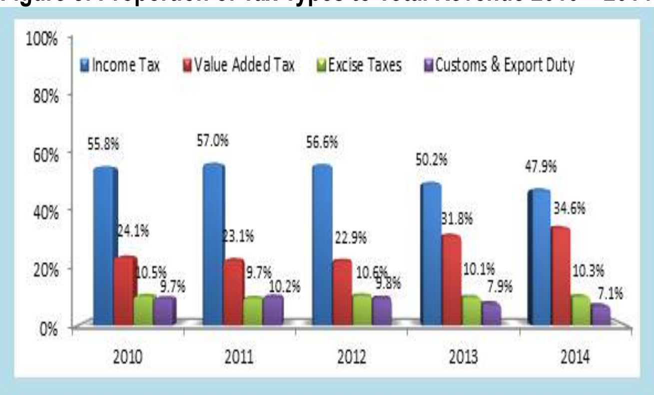
Operational Performance

Review of Revenue Performance

Structure of the revenue system in 2014

Revenue collection in 2014 was primarily dominated by income taxes, with domestic and import VAT also contributing significantly. Income taxes accounted for 47.9 percent of the total tax revenue, representing a 2.1 percentage point reduction compared to 2013. The share of domestic VAT, on the other hand, increased in 2014 by 2.5 percentage points to 11.4 percent. This increase in share was largely buoyed by the reduction in VAT refunds as a result of the enforcement of Rule 18 of the VAT (General) Rules, 1997 which requires, among other things, exporters to produce documentation issued by customs authorities of the country of destination as proof of export before they can qualify for zero-rating status. Excise duties contributed 10.3 percent while customs and export duties collectively contributed 7.1 percent

Figure 8: Proportion of Tax Types to Total Revenue 2010 – 2014



Within the income tax category, company tax accounted for 26.4 percent while PAYE accounted for 48.6 percent of income tax revenues collected. Withholding taxes and mineral royalty accounted for 11.7 percent and 13.4 percent, respectively.

Value Added Tax (VAT) collections comprised both import VAT and Domestic VAT, with the collections being split approximately two thirds to one third respectively. In 2014, the total share of VAT increased by 2.6 percentage points to 34.6 percent from 31.8 percent in 2013.

The customs and export duties category contributed the least to tax revenue collection, accounting for 7.1 percent of total revenue in 2014 compared to 7.9 percent in 2013. The declining contribution of trade taxes to total revenue over time is mainly attributed to the implementation of the various regional trade protocols such as those under SADC and COMESA.

Tax Revenue Performance in 2014

In 2014, ZRA collected total revenue of K27, 631.3 million. This was 3.6 percent above the Parliament target of K26, 675.9 million, and amounted to a surplus of K955.4 million. In 2014 therefore, tax revenue collection increased by K4, 440.5 million in nominal terms from K23, 190.8 million collected in 2013.

The over-performance of tax revenue collection during 2014 was primarily as a result of the strong performance of PAYE collections and continued enforcement of VAT Rule No. 18. PAYE was above the Parliament target by K1, 178.6 million, or 22.5 percent due to, among other factors, increased compliance, while domestic VAT was K2, 752.5 million or 680.3 percent above target.

Despite the over performance recorded during the year, a number of tax types were below target; company tax, withholding tax, mineral royalty, excise duties, import VAT, customs duty and export duty all fell short of their respective targets.

The performance of the individual tax types against the Parliament target during the year under review is discussed below:

Income Taxes

Income tax collections increased nominally in 2014, recovering from the previous year's slump. Despite this increase, income tax collections in 2014 were 4.2 percent below target, having registered K13, 225.1 million against the Parliament target of K13, 798.0 million. Of this amount, K3, 487.8 million was company tax (26.4%), K6, 426.9 million was PAYE (48.6%), K1, 543.6 million was withholding tax (11.7%) and K1, 766.9 million was mineral royalty (13.4%). Figure 9 shows the trend in income tax collections from 2010 to 2014.

Figure 9: Trend in Income Tax Collections, 2010 - 2014 (K' million)

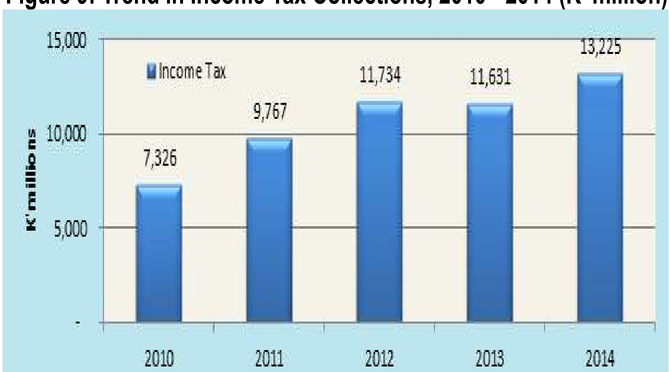


Table 5 presents both ZRA's 2014 revenue performance including the tax to GDP ratios.

Table 5: Tax Revenue Performance in 2014 (K' million)

Tax Types	Actual Outturn	Target	Variance of actual vs target	Percentage variance of target	Percentage of GDP (2010 base)
Total Revenue	**27,631.3**	**26,675.9**	**955.4**	**3.6%**	**16.6%**
I. Tax Revenue	**27,604.2**	**26,642.8**	**961.4**	**3.6%**	**16.6%**
A. Income Taxes	**13,225.1**	**13,798.0**	**(572.9)**	**(4.2)%**	**7.9%**
1. Company Tax	3,487.8	4,723.5	(1,235.8)	(26.2)%	2.1%
Non Mining Company Tax	2,014.3	2,093.8	(79.5)	(3.8)%	1.2%
Mining Company Tax	1,473.5	2,629.7	(1,156.2)	(44.0)%	0.9%
2. PAYE	6,426.9	5,248.3	1,178.6	22.5%	3.9%
3. Withholding Taxes & others	1,543.6	1,583.5	(39.9)	(2.5)%	0.9%
4. Mineral Royalty Tax	1,766.9	2,242.7	(475.8)	(21.2)%	1.1%
B. Excise Taxes	**2,853.9**	**3,113.9**	**(260.0)**	**(8.3)%**	**1.7%**
1. Excise Duties	1,994.3	2,163.8	(169.4)	(7.8)%	1.2%
2. Rural Electrification Levy	45.0	38.0	7.0	18.5%	0.0%
3. Fuel Levy	789.7	861.0	(71.4)	(8.3)%	0.5%
4. Carbon Tax	24.9	51.1	(26.2)	(51.3)%	0.0%
C. VAT on domestic goods	**3,157.1**	**404.6**	**2,752.5**	**680.3%**	**1.9%**
D. Trade taxes	**8,368.1**	**9,326.3**	**(958.3)**	**(10.3)%**	**5.0%**
1. VAT on imports	6,396.6	6,918.3	(521.7)	(7.5)%	3.8%
2. Customs Duty	1,948.9	2,204.6	(255.7)	(11.6)%	1.2%
3. Export Duties	22.6	203.5	(180.9)	(88.9)%	0.0%
Export Duty on Scrap metals	0.2	0.0	0.20	100.0%	0.0%
Export Duty on Cotton seed	0.0	0.0	0.00	0.0%	0.0%
Export Duty on Copper Concentrate	22.4	203.5	(181.1)	(89.0)%	0.0%
II. Non Tax revenue	**27.0**	**33.1**	**(6.0)**	**(18.3)%**	**0.0%**
Motor Vehicle Fees	27.0	33.1	(6.0)	(18.3)%	0.0%

Lower company tax collections were due to reduced mining sector profits, largely on account of the fall in copper prices (on average) on the international market and the accelerated capital allowances claimed in computing taxable profits. Mineral royalty collections were similarly negatively affected. The underperformance of withholding tax was attributed to reduced payments of dividends and interest by key contributors during the year.

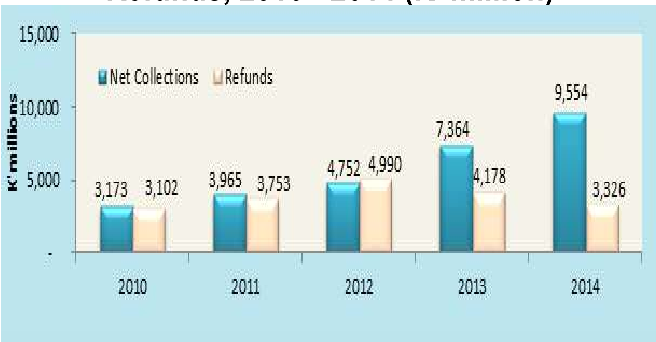
Value Added Tax

In 2014, a total of K9, 553.7 million was collected in both domestic VAT and import VAT against a target of K7, 965.7 million. This collection was K1, 558.0 million or 19.9 percent above target. Out of the total VAT collection, import VAT contributed K6, 396.6 million while domestic VAT contributed K3, 157.1 million.

The good performance of domestic VAT is attributed to increased compliance and the enforcement of Rule 18 of VAT (General) Rules, 1997 (proof of export documentation) which resulted in reduced VAT refund payments. The reduced refunds are also a consequence of enhanced credibility checks on TaxOnline which can now detect invalid claims.

On the other hand, the performance of import VAT was undermined by, amongst other things, the depreciation of the Kwacha against major trading currencies. This adversely affected the import volumes, especially for the top revenue drivers. In addition, some mining companies reduced import volumes due to the effects of non-compliance with Rule 18 of VAT (General) Rules, 1997. The performance of VAT and the associated refunds over the period 2010 to 2014 is depicted in Figure 10.

Figure 10: Trend in VAT Collections and Refunds, 2010 - 2014 (K' million)

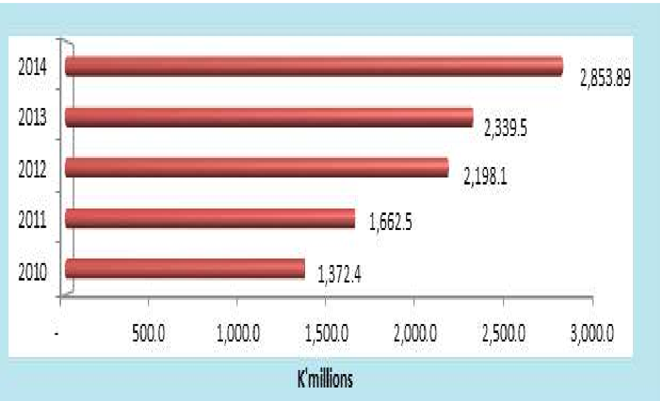


Excise Duties

Excise duty performance was negatively affected by Indeni Oil Refinery's maintenance shutdowns. The shutdown meant that no excise duty was collected on fuel imports as this was imported under rebate compared to local fuel uplifts from Indeni that attract both excise duty and fuel levy.

In addition, reduced imports of some excisable products such as motor vehicles and cigarettes, owing to the depreciation of the Kwacha, undermined the performance of excise duties during the year.

Figure11: Trend in Excise Duty Tax Collections, 2010 - 2014 (K' million)



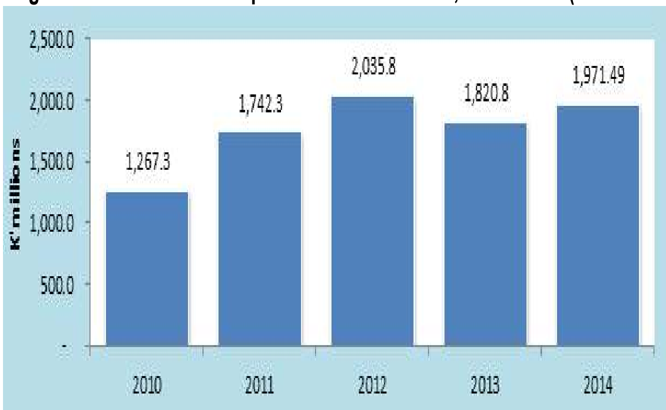
Customs and Export Duties

During the year under review, a total of K1, 971.5 million was collected in customs and export duties against a target of K2, 343.4 million, resulting in a deficit of K371.9 million, or 18.9 percent. Of this collection, 98.9 percent or K1, 948.9 million was customs duty while 1.1 percent, or K22.6 million, was export duty.

The performance of customs duty was dampened by the decline in import volumes of the top revenue drivers due to the depreciation of the Kwacha.

The underperformance of export duty, on the other hand, is attributed to the reduced export of unprocessed ores and concentrates as a result of the amendments introduced under the Customs and Excise (Amendment) Act No. 16 of 2013. These amendments imposed an export duty on a number of other ores, concentrates and unprocessed minerals to promote local value addition. The performance of customs duty and export duty are shown in Figure 12.

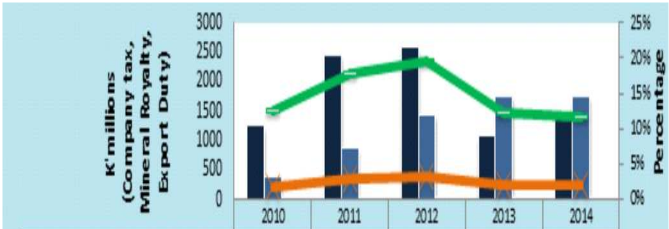
Figure 12: Customs and Export Duties Collections, 2010 - 2014 (K' millions)



Performance of Mining Sector Taxes

Mining tax revenue as a percentage of total tax revenue has seen a steady decline over the last two years. In 2014, the share of total mining tax revenue[4] to total tax revenue marginally declined to 11.8 percent from 12.3 percent in 2013. Mineral royalty contributed the largest amount at K1,766.9 million, followed by company tax at K1,473.5 million. Revenue from exports of copper concentrates was K22.4 million (See Figure 13).

Figure 13: Tax Revenues from the Mining Sector (K' millions)



	2010	2011	2012	2013	2014
Company Tax	1,258.8	2,473.9	2,610.3	1,084.7	1,473.5
Mineral Royalty	392.7	868.0	1,458.6	1,760.7	1,766.9
Export Duty	2.4	1.9	3.5	12.2	22.4
Mining Revenue as % of Tax Revenue	12.6%	17.7%	19.7%	12.3%	11.8%
Mining Revenue as % of GDP	1.7%	2.9%	3.2%	2.0%	2.0%

[4]Mining tax revenue comprises mining company income tax, mineral royalty and export duty.

Contribution of Tax Types to GDP

In 2014, the ratio of total tax revenue to GDP[5] was 16.6 percent, compared to 16.0 percent in 2013. The seemingly low tax to GDP ratio is a result of the rebasing of the GDP to 2010 constant prices.

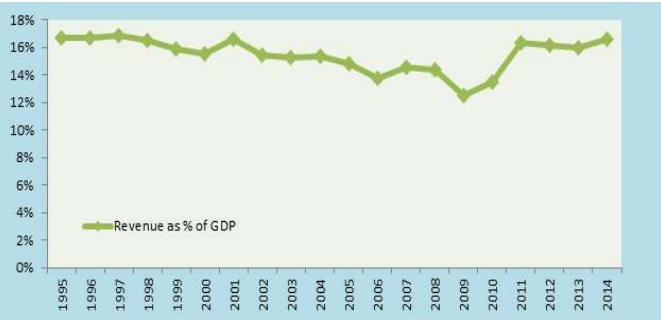
Compared to 2013, the ratio of tax revenue to GDP in 2014 declined marginally for most tax categories. Specifically, the ratio for income taxes declined from 8.0 percent in 2013 to 7.9 percent in 2014, while that for trade taxes also declined from 5.5 percent in 2013 to 5.0 percent in 2014. Similarly, the ratio for PAYE declined from 4.0 percent to 3.9 percent over the same period. However, the ratio for taxes on domestic goods and services increased from 2.4 percent to 3.6 percent (See Table 6).

Table 6: Total Revenue as Share of GDP in 2014 and 2013

Tax Type	Percentage of GDP in 2014	Percentage of GDP in 2013
Income Tax	**7.9%**	**8.0%**
Company Tax	2.1%	2.0%
Pay As You Earn (PAYE)	3.9%	4.0%
Withholding Tax	0.9%	0.9%
Mineral Royalty	1.1%	1.2%
Domestic Goods & Services	**3.6%**	**2.4%**
Excise Duty	1.7%	1.6%
Domestic Value-Added Tax (VAT)	1.9%	0.8%
Trade Taxes	**5.0%**	**5.5%**
Import VAT	3.8%	4.3%
Import Duty	1.2%	1.2%
Export Duty	0.0%	0.0%
Total Revenue as % of GDP	16.6%	16.0%
GDP	166,533.1	144,722.4

The trend of tax revenue to GDP over the last 20 years is depicted in Figure 14. On the basis of the revised GDP series based on the 2010 prices, the tax revenue to GDP ratio over the last 20 years averages 15.5 percent.

Figure 14: Trend in Tax Revenue to GDP ratio 1995-2013



Trend in Collection of individual Tax Types and Total Revenue

Figures 15 to 22 provide an overview of individual tax-type performances as well as total revenue from 1995 to 2014. The figures use a GDP series based on 2010 constant prices. As shown in the figures, it is evidenced that income taxes as a proportion of GDP have largely had an upward trend since the inception of ZRA indicating the responsiveness of the tax system in capturing the growth in income and change in the structure of the economy over the years. Specifically, company income tax and mineral royalty have exhibited upward trends during this period, while PAYE and withholding tax have been fairly stable averaging 4.0 percent and 0.7 percent of GDP, respectively. However, it is observed that the percentage of withholding tax to GDP has significantly increased from 2011 owing to increased enforcement activities.

From 1995 to 2014, the ratio of VAT to GDP remained fairly stable at an average of 4.5 percent with an upwards trend observed from 2010, largely attributable to increased consumption as a result of the rise in income levels in the economy. On the other hand, excise and import duties have exhibited a downward trend mainly due to the impact of trade protocols ratified by Zambia.

The net effect of the increase in income taxes as a ratio of GDP and decline in trade taxes as a proportion of GDP has been the overall tax as a percentage of GDP stabilising at an average of 15.5 percent during the period 1995 to 2014.

The growth in the overall tax system as depicted in Figure 22 shows how the revenue responded positively to growth in the economy and inflation.

Figure 15: Company Income Tax as Percentage of GDP, 1995 – 2014

[5]The tax revenue to GDP ratio indicates the responsiveness of tax collections to economic growth.

Figure 16: Pay As You Earn as Percentage of GDP, 1995 – 2014

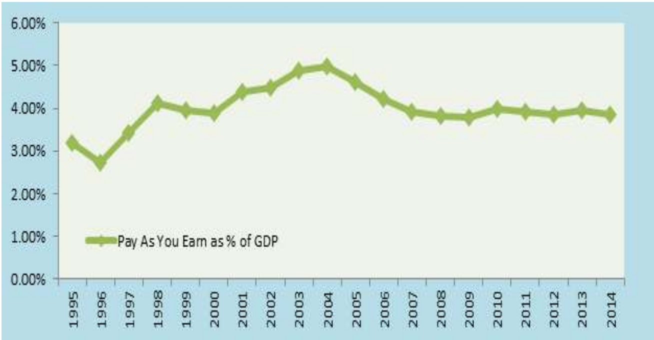


Figure 17: Withholding Tax as Percentage of GDP, 1995 – 2014

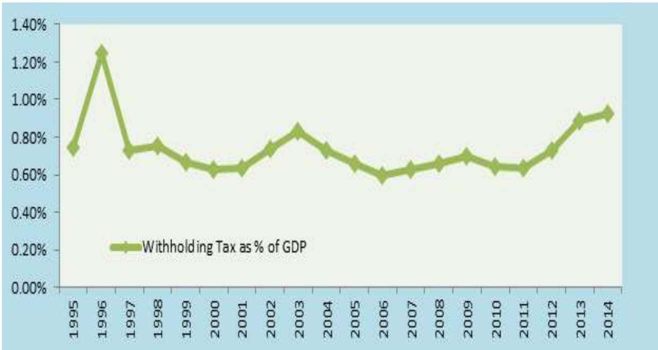


Figure 18: Value Added Tax as Percentage of GDP, 1995 – 2014

Figure 19: Mineral Royalty as Percentage of GDP, 1995 – 2014

Figure 20: Excise Duties as Percentage of GDP, 1995 – 2014

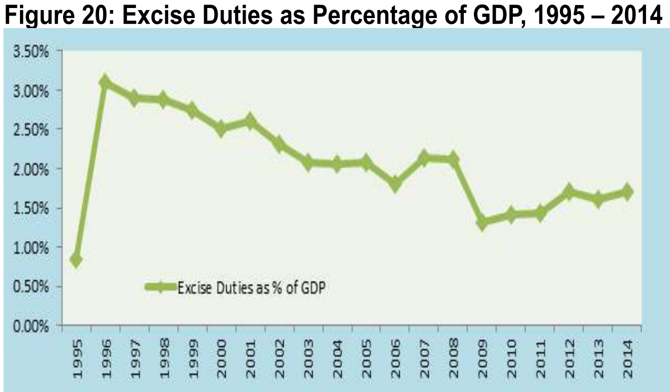


Figure 21: Import Tariffs as Percentage of GDP, 1995 – 2014

Figure 22: Tax Revenue (K' millions) 1995 – 2014

Performance of Operating Divisions and Corporate Initiatives

Customs Services Division

In 2014, ZRA continued to pursue strategies aimed at facilitating trade by improving the management and processing of customs declarations and risk management and profiling.

Customs Declarations

The customs registration to assessment conversion ratio indicates the volume of declared customs registrations that reach the assessment stage of the revenue collection process. In the review period, 98.9 percent of the total transactions were assessed compared to 98.6 percent in 2013. This increase can be attributed to the improved ICT infrastructure through the connection of major stations with optic fibre, as well as the increased staff numbers. This improvement is despite the volume of entries increasing during the year (See Table 7 and Figure 23).

Table 7: Registration to Assessment Conversion Ratio for all Transactions 2014 and 2013

Year	Assessed	Registered but not assessed	Total	Percentage assessed	Percentage registered but not assessed
2014	712,940	7,706	**720,646**	98.9%	1.1%
2013	697,143	9,892	**707,035**	98.6%	1.4%

Figure 23: Import and Export Entries 2014 and 2013

Duty Drawback Scheme

In line with the Government Policy of making exports competitive, ZRA administers a Duty Drawback Scheme that enables local manufacturers to claim back a proportion of duties paid on inputs used in the manufacture of exported goods. ZRA also administers other customs refunds arising from claims on import and export transactions.

Between 2013 and 2014, the number of duty drawback applications increased by 37.9 percent, while the value of claims decreased by 18.6 percent. Furthermore, the number of general refund claims decreased by 18 percent with a corresponding reduction in the value of refund claims of 30.6 percent (See Table 8).

Table 8: Number, Value of Duty Drawback Applications and General Refunds in 2014 and 2013

	2014	2013	Percentage Variance
Duty Drawback Refunds:			
Number of applications	484	351	37.9%
Value of applications (K' mn)	88.8	109.0	(18.6)%
Value of processed applications (K' mn)	80.0	97.1	(17.6)%
Value of payments (K' mn)	65.8	79.3	(17.0)%
General Refunds:			
Number of claims	314	383	(18.0)%
Value of claims (K' mn)	13.0	18.8	(30.6)%
Value of processed claims (K' mn)	13.1	18.8	(30.5)%
Value of payments (K' mn)	13.1	14.5	(9.9)%

Direct Import and Export Declarations

The number of import entries declined by 4.8 percent in 2014 from 328, 140 in 2013 to 312,468 entries, while the Value for Duty Purposes (VDP) increased by 26.9 percent. However, the number of export entries lodged registered an increase of 7.6 percent from 122,297 entries in 2013 to 131,609 entries in 2014, while the VDP reduced by 31.6 percent over the same period (See Table 9).

Table 9: Entries of Permanent Imports and Permanent Exports in 2014 and 2013

	2014	2013	Percentage Variance
Number of Import Entries Lodged	312,468	328,140	(4.8)%
Value of Import Entries Lodged (K million)	117,163.1	92,333.0	26.9%
Number of Export Entries Lodged	131,609	122,297	7.6%
Value of Export Entries Lodged (K million)	63,687.7	93,160.0	(31.6)%

NB: Data does not include transactions processed under ASYCUDAWorld

Processing Efficiency

Processing efficiency, measured as the actual revenue collected[6] against the potential revenue, was recorded at 95.8 percent in 2014, as compared to 95.9 percent in 2013. Specifically, the potential revenue in the period under review amounted to K10, 953.6 million out of which K10, 487.8 million was collected. A further K326.2 million, or 3.0 percent, was registered and assessed but not paid, while K139.5 million, or 1.3 percent, was not assessed and therefore not collected.

[6] This is the revenue as captured on ASYCUDA++

The occasional ASYCUDA++ connectivity failures that occurred in some of the stations in 2014 affected processing efficiency and ultimately the collection of additional revenue (See Table 10).

Table 10: Processing Efficiency in Tax Yield from all Taxable Transactions in 2014 and 2013 (K 'million)

Year	Un-assessed taxes	Registered but not assessed	Registered, assessed and paid	Total collectable amount	Percentage un-assessed	Percentage unpaid	Percentage receipted
2014	139.5	326.2	10,487.8	**10,953.6**	1.27%	2.98%	95.75%
2013	288.1	145.9	10,100.3	**10,534.2**	2.73%	1.38%	95.88%

Risk Profiling Analysis

In 2014, ZRA continued to apply risk management techniques in the processing of imports and exports. This enables ZRA to select entry declarations for different levels of scrutiny and hence allows for the effective and efficient utilization of resources.

Domestic Taxes Division

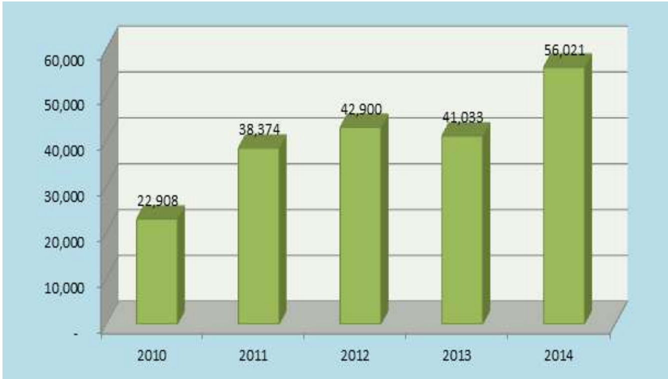
The Zambia Revenue Authority operates a self-assessment system for all domestic taxes. This system operates on the premise that taxpayers are more likely to comply voluntarily when ZRA adopts a service-oriented attitude towards taxpayers, and educates and assists them in meeting their obligations. It is also the most cost effective systems of collecting taxes as it induces the majority of taxpayers to meet their obligations of registering for taxes, filing returns on time and finally paying voluntarily thus releasing resources for enforcement and to monitor non-compliance.

In light of this, a supportive legislative framework, a robust tax registration and taxpayer service, return filing and processing, an effective debt management mechanism, risk profiling, an efficient appellant system and tax audits are critical in the administration of a self- assessment system. These components are important as they guide the design of the system into an effective one that carters for the needs of the different taxpayer segments.

Tax Registration

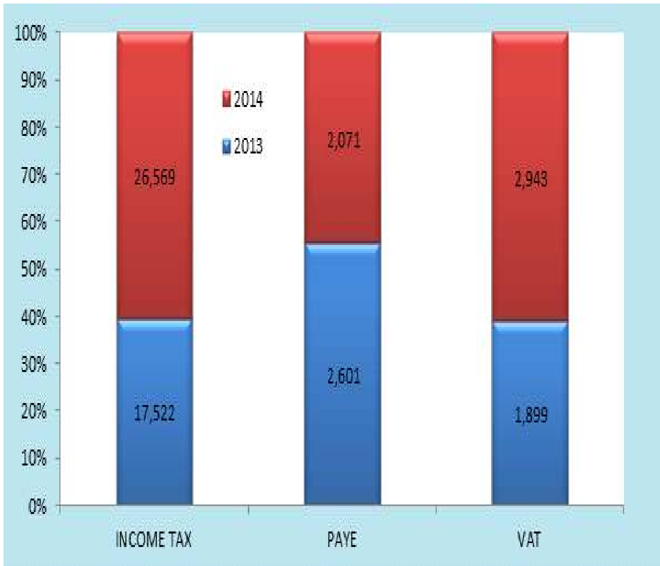
During the year under review, ZRA continued with its tax registration activity. In this regard, a total of 56,021 Taxpayer Identification Numbers (TPIN) were issued during the year compared to 41, 033 issued in 2013 (See Figure 24).

Figure 24: Number of TPIN Registrations 2010-2014



Taxpayers were also registered in various tax types during the year under review. A total of 26,569 taxpayers were registered for various income taxes in 2014 compared to 17,522 registered in 2013 while 2,071 taxpayers where registered for PAYE compared to 2,610 in 2013. Meanwhile, 2,943 taxpayers were registered for VAT compared to 1,899 registered in 2013 (See Figure 25).

Figure 25: Registrations by Tax Type in 2013 and 2014



Return Filing

The total number of active registered taxpayers[7] under respective tax types during the year under review stood at 159, 525 compared to 134,133 in 2013. The number of active taxpayers under income tax, PAYE, and VAT was recorded at 125, 601; 22,190; and 11,734 respectively compared to 95,513; 24,399; and 14,221 respectively, in 2013.

In 2014, ZRA received 180,392 tax returns compared to 119,283 tax returns in 2013, representing an increase of 51.4 percent. The increase in the number of tax returns filed across all

[7]Active registered taxpayers are those that either: corresponded regularly with ZRA; submitted at least one return during the year; applied for a Tax Clearance Certificate; made any payment towards a tax return or audit assessment; or was captured through compliance activities carried out by ZRA. The Income tax population includes Turnover Tax registrations.

tax types was significant under PAYE and Withholding Tax. The increase in PAYE returns was due to the change in legislation requiring the filing of the PAYE return from annual to monthly basis.

The number of income tax returns submitted in 2014 decreased to 3,827 from 5,805 returns in 2013 representing a decrease of 34.1 percent. A total of 8,454 PAYE refund applications were received compared to 14, 685 received in 2013 representing a decrease of 42.4 percent. In monetary terms, K20.7 million was refunded in PAYE compared to K29.3 million refunded in 2013. Twenty applications for income tax refunds amounting to K8.1 million were processed during the year (See Table11).

Table 11: PAYE Refunds

	2014	2013
Number of returns submitted:		
Company tax	3,827	5,805
Individuals	676	2,115
PAYE for individuals	78,708	5,659
Withholding tax	22,725	11,602
Property Transfer Tax	1,204	4,484
Mineral Royalty	1,252	1,302
Total number of returns submitted	**108,392**	**30,967**
Number of refund applications:		
PAYE for individuals	8,454	14, 685
Income Tax	20	33
Value of refunds paid (K' million):		
PAYE for in dividuals	20.7	29.3
Income Tax	8.1	17.6

With regard to VAT returns, the number submitted in 2014 decreased to 72,279 from 88,316 in 2013 representing a decrease of 18.1 percent. There was a significant reduction in the number of nil VAT returns submitted to 21,132 from 33,077 recorded in 2013 representing a reduction of 36.1 percent while payment returns at 9.7 percent recorded a minimal reduction as was the case with repayment returns (see Table 12).

For VAT refunds, 4,672 refunds were processed out of 8, 536 applications, representing a processing efficiency of 54.7 percent compared to 2013 when 7,003 refunds were processed out of 8,027 applications, representing a processing efficiency of 87.2 percent. Despite the number of VAT refunds processed reducing significantly compared to 2013, the decrease in the value of refunds was minimal with the 2014 refunds being K3,326.25 million compared to K3,697.60 million in 2013 (See Table 12).

Table 12: VAT Return Statistics

	2014	2013
Number of returns submitted:		
Payment returns	42,611	47,212
Nil returns	21,132	33,077
Repayment (claims) returns	8,536	8,027
Total	**72,279**	**88,316**
Value of returns submitted (K' million):		
Payment returns	7,032,144,296	
Nil returns	0	0
Repayment (claims) returns	6,867.5	(6,081.9)
Number of Refund Applications:		
Number of Refund Applications	8,536	8,027
Number of Refunds Processed	4,672	7,003
Value of Refunds Paid (K' million)	3,326.3	(3,697.6)

Domestic Tax Audit Performance

Tax audit is one of the key enforcement tools ZRA uses in ensuring that there is compliance to the tax laws of the country. An effective tax audit system is cardinal in improving voluntary compliance and consequently revenue collection. Table 13 depicts the number of audits conducted and the value of associated taxes collected in 2014. The number of audits refers to audits conducted against the various tax types, while the value of audits refers to both total taxes collected and deferred taxes against these tax types

The number of audits conducted increased by 26.9 percent from 6,593 in 2013 to 8,366 in 2014. More of VAT audits were conducted in both the Large Taxpayer Office (LTO) and Medium Taxpayer Office (MTO) than for small taxpayers. The Medium Taxpayer Office (MTO) conducted the largest number (5,030) of audits, representing 60 percent of the audits conducted during the year. With respect to the mining sector, a total of 184 audits were conducted in 2014, yielding K1, 013.3 million in taxes out of which K172.6 million was deferred tax (See Table 13).

Table 13: Number of Audits and Tax Collected in 2014

Type of Audit	Number of Audits	Tax collected (K' Million)	Deferred (K' Million)	Total (K' Million)	Penalties (K' Million)
Large Tax Office: Mining					
Income tax	28	462.7	107.9	570.6	229.6
PAYE	17	47.0	0.0	47.0	22.7
VAT	102	36.5	0.4	36.9	4.7
Integrated[8]	37	294.6	64.3	358.8	89.8
Sub Total	**184**	**840.7**	**172.6**	**1,013.3**	**346.7**
Large Tax Office: Non-Mining					
Income tax	15	3.0	0.2	3.2	1.8
PAYE	26	1.0	0.0	1.0	3.1
VAT	253	50.3	17.1	67.4	5.0
Integrated	62	160.3	123.2	283.5	254.7
Sub Total	**356**	**214.7**	**140.5**	**355.1**	**264.6**
Medium Tax Office					
Income tax	11	0.0	0.0	0.0	0.0
PAYE	50	16.4	0.0	16.4	188.5
VAT	4,523	149.8	62.8	212.6	3.1
Integrated	446	33.2	0.8	34.0	19.9
Sub Total	**5,030**	**199.4**	**63.6**	**263.1**	**211.5**
Small Tax Office					
Income tax	2,409	3.7	0.0	3.7	3.2
PAYE	55	9.8	0.0	9.8	4.8
VAT	0	0.0	0.0	0.0	0.0
Integrated	332	8.3	0.0	8.3	0.0
Sub Total	2,796	21.8	0.0	21.8	7.9
Grand Total	8,366	1,276.6	376.7	1,653.2	828.9

In terms of value, a total of K1, 653.2 million in taxes was assessed out of which K1, 368.4 million, K263.1 million and K21.8 million, was from the LTO, MTO and STO, respectively. A total of K374.7 million of the assessed amounts was deferred tax while the collectable amount was K1, 276.6 million. The amount assessed in 2014 was much lower than in 2013 largely on account of lower VAT Rule 18 back taxes assessed in 2014 than in 2013. Furthermore, ZRA charged penalties amounting to K828.9 million in the same period for the non-compliance of tax regulations. The bulk of the penalties were attributable to the LTO, accounting for 73.5 percent of the total.

Compliance Initiatives that Support Revenue Collection

Enhancing tax compliance remained a key activity of ZRA in 2014. Compliance initiatives undertaken during the year included:

- organising recommendations under the SME Taxation Strategy in collaboration with GIZ, by conducting a sector tax potential assessment and identifying subsectors for taxation prioritisation.
- undertaking cost of compliance studies for all the segments of taxpayers in the Domestic Taxes Division, that is, LTO, MTO and STO, and a baseline study for Customs Services based on taxpayer experiences with Tax*Online* and ASYCUDAWorld Tax Systems.
- undertaking a property taxation study in conjunction with the International Growth Centre (IGC) aimed at exploring strategies for using property taxation to broaden the tax base.

Debt Management

The total debt stock as at the end of 2014 amounted to K15, 903.9 million, out of which domestic taxes debt accounted for K15, 692.8 million or 98.7 percent while customs and excise debt accounted for K211.1 million or 1.3 percent. Between 2013 and 2014, the total debt stock rose by 85.3 percent, which was largely driven by increased accumulation of debt under domestic VAT (See Table 14A).

Table 14A: Total Debt Stock, 2010-2014

	2010	2011	2012	2013	2014
Total Debt, K' Million	3,464.0	4,880.0	5,667.9	8,582.1	15,903.9
Domestic Taxes Debt	3,455.4	4,849.5	5,611.8	8,496.6	15, 692.8
Customs and Excise Debt	8.6	30.5	56.1	85.5	211.1
Domestic Taxes Debt (% of Total)	99.8%	99.4%	99.0%	99.0%	98.7%
Customs and Excise Debt (% of Total)	0.2%	0.6%	1.0%	1.0%	1.3%

The total domestic taxes debt stock as at the end of 2014 was K15, 692.8 million representing an increase of 84.7 percent from the 2013 stock of K8, 496.6 million. The largest share of the 2014 debt stock was under domestic VAT at K11, 357.2 million followed by company tax at K3, 625.5 million. PAYE, Turnover tax and mineral royalty accounted for K473.4 million, K75.9 million and K133.8 million of the debt stock, respectively (See Table 14B).

Table 14B: Trend in Domestic Debt Accumulation, 2010 - 2014 (K' millions)

Tax Type	2010	2011	2012	2013	2014
Company Tax	717.0	949.4	3,319.1	5,813.0	3,652.5
Back Duty	17.0	-	-	287.2	
Self Employed (Turnover Tax)	123.0	11.1	-	812.8	75.9
PAYE	490.7	1,786.1	1,605.0	641.4	473.4
Domestic VAT	2,107.0	2,049.6	687.7	901.9	11, 357.2
Mineral Royalty	0.7	53.3	0.0	40.3	133.8
Total	**3,455.4**	**4,849.5**	**5,611.8**	**8,496.6**	**15, 692.8**

[8]Integrated audits are audits where all tax types are audited in one audit assignment

The total outstanding customs and excise debt as at the end of 2014 was K211.1 million. Between 2013 and 2014, the debt stock increased by 146.9 percent from K85.5 million in 2013 to K211.1 million, in 2014 (See Table 14C).

Table 14C: Trend in Customs and Excise Debt Accumulation, 2010 - 2014 (K' millions)

Tax Type	2010	2011	2012	2013	2014
Customs Duty	2.9	6.7	11.3	15.7	45.4
Advance Income Tax	0.4	0.5	0.9	1.2	2.1
Excise Duty	1.1	10	21.4	26.9	44.8
Fuel Levy	0.2	3.1	3.5	7.8	23
Export Duty	0	0	0	0	0.2
Motor Vehicle Fee	0	0	0.2	0.8	1.4
Carbon Emission Surtax	0	0	0.1	0.3	0.5
Import VAT	4	10.2	18.7	32.8	93.7
Total Debt	**8.6**	**30.5**	**56.1**	**85.5**	**211.1**

Taxpayer Education and Advisory Services

In line with the Taxpayer Education Strategy, ZRA engaged in strengthening stakeholder relations by meeting various associations such as the Zambia Association of Chambers of Commerce and Industries (ZACCI), Zambia Institute of Chartered Accountants (ZICA), Government Ministries and Institutions, Zambia Institute of Estate Agents (ZIEA), International Labour Organization (ILO) in collaboration with the Zambia Federation of Employers (ZFE), Computer Society of Zambia (CSZ), the Media, the Chamber of Mines of Zambia and Zambia Information & Communication Technology Authority (ZICTA).

Alongside the workshops, tax clinics were held for various categories of taxpayers on e-services offered through TaxOnline and ASYCUDAWorld to enable them to be more conversant with the Systems. In addition, ZRA held lectures targeted at students in various institutions of learning to assist them appreciate and understand taxation.

Further, ZRA fully participated in all national and in some provincial Trade and Agricultural Shows where taxpayer education, in relation to e-services, was conducted. On-site taxpayer registration was also undertaken. In addition, ZRA used both print and electronic media to provide tax information to taxpayers. Furthermore, ZRA ran educational programmes on both national and community radio stations with the radio programmes receiving overwhelming response.

Another facility that was highly utilised to interact with taxpayers was the email based advisory service. The Call Centre was equally effective in providing advisory services to taxpayers. The Call Centre has received overwhelming response since the roll out of TaxOnline and ASYCUDAWorld.

The ZRA Website which is also one of the tools used for taxpayer education received a new face during the year, enabling taxpayers to access e-services and download tax information and other related documents.

A total of 204 outreach programmes were undertaken using various methods during the year as indicated in Table 15 below.

Table 15: Number of Taxpayer Outreach Programmes in 2014

Outreach Activity	Number conducted
Lectures	21
Tax presentations to stakeholders	62
Tax clinics	24
Radio programmes	52
Door to door campaigns	45
Total	**204**

In 2014, a total of 78,936 taxpayers contacted ZRA through the Advice Centre for the purpose of seeking clarification and other services on tax matters compared to a total of 92, 976 in 2013. The modes of contact were: walk-ins, telephone, email and letters. As depicted in Figure 26, the majority of taxpayers sought services in person, followed by those who used telephones and emails. The use of letters was the least used mode of contact.

Figure 26: Taxpayer Contact with Advice Centre in 2014

The use of the telephone, as a means of interacting with ZRA, has become popular due to the commissioning of the Call Centre and the launch of the two on-line Systems which resulted in a number of taxpayers seeking clarifications on the operations of the systems.

Non-Compliance and Prosecutions

During the year, ZRA stepped up its compliance initiatives, monitoring transactions and activities of all taxpayers at all times. Where non-compliance was established, thorough investigations were conducted leading to prosecution in some cases.

Mobile Compliance Enforcement Activities

In 2014, the Mobile Compliance Unit (MCU) undertook various enforcement activities. The number of interceptions during the year was 1, 448, representing a 29 percent increase from the previous year. Similarly, the value of these interceptions increased by 6 percent to K269 million in 2014 from K251 million in 2013. However, the total revenue collected declined by 20 percent to K5.1 million in 2014 from K6.4 million in 2013 .The majority of cases handled by the MCU in 2014 related to under-valuation, under-declaration, wrong tariff classification, forgery and smuggling of various commodities including liquor, timber and motor vehicles. The Unit also accelerated the resolution of old cases.

Investigations

The Investigations Department, which is responsible for investigations and prosecutions, continued to partner with other law enforcement agencies such as the Zambia Police, the Anti-Corruption Commission and the Drug Enforcement Commission to improve the quality of investigations on tax-related offences. The Department handled a total of 227 criminal cases, compared to 57 in 2013, representing an increase of 298 percent over the period. Of these cases, 183 were settled administratively, while 44 were prosecuted.

Managing Public Confidence

Managing Public Confidence

Professional Excellence and Staff Integrity

In 2014, the ZRA Integrity Committee conducted awareness workshops for staff in 13 stations, and also for various stakeholders. The stakeholders were sensitised on various integrity programmes being implemented by ZRA and ZRA's stance of a "Zero Tolerance for Corruption". Three integrity awareness workshops for stakeholders were conducted in collaboration with the Department of Immigration, the Road Transport and Safety Agency (RTSA), Zambia Bureau of Standards (ZABS), Zambia Police Service and the Anti-Corruption Commission (ACC). The workshops were held in Livingstone, Nakonde and Sesheke.

Further, nine integrity awareness meetings were held with Clearing Agents to acknowledge their pivotal role in Government revenue collection and facilitating international trade. The meetings were also aimed at highlighting ZRA's efforts in promoting integrity within and to those who do business with ZRA. The meetings were held at Chirundu, Lusaka Port, Kariba, Kasumbalesa, Kazungula, KKIA, Kitwe, Nakonde, and Ndola.

In addition, ZRA has in place the Taxpayer Charter which provides a platform for measuring service delivery. The Charter is a public document and is evaluated publicly through quarterly reports which are published in the national media.

Minimising Compliance Costs

During the year under review, ZRA conducted cost of compliance surveys for all the taxpayer segments in the Domestic Taxes and Custom Services Divisions. The purpose of the surveys was threefold: establish the cost of compliance; uncover challenges that taxpayers face with the recently launched TaxOnline and ASYCUDAWorld systems; and to gather taxpayer perceptions on service delivery. The findings of the surveys will assist in developing strategies aimed at reducing the cost of compliance which in turn is intended to improve voluntary compliance.

Corporate Governance

Corporate Governance

In 2014, ZRA finalised the streamlining of its corporate governance structure using its risk management framework. This was done with the aim of instilling public confidence and gaining the trust of stakeholders. The Corporate Governance Policy was revised.

The Corporate Strategic Plan

The ZRA has in place the Corporate Strategic Plan (CSP) which specifies the organisation's strategic direction. The CSP, with a life span of three years, enables the Authority to realise its strategic vision.

The CSP 2013-2015 was revised in December 2014 for better alignment with the Government's Medium Term Expenditure Framework (MTEF), with new corporate actions being added. These actions related to the implementation of the Public Financial Management Reform Program (PFMRP) and also the implementation of new projects and additional enforcement activities, such as creating a multidisciplinary task force to curb smuggling and tax evasion.

As a way of operationalising the CSP, Divisions and Departments develop Annual Action Plans which provide activities that form the basis on which resource allocation is done. The Annual Action Plans are monitored on a monthly and quarterly basis, with reports also submitted to the Governing Board.

In the year under review, ZRA fully implemented 26.1 percent of the planned corporate actions, while 73.9 percent were partially implemented (see Figures 27A and 27B).

Figure 27B depicts the implementation status of the four Strategic Objectives (SOs) during 2014. Strategic Objective No. 4 (to develop and improve infrastructure) had the highest number of actions that were fully implemented at 67 percent, followed by Strategic Objective No. 3 (to enhance professionalism and productivity of the workforce) at 25 percent and Strategic Objective No. 2 (to enhance operational efficiency and service delivery), at 22 percent. Meanwhile, Strategic Objective No. 1 (to optimise revenue collection) had its planned actions partially implemented.

It must be noted however that despite exceeding the Parliament target in 2014, SO1 is still partially implemented because there are other corporate actions related to revenue optimisation which will be ongoing until full implementation is achieved. This

Figure 27A:Implementation of the Corporate Strategic Plan

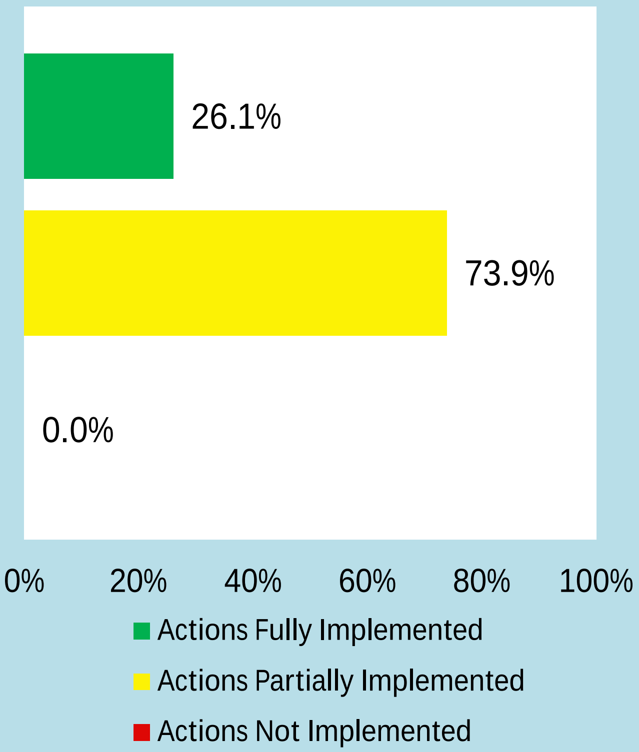
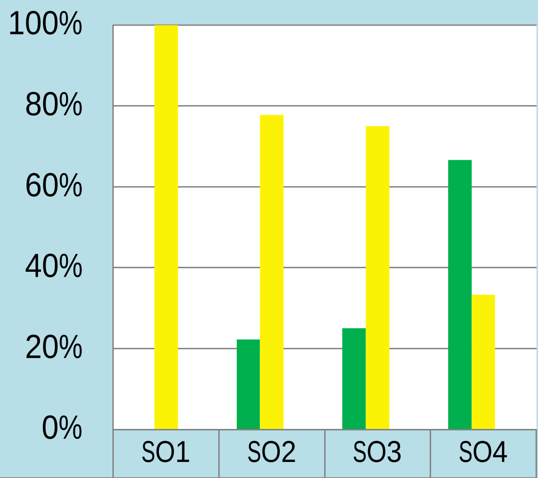


Figure 27B:Implementation by Strategic Objective



	SO1	SO2	SO3	SO4
Actions Fully Implemented	0%	22%	25%	67%
Actions Partially Implemented	100%	78%	75%	33%
Actions Not Implemented	0%	0%	0%	0%

also applies to all the other SOs where the implementation period extends beyond 2014.

Divisional and Departmental Functions

The core functions of ZRA are carried out by the Customs Services Division and the Domestic Taxes Division, both of which are classified as the operating divisions. These operating divisions are supported by the following Divisions and Departments: the Corporate Services Division; the Finance Division; the Human Resource Department; the Research and Planning Department; the Project Management Department; the Internal Audit Department; the Investigations Department; the Information Technology Department and the Internal Affairs Unit.
Below is a summary of the functions of all the Divisions and Departments.

Customs Services Division

The Division is responsible for charging, collecting, and managing customs, excise and other duties as mandated by the Customs and Excise Act, Chapter 322 of the Laws of Zambia. Core functions also include: licensing and controlling warehouses and premises for the manufacture of certain goods; and prohibition of imports and exports in line with the Control of Goods Act – Chapter 421 of the Laws of Zambia; and overseeing the development and ratification of customs and trade agreements with other countries.

Domestic Taxes Division

The Domestic Taxes Division administers and collects all domestic taxes, with the exception of domestic excise duty, which is collected by the Customs Services Division. The Division administers a number of Acts. These include the Income Tax Act, Chapter 323 of the Laws of Zambia; the Value Added Tax Act, Chapter 331 of the Laws of Zambia; and the Property Transfer Tax Act, Chapter 340 of the Laws of Zambia. The Division also collects mineral royalties, as authorised under the Mines and Minerals Development Act, No. 7 of 2008.

Corporate Services Division

The Corporate Services Division carries out the central corporate functions for ZRA. These functions include Board Secretarial functions, legal affairs, administrative issues and other support services such as fleet management and security, maintenance and development of infrastructure, procurement, and stores management.

Finance Division

The Finance Division manages the accounting and treasury functions within ZRA. The accounting function of the Finance Division involves management of operational funds, while the Treasury function of the Division involves the receipting and accounting for Government revenue and controlling the flow of revenue between ZRA, the commercial banks and the Bank of Zambia.

Human Resource Department

The Human Resource Department has strategic and policy oversight on all aspects of human resource management in ZRA, with the objective of maximising the value and productivity of its staff. The Department also implements the Human Resource function which includes staff development, compensation, staff welfare, and payroll, amongst other things.

Research and Planning Department

The Research and Planning Department is responsible for research, tax policy coordination between the Ministry of Finance and ZRA, coordinating taxpayer education programmes and managing corporate communications. The Department is also responsible for the development and implementation of business continuity planning and facilitating risk management practices, as well as monitoring and reporting on organisational performance.

Internal Audit Department

The Internal Audit Department provides assurance to management and the Audit Committee of the Governing Board on the effectiveness and reliability of internal control, risk management and governance processes within the Authority. In addition, the Department is responsible for continuously evaluating the efficiency, effectiveness and economical use of resources in the Authority's business operations, projects and programmes as well as ensuring that its assets are safeguarded.

The Department follows up and assesses, on a regular basis, the level of implementation of its various recommendations agreed in prior audit reports and also coordinates the resolution of queries and implementation of recommendations from external audit functions such as the Auditor General's Office.

Project Management Department

The Project Management Department drives efficiency and effectiveness in project implementation within ZRA. It is the custodian of the Project Management Framework, and provides expertise for specific projects' needs. It is the project coordination and management hub within ZRA, acting as the epicentre for project templates, tools, frameworks, documents and expertise within ZRA.

Information Technology Department

The Information Technology Department implements ZRA's ICT strategies. This includes the development of new systems and the provision of day-to-day support for ICT infrastructure and services. The Department also assists in strengthening existing information systems and coordinates the integration of business systems. Furthermore, the Department facilitates interfaces with external stakeholders and is responsible for modernising communication systems.

Investigations Department

The Investigations Department investigates tax offences under various tax laws. These include the Customs and Excise Act Chapter 322, the Income Tax Act Chapter 323, the Value Added Tax Act Chapter 331 of the Laws of Zambia and other related Acts. The Department employs intelligence leads and random and risk based enforcement operations. Its final goal is to prosecute offenders, thus enhance tax compliance.

Internal Affairs Unit

The Internal Affairs Unit investigates cases of corruption, fraud, and other malpractices involving ZRA employees. The key purpose of this is to preserve the corporate integrity of ZRA. The Unit often works with other Government entities, such as the Zambia Police Service, the Drug Enforcement Commission, and the Anti-Corruption Commission.

Internal and External Scrutiny

Internal Scrutiny

Internal Audit

During the year, the Internal Audit Department undertook 45 process audits and 7 special reviews, out of which 18 process audits and 7 special reviews were finalised and submitted to the Audit Committee of the Governing Board. Twenty-five audits were at draft report stage or awaiting comments from client Divisions and Departments within ZRA. In addition, the Department finalised 19 audits carried forward from 2013, bringing the total number of reports tabled before the Audit Committee in 2014 to 37 (See Table 16).

Table 16: Audits and Investigations Undertaken in 2014 and 2013

Audits and Investigations	2014	2013
Number of process audits	45	54
Number of process audits finalised	18	30
Number of special reviews and investigations undertaken	7	1
Number of special reviews and investigations finalised	7	0
Number of 2013 Audits finalised in 2014	19	31

Internal Affairs

During the year, the Internal Affairs Unit recorded 68 cases of fraud and misconduct compared to 57 in 2013 (See Table 17).

Table 17: Cases of Fraud and Misconduct by Employees in 2014 and 2013

Type of offence	2014	2013
Fraud	27	13
Breach of Code of Conduct	9	06
Theft	2	00
Bribery	11	21
Abetting smuggling	14	05
Other	5	12
Total cases investigated	**68**	**57**

The Unit investigated more cases in 2014, largely on account of improved intelligence strategy, which led to improved liaison with other law enforcement agencies and exchange of intelligence information and capacity building of staff.

The leading cases of misconduct were those of gross negligence, dishonest conduct, failure to follow procedures and negligence of duty.

Out of the total cases recorded in 2014; 31 cases were taken for disciplinary hearings and determined; 19 cases resulted in dismissals; five in written warnings; three were still pending ruling/decision by the Disciplinary Committee while four resulted in acquittals. Six cases were concluded and were yet to be tabled for disciplinary hearings.

A further 15 cases were referred to operating divisions and Investigations Department for the collection of taxes, de-registration, blocking of TPIN or suspension of Clearing Agents licences. The Unit also made 11 recommendations for the prosecution of erring officers and Customs Clearing agents. In addition, the Unit conducted two sting operations.

Staff Integrity

The Integrity Committee continued to receive client feedback through its Secretariat. This was by way of letters, email, telephone and suggestion boxes placed at various ZRA stations (See Table 18).

Table 18: Number of Complaints and Comments Received by ZRAIC

Year	Complaints	Comments	Total
2014	27	36	63
2013	29	39	68

During the year under review, the number of comments and complaints reduced to 63 from 68 in 2013, representing a reduction of 7.4 percent.

Nature of Taxpayer Comments and Complaints in 2014

Table 19: Nature of Comments Received

Taxpayer Feedback	Number
Compliments	2
Information	23
Queries	6
Suggestions	5
Total	**39**

Out of the 27 complaints received in 2014, the majority were related to inefficiency, which accounted for 14 or 51.9 percent, followed by professional misconduct which accounted for 11 or 40.7 percent of the total complaints received. There were two allegations of corruption accounting for 7.4 percent of complaints received.

Table 20: Type of Complaints Received

Taxpayer Complaints	Number
Inefficiency	14
Tax Evasion	0
Smuggling	0
Professional Misconduct	11
Corruption	2
Theft	0
Total	**27**

External Scrutiny

Parliamentary Committees

As a Government agency, ZRA's operations are subject to Parliamentary oversight. In 2014, ZRA provided written responses to, and appeared before different Committees of the House on various aspects relating to its operations.

Auditor General

The Office of the Auditor General is another public institution that has an oversight function on the operations of ZRA. This is primarily to ensure that public funds are appropriately safeguarded. In 2014, ZRA responded to all audit queries raised by the Office of the Auditor General. In addition, the Auditor General conducted an audit of revenue collection for the financial year ended 31st December 2013.

Litigation

Civil and criminal litigation continued to be important tools of compliance and dispute resolution. In this regard, during the year under review, ZRA was involved in litigation in various courts of law.

Civil Litigation

During the year, ZRA was involved in tax related litigation with the number of cases rising to 70, from the 61 cases handled in 2013. The majority of the cases were in the High Court. No cases were handled by the Revenue Appeals Tribunal as the Tribunal did not sit in 2014 as its Members had not been appointed. An increased number of taxpayers is now aware of the appellate system, which is available to them whenever they feel dissatisfied with a decision made by ZRA. Table 21 shows the extent of the tax-related litigation that ZRA was involved in during the year.

Table 21: Tax Related Litigation in 2014 and 2013

Type of Court	2014	2013
Magistrates Court	3	0
High Court	42	36
Supreme Court	15	3
Revenue Appeals Tribunal	0	13
Industrial relations court	10	9
Total Cases	**70**	**61**

Out of the 70 cases handled in 2014, 22 cases or 31 percent, were on Customs and Excise, while 15 cases or 21 percent, were on Direct Taxes. VAT accounted for 11 cases or 16 percent. The labour-related cases accounted for 10 cases or 14 percent while other cases were 13 or 18 percent. A total of 15 cases were concluded during the year out of which 10 cases were in favour of ZRA while 5 cases were in favour of taxpayers. The remaining 56 cases were still before the courts as at the end of the year (See Table 22).

Table 22: Cases in Various Courts by Category in 2014

Tax Type	Number of cases	Number of Judgments in favour of ZRA	Number of Judgments in favour of Taxpayers
Customs and Excise	22	4	2
Direct Taxes	15	2	3
VAT	11		
Industrial Relations	10	3	0
Others	12	1	0
Total	**70**	**10**	**5**

Criminal Litigation

In 2014, ZRA handled a total of 227 criminal cases, compared to 57 in 2013, representing an increase of 298 percent over the period. Of these cases, 183 were settled administratively while 44 were prosecuted. From the prosecuted cases, ZRA secured seven convictions while the trial process was concluded in 14 cases in respect of which judgement is awaited. At the end of the year, there were 19 cases that were still undergoing trial while four cases were withdrawn from the courts for various reasons.

It is worth noting that despite the increase in the number of cases handled during the year, the value of cases declined to K241.1 million from K3, 761.6 million in 2013 (See Table 23).

The proportion of Customs and Domestic Taxes related cases handled during the period were 157 and 70 respectively, representing an increase of 69 percent and 31 percent. The total assessments raised from Customs-related cases were K28.5 million compared to K72 million in 2013, representing a reduction of 60 percent. Assessments for Domestic Taxes related cases were K169 million compared to K516 million in 2013, representing a reduction of 67 percent. The reduction in assessments is largely attributed to the huge amount of time spent to conclude the 150 cases that had been carried over from prior years but had very little revenue yield.

In the course of investigations, the Investigations Department seized several goods that were the subject of an offence. Some goods were forfeited to the State and auctioned in accordance with the laid down requirements under the law to recover taxes.

Table 23: Type of Cases by Tax Type and Values in 2014

Cases closed by type	Customs & Excise		Domestic Taxes		Total in 2014		Total in 2013	
	Number	Value (K'000)	Number	Value (K'000)	Number	Value (K'000)	Number	Value (K'000)
a) Civil Settlement	**119**	**28,497.0**	**64**	**168,995.0**	**183**	**197,492.0**	**41**	**588,000.0**
b) Prosecutions								
Withdrawn	4	240.3	0	0.0	4	240.3	3	44,000.0
Conviction & Fine	3	722.5	4	157.0	7	879.5	4	49,000.0
Acquittal	0	0.0	0	0.0	0	0.0	2	265,000.0
Awaiting Judgement	14	7,054.6	0	0.0	14	7,054.6	3	344,600.0
Trial Stage	17	7,248.2	2	28,147.9	19	35,396.2	4	2,471,000.0
Total Prosecutions	**38**	**15,265.6**	**6**	**28,304.9**	**44**	**43,570.5**	**16**	**3,173,600.0**
Grand Total	**157**	**43,762.6**	**70**	**197,299.9**	**227**	**241,062.5**	**57**	**3,761,600.0**

Managing People

Managing People

The staff complement as at 31st December 2014 stood at 1,439 employees compared to 1,450 in 2013, representing a decrease of 0.8 percent. The decrease in the staff complement is explained by a decrease in the net staff complement of the Customs Services, Corporate Services and Finance Divisions. As was the case in 2013, the staff complement in 2014 was below the approved establishment of 1, 557 representing 92.5 percent of the approved establishment, compared to 98 percent in 2013. This reduction is largely attributed to an increase in the staff establishment to accommodate the Management Trainee programme for the operating Divisions - Customs Services and Domestic Taxes (See Table 24). However, the recruitment was earmarked for 2015.

Despite the proposed increase in the staff establishment, there is still need to increase the number of staff in order to effectively deal with the growing taxpayer population and the changing business environment.

Table 24: ZRA Staff Complement by Division / Department /Unit as at end 2014 and 2013

Division / Unit	2014		2013	
	Actual	Approved	Actual	Approved
Commissioner General's Office	14	14	14	14
Domestic Taxes	432	471	426	434
Customs Services	518	586	541	560
Corporate Services	217	221	219	221
Research and Planning	30	31	28	30
Human Resource	30	30	27	27
Finance	80	84	81	77
Information Technology	59	60	57	58
Internal Audit	19	19	19	19
Investigations	34	35	31	35
Project Management	6	6	6	6
ZRAIC[9]	-	-	1	1
Total	**1,439**	**1,557**	**1,450**	**1,482**

Table 25 shows the ZRA staff complement broken down by category and gender in 2014 and 2013. The proportion of female staff remained at 31 percent, the same level as the previous year. There was no significant change in the number of employees in some grades and gender categories, as those that separated were replaced. Non-Represented Contract Staff accounted for 12.4 percent of the workforce compared to 12.2 percent of the workforce in 2013. In 2014, 38.3 percent of the staff was in the Represented Contract Staff category compared to 37.9 percent in 2013.

Table 25: ZRA Staff Complement by Category and Gender

Staff Category	2014				2013			
	Male	Female	Total	% of Total	Male	Female	Total	% of Total
Non Represented Contract Staf f (ZRA00 – ZRA04)	136	42	**178**	**12.4%**	135	42	**177**	**12.2%**
Represented Contract Staff (ZRA05 – ZRA06)	380	171	**551**	**38.3%**	380	169	**549**	**37.9%**
Represented Non-Contract Staff (ZRA07 – ZRA10)	477	233	**710**	**49.3%**	488	236	**724**	**49.9%**
Total	**993**	**446**	**1,439**	**100.0%**	**1,003**	**447**	**1,450**	**100.0%**

Table 26 below shows the staff complement broken down by classification of Operations and Support Staff at the end of 2014 as compared to the end of 2013.

Table 26: ZRA Staff Classification as Operations and Support in 2014 and 2013

DIVISIONS/DEPARTMENTS	2014	2013
OPERATIONS:		
Domestic Taxes	432	426
Customs Services	518	541
Investigations	34	31
Sub Total	**984**	**998**
SUPPORT SERVICES:		
Commissioner General's Office	14	14
Research & Planning	30	28
Corporate Services	217	219
Human Resource	30	27
Finance	80	81
Internal Audit	19	19
Information Technology	59	57
Projects	6	6
ZRAIC	-	1
Sub Total	**455**	**452**
Grand Total	**1,439**	**1,450**

People Strategy

In 2014, ZRA's people strategy continued to focus on recognising and meeting the different needs of staff in order to create a workforce that is skilled and committed to meeting ZRA's mandate both in the short and long-term. At the heart of this strategy is our resolve to take advantage of the potential of our staff to collect more revenue by improving their conditions of service. Human Resource strategies regarding the Training and Development Policy, HIV and AIDS Policy and Grievance and Disciplinary Procedures Code were reviewed with a view to update them in line with the changing business environment.

<u>Resourcing and Selection</u>

The ZRA has a Resourcing and Selection Policy and Procedure Manual which guides the employee recruitment process. The Manual was reviewed and updated during the year under review to ensure that it meets the challenges of the competitive Human Capital resourcing demands.

[9] In 2014, ZRAIC position was incorporated into HR Department.

Staff Development and Training

Due to the complexity and diversity of our work, ZRA committed significant resources to capacity building amounting to K5.3 million in 2014. This resulted in the successful implementation of training programmes undertaken by 2,437 participants in 2014, compared to 1,632 participants in 2013. The increase in the number of the training programmes was largely due to increased focus on Change Management and technological developments arising from the modernisation of ZRA's operations.

Appendix 1 shows the number of participants trained in 2014. In terms of gender, 36.6 percent of the participants trained were female. It is important to note that the proportion of females in the institution stands at 31.0 percent of the total workforce.

Strategic Staff Development

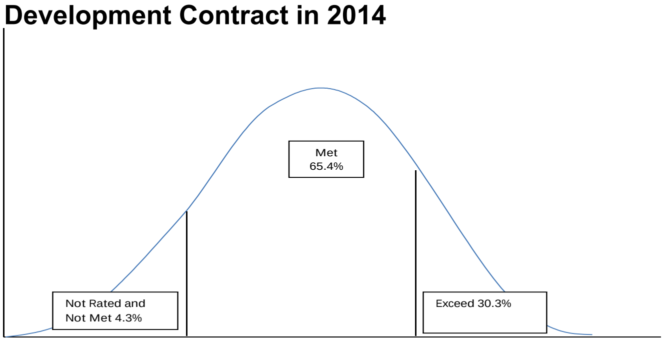
In addition to the staff development programmes outlined in Table 27, ZRA sent three members of staff from Domestic Taxes and Customs Services Divisions, on scholarships, to Germany, the United Kingdom and Japan to pursue Masters Programmes in Revenue Collection and Management. Further, four Senior Executives were sent for an intensive Senior Executive Development Programme in the United States of America.

Performance Management and Development Process

ZRA fully implemented the Performance Management and Development Process (PMDP) in the year under review and the 2014 training budget was prepared according to ZRA's Training needs that emanated from PMDC recommendations.

The HR Department received the performance ratings from all Divisions and Departments and the overall performance rating was as distributed below:

Figure 28: Performance of Performance Management Development Contract in 2014



Separations

A total of 68 employees separated from ZRA between January 2014 and December 2014, compared to 78 in 2013. The separations were on account of resignations and dismissals. The dismissals were mainly on account misconduct (See Table 27).

An analysis of exit interviews indicates that resignations were mainly a result of career progression and better conditions of service offered elsewhere.

Table 27: Separations recorded in 2014 and 2013

	Dismissal	Termination of Contract/ Employment	Contract Expiry	Resignation	Retirement	Medical Discharge	Death	Total
2014	21	1	2	18	15	2	9	68
2013	9	10	6	21	23	0	9	78

Approach to HIV/AIDS

ZRA has an HIV/AIDS Workplace Programme which consists of two core areas, namely prevention and treatment. Under the prevention programme ZRA provides psycho-social counselling, testing and sensitisation workshops for all staff. Further, the provision of HIV/AIDS information is incorporated in ZRA's induction programmes for new staff members.

Selected employees throughout ZRA participated in various activities to commemorate World AIDS Day on 1st December 2014.

A number of employees in ZRA underwent wellness programmes which were facilitated in conjunction with some Medical service providers. The wellness programme focused on testing, checking and counselling members of staff for ailments such as diabetes, blood pressure, dental and eye problems and HIV/AIDS. Those found with health problems were referred to the Medical service providers for further checks and treatment.

Information Technology and Physical Asset Management

Asset Management

ZRA disbursed K9.8 million towards the construction and rehabilitation of infrastructure at various stations (See Table 28).

Table 28: The Value of Major Projects Undertaken in 2014 (K)

	Project Name	Value (K)	Amount Paid (K)	Amount Outstanding	Status/Comment
1	Construction of 1No. Semidetached houses at Mokambo Border Post	773,467.70	696,952.18	76,515.52	Project completed and commissioned
2	Construction of 4No. Semidetached houses at Kazungula Border Post	3,717,418.49	2,349,781.61	1,367,638.88	Project completed and commissioned
3	Remodeling Works to create a Cash Office and ASYCUDA Hall at Kasumbalesa Border Post	417,841.28	0.00	417,841.28	Works completed.
4	Refurbishment Works to Create a Central Processing Centre at Kabwe Office.	484,721.89	451,038.05	20,464.52	Works completed.
5	Construction of a Customs Enforcement Centre at Kapiri Mposhi.	2,260,559.90	1,964,60	395,904.30	Project completed and commissioned
6	Construction of Public Toilets at Lusaka Port Office	206,857.07	165,55.84	41,301.23	Project completed and commissioned.
7	Construction of Public Toilets at Head Office	211,384.63	172,739.20	38,645.43	Project completed and commissioned.
8	Construction of Public Toilets at KKIA	201,186.17	180,902.64	20,283.53	Project completed and commissioned.
9	Borehole drilling at Jimbe Border Post	237,999.47	204,710.65	33,288.82	Project completed and in use.
10	Borehole drilling at Nakonde Border Post	146,318.34	125,937.72	20,381.00	Project completed and in use.
11	Borehole drilling complete with solar pump at Zombe Border Post	246,407.49	211,206.42	22,700.04	Project completed and in use.
12	Borehole drilling at Chavuma Border Post	144,978.54	122,278.50	35,201.07	Project completed and in use.
13	Refurbishment Works to Create a Central Processing Centre at Mpendwa House, Ndola	149,974.59	148,538.51	1,436.08	Project completed.
14	Construction of Access Road and Guard House at Mpendwa House, Ndola.	251,157.65	239,855.18	11,302.47	Project completed and commissioned.
15	Remodeling of Chipata Customs Warehouse to create a Cash office and Advice Centre.	716,406.37	620, 812.19	95,234.18	Project completed and commissioned.
16	Electronic Records Management System		4,903,940.66		Funding for the project has been secured under the Public Financial Management Reform Programme (PFMRP).
	Total	**10,166,679.58**	**9,807,881.32**	**2,598,138.35**	

The massive infrastructure development and rehabilitation works undertaken during the year were meant to make ZRA more efficient and effective in the discharge of its core function of revenue collection.

ZRA also procured assets worth K17.6 million in 2014, of which K3.7 million was spent on procurement of motor vehicles, K3.0 million was for office furniture, K0.6 million for plant machinery K5.1 million for IT equipment and K5.1 million for capital work in progress.

Information and Communication Technology

In 2014, the recurrent expenditure on IT related services and facilities was K13.9 million compared to K20.4 million in 2013. ZRA continued prioritising the computerisation of all its tax administration systems with the aim of reducing the cost of compliance to enhance revenue collection. In this light, focus was placed on stabilising the TaxOnline and ASYCUDAWorld Systems. In addition, ZRA procured some ICT equipment including 35 laptops and 47 printers for various users. The work of implementing high speed connectivity continued with some Provincial Centres such as Kasama, Mansa and Mongu being connected through Optic Fibre. The messaging system was also upgraded from Microsoft Exchange 2007 to Microsoft Exchange 2013.

Managing Resources

Managing Resources

Income

During the year under review, ZRA operated with an income of K525.7 million out of which K467.6 million was funding appropriated by the Government. Income from ASYCUDA fees was K38.4 million in 2014, down from K54.1 million in the previous year. Other income amounted to K5.6 million. Table 29 provides a comparative summary of our operating income and expenditure for 2014 and 2013.

In 2014, ZRA received financial support from Investment Climate Facility for Africa and the Norwegian Tax Administration amounting to K12.1 million. Deferred income was K2.0 million while the Authority also received commission on the Kariba Dam toll fees amounting to K4, 405.00.

Recurrent Expenditure

Staff costs in 2014 accounted for the largest share of ZRA's recurrent expenditure at 70.0 percent followed by operational costs at 10.4 percent, administrative costs 10.6 percent while other costs

Table 29: Summary of Income and Expenditure, 2014 and 2013

	2014 (K)	2013 (K) Restated
Income:		
Government Funding –Received	442,666,337	423,989,624
Supplementary Funding	24,950,000	31,844,194
Investment Climate Facility	6,903,527	3,923,909
Norwegian Tax Admini stration	5,165,211	372,722
ASYCUDA Income	38,434,053	54,130,834
Other Income	5,565,314	8,739,951
Amortisation of Capital grant	2,049,119	2,002,850
Commission on Kariba dam toll fees	4,405	8,794
Total Income	**525,737,966**	**525,012,879**
Recurrent expenses:		
Staff related expenses	(404,195,434)	(404,297,054)
Administrative expenses	(61,306,198)	(41,673,827)
Operations expenses	(59,407,309)	(51,307,614)
Legal and professional fees	(506,284)	(2,239,495)
Depreciation and amortisation	(52,260,512)	(25,532,929)
Results from operating activities	**(51,937,771)**	**(38,041)**
Finance income	3,323,256	4,831,636
Finance costs	(307,854)	(457,761)
Net finance income	**3,015,402**	**4,373,875**
Surplus/(deficit) for the year	**(48,922,369)**	**(4,335,834)**
Other comprehensive income *Items that will be reclassified to surplus or deficit*		
Revaluation of property, plant and equipment	**-**	**85,201,449**
Items that will never be reclassified to surplus or deficit		
Re-measurement of defined benefit liability	**(27,279,000)**	**104,615,000**
Total other comprehensive income for the year	**(27,279,000)**	**189,816,449**
Total comprehensive income for the year	**(76,201,369)**	**194,152,283**

accounted for 9.0 percent. Staff costs, in 2014, remained largely unchanged from the 2013 level as a result of salary and wage adjustments despite the marginal decrease in the staff complement which stood at 1, 439 as at the end of the year compared to 1, 450 in 2013. Administrative expenses increased by 47.1 percent, while other operating expenses increased by 11.9 percent over the same period.

Capital Expenditure

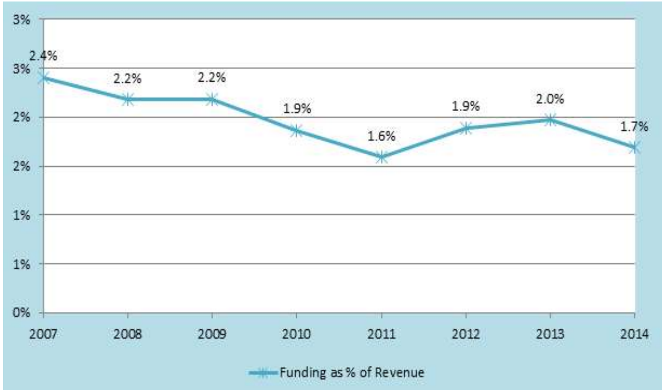
In addition to the above operating expenses, ZRA spent K17.6 million in capital expenditure.

The detailed financial performance based on Accrual Basis of Accounting is shown in the Financial Statements from pages 54 to 86.

Cost of Tax Revenue Collection

The cost of revenue collection is measured by the ratio of Government funding to ZRA to the tax revenue collected. Over the last five years, the ratio of Government funding to ZRA to the tax revenue collected has averaged at 1.8 percent. Since 2007, the cost of collection has exhibited a declining trend (See Figure 29). Between 2014 and 2013, the cost of tax revenue collection declined by 0.3 percentage points to 1.7 percent from 2.0 percent, respectively, which is an indication of efficiency gains attributable to the recent modernisation reforms being undertaken by ZRA.

Figure 29: Government funding as a percentage of collected tax revenue, 2007-2014




AUTHORITY

Financial Statements

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The Governing Board submit their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of the Authority.

PRINCIPAL ACTIVITIES

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

RESULTS

	2014	2013
	K	K
Revenue	525,737,966	525,012,878
Deficit or surplus for the year	(48,922,369)	4,335,834

The deficit for the year of K 48.9 million (2013: surplus of K 4.3 million) has been deducted from the capital fund.

GOVERNING BOARD

The Directors who held office during the year and to the date of this report were:

Mwila Lumbwe	-	Chairman – Retired on 11 November 2014 and re-appointed on 24 February 2015
Wesley M. Beene	-	Vice Chairman – Appointed on 24 February 2015
Dr. Denny Kalyalya	-	Appointed on 24 February 2015
Kelvin Musana	-	Appointed 24 February 2015
Likando Kalaluka S.C.	-	Appointed 24 February 2015 and resigned on 18 May 2015
Exhildah Lumbwe	-	Appointed 24 February 2015
Josephs R. Akafumba		
Fredson K. Yamba		
Dr. Michael Gondwe	-	Retired on 12th February 2015
Charles L. Mutemwa	-	Retired on 11 November 2014 and re -appointed on 24th February 2015
Vincent B. Malambo S.C.	-	Retired on 11 November 2014
Geoffrey Sakulanda	-	Retired on 11 November 2014
Francis Alutuli	-	Retired on 11 November 2014

AVERAGE NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration of employees during the year amounted to K 404 million (2013: K 404 million). The average number of employees was as follows:

Month	Number	Month	Number
January	1,447	July	1,430
February	1,448	August	1,425
March	1,450	September	1,428
April	1,438	October	1,424
May	1,439	November	1,427
June	1,435	December	1,439

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

PROPERTY, PLANT AND EQUIPMENT

The Authority purchased property, plant and equipment amounting to **K 17.6 million (**2013: K **416 million**) during the year. In the opinion of the directors, the carrying value of property, plant and equipment is not more than their recoverable value.

GIFTS AND DONATIONS

The Authority made no donations to charitable organisations and events during the year (2013: Nil)

AUDITOR

PricewaterhouseCoopers, were appointed in accordance with the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia for the audit of the financial statements for the year ended 31 December 2014.

DIRECTOR 17 June 2015

Statement of Governing Board's Responsibilities

The Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia requires the Governing Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of its surplus or deficit. It also requires the directors to ensure that the Authority keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Authority. The Governing Board are also responsible for safeguarding the assets of the Authority.

The Governing Board accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and with the requirements of The Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia. The Governing Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its financial performance in accordance with International Financial Reporting Standards. The Governing Board is also responsible for such internal control, as the Governing Board determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Nothing has come to the attention of the Governing Board to indicate that the Authority will not remain a going concern for at least twelve months from the date of these financials statements.

Director

Director

17 June 2015

pwc

REPORT OF THE INDEPENDENT AUDITOR TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE ON ZAMBIA REVENUE AUTHORITY

Report on the financial statements

We have audited the accompanying financial statements of Zambia Revenue Authority, which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in capital fund and reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Governing Board's responsibility for the financial statements

The Governing Board is responsible for the preparation and fair presentation *of these financial statements* in accordance with International Financial Reporting Standards and in compliance with the requirements of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia, and for such internal control as the Governing Board determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zambia Revenue as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia.

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Tel: +260 (211) 334000 , F: +260(211) 256474, www.pwc.com/zm

A list of Partners is available from the address above

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 consider whether Zambia Revenue Authority has kept proper accounting records and other records required by this Act.

In our opinion, based on our examination of those records, 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.

PricewaterhouseCoopers, Zambia
Chartered Accountant ______________________________________2015
Lusaka

Nasir Ali
MPC Number: 0000557
Partner signing on behalf of the firm

Statement of comprehensive income

	Notes	Year ended 31 December 2014 K	2013 K
Revenue			
Government grants	5	467,616,337	455,833,818
Asycuda processing fees	6	38,434,053	54,130,834
Other income	7	5,565,314	8,739,951
Investment Climate Facility and NTA income	8	12,068,738	4,296,631
Deferred income	9	2,049,119	2,002,850
Commission on Kariba dam toll fees	10	4,405	8,794
		525,737,966	525,012,878
Expenditure			
Personnel expenses	11	(404,195,434)	(404,297,054)
Administrative expenses	12	(61,306,198)	(41,673,827)
Other operating expenses	13	(59,913,593)	(53,547,109)
Depreciation and amortisation	15,16	(52,260,512)	(25,532,929)
Results from operating activities		(51,937,771)	(38,041)
Finance income	14	3,323,256	4,831,636
Finance costs	14	(307,854)	(457,761)
Net finance income		3,015,402	4,373,875
(Deficit) / surplus for the year		(48,922,369)	4,335,834
Other comprehensive income for the year			
Items that will not be reclassified to deficit or surplus			
Revaluation of property, plant and equipment		-	85,201,449
Re-measurement of defined benefit liability		(27,279,000)	104,615,000
Total other comprehensive income for the year		(27,279,000)	189,816,449
Total comprehensive income for the year		(76,201,369)	194,152,283

The notes on pages 64 to 86 are an integral part of these financial statements.

Statement of financial position

	Notes	As at 31 December 2014 K	2013 Restated K
ASSETS			
Non-current assets			
Property, plant and equipment	15	587,594,670	619,528,093
Intangible assets	16	56,814,811	55,437,225
Employee loans and advances	19	3,015,487	2,912,791
		647,424,968	677,878,109
Current assets			
Inventories	17	1,155,058	1,291,622
Employee loans and advances	19	9,046,459	6,451,580
Other assets	20	12,839,305	30,891,956
Cash and cash equivalents	21	161,867,019	125,900,339
Customs deposit bank accounts	25	7,708,380	6,388,361
Tax refunds bank accounts	26	38,852,607	33,278,158
		231,468,828	204,202,016
TOTAL ASSETS		878,893,796	882,080,125
CAPITAL FUND, RESERVES AND LIABILITIES			
Capital fund and reserves			
Capital fund		(71,853,610)	(8,221)
Revaluation reserve		134,702,o52	139,058,032
Total capital fund and reserves		62,848,442	139,049,811
Liabilities			
Non-current liabilities			
Deferred income	9	4,872,678	6,665,154
Post-employment benefits	22	293,662,228	226,088,493
Borrowings	24	329,168,102	353,687,833
		627,703,008	586,441,480
Current liabilities			
Investment Climate Facility and NTA grant	8	3,879,790	3,872,984
Deferred income	9	2,093,223	2,002,850
Post-employment benefits	22	51,822,746	26,486,481
Trade and other payables	23	62,985,600	84,560,000
Borrowings	24	21,000,000	3,500,000
Customs deposit bank accounts	25	7,708,380	6,388,361
Tax refunds bank accounts	26	38,852,607	33,278,158
		188,342,346	160,088,834
Total liabilities		816,045,354	743,030,314
TOTAL CAPITAL FUND, RESERVES AND LIABILITIES		878,893,796	882,080,125

The notes on pages 64 to 86 are an integral part of these financial statements.

The financial statements on pages 60 to 86 were approved for issue by the Governing Board on 17 June 2015 and signed on its behalf by:

Director **Director**

Statement of changes in capital fund and reserves

	Capital fund K	Revaluation Reserve K	Total K
Balance as at 1 January 2013	(110,011,775)	50,345,136	(59,666,639)
Surplus for the year	4,335,834	-	4,335,834
Other comprehensive income for the year:			
Actuarial gains for the year	104,615,000	-	104,615,000
Revaluation surplus	-	85,201,449	85,201,449
Amortisation of revaluation surplus	1,052,720	(1,052,720)	-
Total comprehensive income for the year	110,003,554	84,148,729	194,152,283
Balance as at 31 December 2013	(8,221)	134,493,865	134,485,644
Balance as at 1 January 2014 (as previously reported)	(8,221)	134,493,865	134,485,644
Prior year restatement (Note 30)	-	4,564,167	4,564167
Balance as at 1 January 2014 (as restated)	(8,221)	139,058,032	139,049,811
Deficit for the year	(48,922,369)	-	(48,922,369)
Other comprehensive income:			
Actuarial losses for the year	(27,279,000)	-	(27,279,000)
Amortisation of revaluation surplus	4,355,980	(4,355,980)	-
Total comprehensive income for the year	(22,923,020)	(4,355,980)	(27,279,000)
Balance as at 31 December 2014	(71,853,610)	134,702,o52	62,848,442

The notes on pages 64 to 86 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2014 K	2013 K
Cash flows from operating activities			
(Deficit) / surplus for the year		(48,922,369)	4,335,834
Adjustments for:			
Amortisation of Investment Climate facility and NTA grant	5	(12,068,738)	(4,296,631)
Amortisation of capital grant	6	(2,049,119)	(2,002,850)
Depreciation and amortisation	15, 16	52,260,512	25,532,929
Net finance income	14	(3,015,402)	(4,373,875)
Post-employment benefit expense	22	89,440,000	87,696,000
Changes in operating funds			
Decrease in inventories		136,564	2,768,832
Increase in employee loans and advances		(2,210,183)	(717,843)
Decrease in amounts due from Government		-	8,760,607
Decrease in other assets	20	18,052,651	(21,949,403)
Decrease in trade and other payables		(21,574,401)	53,241,224
Increase in employee related liabilities		(23,809,000)	(7,285,999)
Net cash generated from operating activities		46,240,515	141,708,825
Cash flows from investing activities			
Interest received	14	3,323,256	4,831,636
Acquisition of property, plant and equipment and intangibles	15, 16	(21,468,156)	(471,597,253)
Proceeds from disposal of plant and equipment		118,572	-
Investment Climate facility and NTA grant received	5	12,075,544	7,469,021
Net cash used in investing activities		(5,950,784)	(459,296,596)
Cash flows from financing activities			
(Repayments) / proceeds from borrowings		(4,015,197)	353,687,833
Net cash (used in) /generated from financing activities		(4,015,197)	353,687,833
Net increase in cash and cash equivalents		36,274,534	36,100,062
Cash and cash equivalents at beginning of the year		125,900,339	90,258,038
Exchange gains on cash and cash equivalents		(307,854)	(457,761)
Cash and cash equivalents at end of the year	19	161,867,019	125,900,339

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

Net book amount (Note 15)	236,520	-
Profit on disposal of property, plant and equipment	(117,948)	-
Proceeds from disposal of property, plant and equipment	118,572	-

The notes on pages 64 to 86 are an integral part of these financial statements.

Notes to the financial statements

1 General information

The Zambia Revenue Authority ("the Authority") was established by 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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for land and buildings and the retirement benefit obligation, which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Authority

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2014 that would be expected to have material impact on the Authority

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Authority, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Basis of preparation

(ii) New standards and interpretations not yet adopted (continued)

IFRS 9, 'Financial instruments' (continued

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Authority is yet to assess IFRS 9's full impact.

There are no other IFRSs or IFR IC interpretations that are not yet effective that would be expected to have a material impact on the Authority.

(b) Foreign currency translation

i)Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kwacha ("K") which is the Authority's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

(c) Revenue recognition

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 profit or loss as other income on a systematic basis over the useful life of the asset.

Rental income

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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Sale of cigarette stamps

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Reven ue is measured net of returns, trade discounts and volume rebates.

Government revenue grants

Income represents the revenue grants receivable from the Government and other 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 surplus or deficit as other income on a systematic basis in the periods in which the expenses are recognised.

(d) Other income

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

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Property, plant and equipment

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 de creases 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.

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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:

Buildings	2%
Office equipment, furniture, fixtures and fittings	20%
Furniture, fixtures and fittings	20%
Motor vehicles	25%
Plant and machinery	10%

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

Property, plant 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 profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings

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(g) 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.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costing method. The cost comprises all direct costs incurred in bringing the inventory to its existing location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Intangible assets – Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised on a straight line basis over their estimated useful lives of ten years. Costs associated with maintaining computer software program are recognised as an expense as incurred.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(j) Financial assets

(i) Classification

All financial assets of the Authority are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Authority commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset or Authority of financial assets is impaired. A financial asset or a Authority of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Authority of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Authority of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(k) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities

(m) 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.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Employee benefits

E

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

2 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(A) Pension obligations

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 immedately 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 contribut ions are recognised as employee benefit expense 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.

(B) Termination benefits

Termination benefi ts 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 follow ing 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 IAS 37 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.

Notes to the financial statements (continued)

3 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.

4 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.

4 Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables. The Authority does not have significant concentrations of credit risk. The Authority's credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Governing Board. The utilisation of credit limits is regularly monitored.

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 and credit exposure is controlled by counterparty limits that are reviewed and approved by the Authority Treasury. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' for International and regional banks with a local presence are accepted.

No credit limits were exceeded during the reporting period, and the Governing Board do not expect any losses from non-performance by these counterparties.

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 23) 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.

4 Financial risk management objectives and policies (Continued)

Liquidity risk (continued)

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	K	K	K	K
At 31 December 2014:				
- borrowings	20,689,148	179,515,534	134,000,587	334,205,268
- trade and other payables	62,985,600	-	-	62,985,600
- employee benefits	51,882,746	206,223,978	87,378,250	345,484,974
	135,557,494	385,739,512	221,378,837	742,675,842
At 31 December 2013:				
- borrowings	3,500,000	171,800,000	208,992,799	384,292,799
- trade and other payables	84,559,996	-	-	84,559,996
- employee benefits	20,757,081	167,087,303	85,487,671	273,332,055
	108,817,077	338,887,303	294,480,470	742,184,850

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 th e 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.

5 Government Grants

	2014	2013
	K	K
Annual budgetary allocation	442,666,337	423,989,624
Supplementary funding	24,950,000	31,844,194
	467,616,337	455,833,818

Supplementary funding includes K19.5 million for border operations, K4.65 million for the establishment of the single window for trade project and K0.8 millio n for the Regional Integration Support Mechanism, RISM.

6 ASYCUDA Processing Fees

	2014	2013
	K	K
ASYCUDA processing fees	38,434,053	54,130,834

ASYCUDA processing fees are derived from the charge of K55.60 per transaction for the processing of imported goods at the borders. This income is partly used to maintain the scanners that process imported goods. An amount of K16 million previously accrued was impaired.

7 Other income

	2014 K	2013 K
Cigarette stamps sales proceeds	2,253,360	2,822,140
Sundry income	1,596,426	4,191,964
Gain on disposal of property, plant and equipment	(117,948)	-
Rental income	1,833,476	1,725,847
	5,565,314	8,739,951

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

8 Investment Climate Facility and NTA grants

	12,068,738	4,296,631
Investment Climate Facility funding		
At beginning of the year	3,872,984	700,594
Receipts during the year	12,075,544	7,469,021
Recognised in statement of comprehensive income	(12,068,738)	(4,296,631)
At end of the year	3,879,790	3,872,984
Broken down as follows:		
Investment Climate Facility (ICF)	894,762	1,730,988
Norwegian Tax Administration (NTA)	1,224,505	2,141,996
Mineral Value Chain Monitoring project (MVCMP)	1,760,523	-
	3,879,790	3,872,984

The Authority has an existing memorandum of understanding with the Royal Norwegian Government for strengthening of Tax Administration through the Norwegian Tax Administration (NTA) agreement. In addition, an agreement exists for the strengthening of mining monitoring and mining tax administration through the Mineral Value Chain Monitoring Project. Under the Investment Climate Facility for Africa (ICF) and ZRA bilateral agreement, the former made part contribution to the software for the TaxOnline which was mainly financed by Government, in particular phase 1 dealing with e-services and change management activities.

9 Deferred income

	2014 K	2013 K
At beginning of the year	8,668,004	9,640,849
Receipts during the year	347,016	1,030,005
	9,015,020	10,670,854
Recognised in statement of comprehensive income	(2,049,119)	(2,002,850)
At end of the year	6,965,901	8,668,004
Current	2,093,223	2,002,850
Non-current	4,872,678	6,665,154
	6,965,901	8,668,004

Notes to the financial statements (continued)

9 Deferred income (continued)

In December 2007, the Authority received a capital grant from the Government of the Republic of Zambia for the procurement, installation and operation of specialist scanning equipment. The equipment is used for non-intrusive inspection of cargo and is currently installed at the Chirundu and Livingstone border posts. The equipment was purchased and brought into use in June 2008.

In January 2013, the Authority received assets from PEMFA, in the form of office equipment and furniture, amounting to K690,005; as well as part funding for a motor vehicle in the sum of K340,000. These have been treated as deferred income. The grant assets are being depreciated over their respective estimated useful lives of 5 and 4 years respectively, with the associated deferred income being amortised accordingly.

10 Kariba Dam Toll Fees

	2014	2013
	K	K
Commission received	4,405	8,794

In January 2013, the Authority signed a memorandum of understanding with Zambezi River Authority for collection of toll fees on the Kariba dam on its behalf. The income of K4,405 reported in the statement of comprehensive income represents 10% commission on the fees collected on behalf of Zambezi River Authority during the year.

11 Personnel expense

	2014	2013
	K	K
Basic pay	156,071,299	145,046,258
Housing allowance	54,184,275	50,074,611
Bonus	14,001,816	13,302,891
Overtime	11,471,868	11,568,278
Leave pay	30,628,748	31,092,467
Other allowances	11,367,739	10,080,463
Other employee benefit expenses	11,398,673	29,291,848
Retirement benefit expense	89,440,000	87,696,000
NAPSA contributions	10,117,565	8,926,968
Staff welfare and professional subscriptions	1,996,998	3,100,004
Medical expenses	5,446,824	6,860,461
Insurance	2,150,041	2,801,569
Training	5 ,519,588	4,455,236
	404,195,434	404,297,054

Notes to the financial statements (continued)

12 Administrative expenses

		2014	2013
		K	K
Repairs and maintenance - buildings		9,186,264	9,983,532
Postage and telephones		2,150,360	2,008,073
Printing and stationery		3,424,852	3,069,623
Subscriptions and publications		4,393,768	1,104,094
Travel expenses		8,082,621	6,363,921
Impairment of other assets	(Note 6)	16,981,793	-
Electricity, water and rates		2,589,619	2,742,826
Office rentals		573,035	375,139
Insurance		325,995	599,573
Corporate social responsibility		202,456	117,773
Board expenses		1,069,480	1,509,534
Bank charges		660,014	1,051,705
Audit expenses		692,250	836,665
Advertising and public relations		4,187,403	3,397,838
Staff uniforms		1,482,470	1,680,477
Motor vehicle repairs		1,915,791	2,514,263
Motor vehicle insurance and licence		1,573,994	1,319,822
Fuel		1,814,033	2,998,969
		61,306,198	41,673,827

13 Operating expenses

Other professional fees	5,679,617	1,920,698
Scanner operations	7,830,962	3,238,806
Field work - fuel	2,676,162	2,192,767
Security	9,924,693	7,224,267
Repairs and maintenance - IT	13,970,973	20,390,593
Cigarette stamps	1,646,111	1,323,447
Travel/relocation	13,403,920	11,926,703
Printing and stationery	1,215,373	1,505,217
Legal and professional expenses	506,284	2,239,495
Advertising/promotional material and conferences	3,059,498	1,585,116
	59,913,593	53,547,109

14 Finance income

Net foreign exchange losses on cash and cash equivalents	(307,854)	(457,761)
Finance costs	(307,854)	(457,761)
-Interest incOme on short term bank deposits	3,323,256	4,831,636
Finance income	3,323,256	4,831,636
Net finance income	3,015,402	4,373,875

Notes to the financial statements (continued)

15 Property, plant and equipment (Restated)

	Land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Furniture fixtures and fittings	Capital work in progress	Total
	K	K	K	K	K	K	K	K
At 1 January 2013								
Cost or valuation	-	108,972,828	27,338,295	29,323,975	32,756,142	5,884,887	3,954,694	208,230,821
Accumulated depreciation	-	(8,569,171)	(17,286,319)	(21,443,009)	(18,078,384)	(4,388,175)	-	(69,765,058)
Net book amount		100,403,657	10,051,976	7,880,966	14,677,758	1,496,712	3,954,694	138,465,763
Year ended 31 December 2013								
Opening net book amount	-	100,403,657	10,051,976	7,880,966	14,677,758	1,496,712	3,954,694	138,465,763
Additions	140,000	17,100,000	603,649	22,148,663	2,564,566	1,816,611	371,944,466	416,317,955
Revaluation surplus	30,419,900	37,868,100	-	-	35,000	-	-	68,323,000
Transfers	2,250,000	9,283,082	193,702,315	-	-	-	(205,235,397)	-
Depreciation adjustment	-	16,878,449	-	-	-	-	-	16,878,449
Depreciation charge	-	(8,309,278)	(5,165,325)	(5,671,577)	(5,081,641)	(793,420)	-	(25,021,241)
Closing net book amount	32,809,900	173,224,010	199,192,615	24,358,052	12,195,683	2,519,903	170,663,763	614,963,926
At 31 December 2013								
Cost or valuation	32,809,900	173,224,010	221,644,259	51,472,638	35,355,708	7,701,498	170,663,763	692,871,776
Accumulated depreciation	-	-	(22,451,644)	(27,114,586)	(23,160,025)	(5,181,595)	-	(77,907,850)
Net book amount	32,809,900	173,224,010	199,192,615	24,358,052	12,195,683	2,519,903	170,663,763	614,963,926

Notes to the financial statements (continued)

15 Property, plant and equipment (Restated) (continued)

	Land K	Buildings K	Plant and machinery K	Office equipment K	Motor vehicles K	Furniture fixtures and fittings K	Capital work in progress K	Total K
At 1 January 2014								
Opening net book amount (as previously reported)	32,809,900	173,224,010	199,192,615	24,358,052	12,195,683	2,519,903	170,663,763	614,963,926
Prior year adjustment (Note 30)	-	4,564,167	-	-	-	-	-	4,564,167
Net book amount (as restated)	32,809,900	177,788,177	199,192,615	24,358,052	12,195,683	2,519,903	170,663,763	619,528,093
Additions	-	-	611,150	5,135,116	3,725,519	2,968,243	5,119,384	17,559,412
Transfers	-	-	145,276,736	-	-	-	(145,276,736)	-
Disposals	-	(260,879)	-	547,623	(50,224)	-	-	236,520
Depreciation charge	-	(3,923,798)	(31,570,651)	(7,245,288)	(5,887,452)	(1,102,166)	-	(49,729,355)
Closing net book amount	32,809,900	173,603,500	313,509,850	22,795,503	9,983,526	4,385,980	30,506,411	587,594,670
At 31 December 2014								
Cost or valuation	32,809,900	177,992,760	367,532,144	56,607,754	38,146,266	10,669,741	30,506,411	714,264,976
Accumulated depreciation	-	(4,389,260)	(54,022,294)	(33,812,251)	(28,162,740)	(6,283,761)	-	(126,670,306)
Net book amount	32,809,900	173,603,500	313,509,850	22,795,503	9,983,526	4,385,980	30,506,411	587,594,670

15 Property, plant and equipment (continued)

Fair values of buildings

An independent valuation of the Authority's buildings was performed by valuers, Bitrust Real Estate Limited to determine the fair value of the land buildings. The last valuation was performed in 2013. The revaluation surplus is credited to other comprehensive income and is shown in revaluation reserves' in capital fund and reserves. The Authority carries out 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 – 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:

	2014	2013
	K	K
Cost	201,804,910	202,104,910
Accumulated depreciation	(4,036,098)	-
Net book amount	197,768,812	202,104,910

16 Intangible assets

	Software K	Capital works in progress K	Total K
At 1 January 2013			
Cost	16,890,506	39,644,319	56,534,825
Accumulated amortisation	(585,912)	-	(585,912)
Net book amount	16,304,594	39,644,319	55,948,913
Year ended 31 December 2013			
Opening net book amount	16,304,594	39,644,319	55,948,913
Transfers	13,680,606	(13,680,606)	-
Amortisation charge	(511,688)	-	(511,688)
Closing net book amount	29,473,512	25,963,713	55,437,225
As at 31 December 2013			
Cost	30,571,112	25,963,713	56,534,825
Accumulated amortisation	(1,097,600)	-	(1,097,600)
Net book amount	29,473,512	25,963,713	55,437,225
Year ended 31 December 2014			
Opening net book amount	29,473,512	25,963,713	55,437,225
Additions	-	3,908,745	3,908,745
Amortisation charge	(2,531,159)	-	(2,531,159)
Closing net book amount	26,942,353	29,872,458	56,814,811
As at 31 December 2014			
Cost	30,571,112	29,872,458	60,443,570
Accumulated amortisation	(3,628,759)	-	(3,628,759)
Net book amount	26,942,353	29,872,458	56,814,811

17 Inventories

	2014 K	2013 K
Stationery	386,634	798,866
Cigarette stamps	378,837	313,438
Uniforms	374,513	163,203
Other consumables	15,074	16,115
	1,155,058	1,291,622

The cost of inventories recognised as an expense during the year was K5million (2013: K6 million).

18 Financial instruments per category

Financial Assets

	2014 K	2013 K
Employee receivables	12,061,945	9,364,371
Other assets(less prepayments)	9,049,980	24,686,076
Cash and cash equivalents	161,867,019	125,900,339
	182,978,944	159,950786

Financial liabilities

Trade and other payables (less statutory liabilities)	62,985,600	84,560,000
Borrowings	350,168,102	353,687,833
	413,153,702	438,247,833

19 Employee loans and advances

Home ownership loans	2,501,550	2,836,877
Other loans	8,652,432	4,782,983
Vehicle ownership loans	823,708	1,391,483
Personal loans	84,256	353,028
	12,061,946	9,364,371
Current	9,046,459	6,451,580
Non - current	3,015,487	2,912,791
Total employee loans and advances	12,061,946	9,364,371

Interest is charged at 5% per annum for all employee loans.

20 Other assets

Other receivables	8,545,396	24,686,076
Prepayments	4,293,909	6,205,880
	12,839,305	30,891,956

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.

Notes to the financial statements (continued)

21 Cash and cash equivalents

	2014 K	2013 K
Cash at bank and in hand	161,867,019	125,900,339

22 Employee benefits

End of contract gratuity	137,709,456	19,098,000
Retirement benefits	207,775,518	233,476,974
	345,484,974	252,574,974
Current	51,822,746	26,486,481
Non-current	293,662,228	226,088,493
	345,484,974	252,574,974

Movement in the present value of the defined benefit obligations

Defined benefit obligations at 1 January	252,574,974	277,809,974
Benefits paid by the plan	(23,809,000)	(8,316,000)
Service costs	45,430,000	39,030,000
Interest cost	44,010,000	48,666,000
Actuarial losses/ (gains)	27,279,000	(104,615,000)
Defined benefit obligation at end of year	345,484,974	252,574,974

Expense recognised in deficit or surplus

Service costs	45,430,000	39,030,000
Interest costs	44,010,000	48,666,000
	89,440,000	(87,696,000)

The significant actuarial assumptions were as follows:

	31 December 2014		31 December 2013	
	End of contract gratuities	Retirement benefits	End of contract gratuities	Retirement benefits
Discount Rate	15.5%	18.0%	17.0%	23.1%
Inflation	11.0%	11.0%	13.5%	16.5%
Future Salary Increases	11.0%	11.0%	15.0%	18.0%
Implied Real Return	**4.1%**	**6.3%**	**1.7%**	**4.3%**

Assumptions regarding future experience are set on actual advice in accordance with actuaries.

Notes to the financial statements (continued)

22 Employee benefits (continued)

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.5%	Decrease by 3.2%	Increase by 2%
Salary growth rate	0.5%	Increase by 3.4%	Decrease by 3.3%

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 cred it method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

23 Trade and other payables

	2014 K	2013 K
Trade payables	4,009,580	11,411,856
Leave pay	22,974,415	20,757,081
Accrued expenses	10,037,893	12,746,744
TaxOnline and Asycuda World	25,963,712	39,644,319
	62,985,600	84,560,000

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

24 Borrowings

Loan from Ministry of Finance	350,168,102	353,687,833
Current	21,000,000	3,500,000
Non current	329,168,102	350,187,833
	350,168,102	353,687,833

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 procurement, installation and operation of 8 non - intrusive scanning equipment from Exim Bank.

The loan is for a duration of 13 years at a fixed interest rate of 2% per annum. Under the terms of this loan, the Authority is to pay annual interest amounts in two instalments starting 2013, while principal repayments are to commence in 2015.

Notes to the financial statements (continued)

25 Customs deposits bank accounts

	2014 K	2013 K
Customs deposits bank accounts	7,708,380	6,388,361

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 d ays any monies not refunded to importers must be returned to the Government. The corresponding liability to refund importers is included as a payable.

26 Tax refunds bank accounts

	2014 K	2013 K
Value Added Tax (VAT) refund	34,379,033	29,459,496
Customs refund	3,127,061	2,876,688
Income tax refund	1,346,513	941,974
	38,852,607	33,278,158

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

27 Contingent liabilities

There were legal proceedings outstanding against the Authority, which were awaiting ruling/judgment by the courts of law as at 31 December 2014. In the opinion of the Governing Board, these claims and lawsuits in aggregate will not have a significant adverse effect on the financial statements. All tax related litigation claims will be funded by the Government if they materialise.

28 Commitments

Capital commitments

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

	2014 K	2013 K
Property, plant and equipment	34,000,000	78,320,100

Notes to the financial statements (continued)

28 Commitments (continued)

Operating lease commitments

The Authority leases various properties under non-cancellable operating lease. 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:

	2014	**2013**
	K	**K**
Not later than 1 year	727,240	643,219
Later than 1 year and not later than 5 years	1,027,707	871,993
	1,754,947	1,515,212

29 Related party transactions

Key management compensation

Key management includes directors (members of the Board) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2014	**2013**
	K	**K**
Salaries and other short-term employment benefits	13,556,987	12,119,482
Post-employment benefits	3,886,038	588,089
Directors Fees	684,333	998,080
	18,127,358	13,705,651

30 Prior period restatements

The financial statements for the year ended 31 December 2013 have been restated for the item detailed below:

30

(i) Revaluation surplus

There was a revaluation surplus of K5,068,000 and accumulated depreciation of K504,583 relating to the revaluation of some buildings which were omitted in error from the financial statements for the year ended 31 December 2013.

30 Prior period restatements (continued)

Statement of financial position

	Year ended 31 December 2013		
	Property, plant and equipment	*Revaluation reserve*	*Capital fund and reserves*
	K	**K**	**K**
As previously reported	614,963,926	134,493,865	134,485,644
Revaluation surplus omitted on the valuation of buildings	5,068,750	5,068,750	5,068,750
Reversal of Accumulated depreciation	(504,583)	(504,583)	(504,583)
	4,564,167	4,564,167	4,564,167
As restated	619,528,093	139,058,032	139,049,811

A third statement of financial position has not been presented as the adjustment had no impact on earlier periods prior to 31 December 2013.

Appendix 1

Staff Development in 2014

Type of Training	Female	Male	Total
Tax Inspectors Training	8	21	**29**
ASYCUDAWorld and Declarant end user Training	28	48	**76**
ASYCUDAWorld Training for Members of Staff	33	58	**91**
Induction Training	13	20	**33**
TaxOnline Training for External	21	24	**45**
TaxOnline Training with stations	28	32	**60**
Customer Services and Personal Grooming	15	20	**35**
Microsoft world Intermediate	2	5	**7**
Microsoft Excel Foundation & Intermediate	4	8	**12**
Training for IT Administrators	1	4	**5**
Prince 2 Foundation Training	4	7	**11**
Prince 2 Practitioners Training	5	7	**12**
Organisation for Economic Co-oporation and Development (OECD)	11	19	**30**
Basic Power Point Training	2	4	**6**
System Centre 2012 Migration Training	2	6	**8**
Risk Management Training	8	17	**25**
Supervisory Development Training	15	25	**40**
Case Management Software workshop	3	12	**15**
Norwegian Tax Administration/ ZRA Workshop	10	20	**30**
Effective Graphic Design and Desk Top Publishing	-	1	**1**
Business Continuity Good Practices	-	1	**1**
Performance Based Auditing	-	2	**2**
Familiarization of the USA Treasury Operations	1	5	**6**
Education Refunds in various development programmes	21	39	**60**
Supervisory Development Training	26	42	**68**
System Centre Configuration Manager Training	2	3	**5**
Tax online user Acceptance Testing Training	20	30	**50**
Tax Treat Negotiation Training	4	6	**10**
Data Centre Workshop	5	5	**10**
Customer Care and Personal Grooming	105	129	**234**
Registry Operations, Paper and Electronic Record Management Training	1	-	**1**
Change Management Training	4	5	**9**
Engineering Institute of Zambia Symposium	-	3	**3**
Super user tax online Training	9	16	**25**
Induction Training	2	3	**5**
Zambia Institute of Chartered Accountants CPD Workshop and Annual General Meeting	2	4	**6**
Cash Office Training	15	17	**32**
Intelligence Gathering Training	1	3	**4**
Auditing and Taxation of Construction Industry Training	11	14	**25**
Tax online Super user Training	10	15	**25**
Tax online training for IT and Change Managers	7	9	**16**

Training of Trainers	10	15	**25**
Project Specialization Training	2	4	**6**
Management Development for Senior Executives	3	1	**4**
OBIS DATA T raining	2	4	**6**
Value Added Tax Training - 1	8	13	**21**
BCP Training	6	14	**20**
Taxonline Training for Provincial Managers	6	20	**26**
Regional Summit and Annual General Meeting for Zambia Institute of Human Resource Management	-	2	**2**
Norwegian Tax Agreement - Audit Support with LTO	4	6	**10**
Scanner Training	20	29	**49**
Monitoring and Evaluation	10	15	**25**
Cyber Security Training	10	20	**30**
Prince 2 Training	4	10	**14**
Professional Secretaries Association of Zamb ia - National Convention and AGM	10	-	**10**
Basic Customs Course Training	7	19	**26**
Scanner Training	8	12	**20**
TaxOnline User Acceptance Testing training	23	41	**64**
International Taxation and Tax Treaties Training	1	4	**5**
Legislative Drafting Training	1	-	**1**
Introduction to Tax Analysis and Revenue Forecasting Training	1	3	**4**
Fiscal Regimes in Mining and Petroleum	-	5	**5**
Customs and Trade Facilitation expert on critical role of ASYCUDA World, risk management.	10	20	**30**
Transfer pricing Workshop	8	16	**24**
Executive Master in Taxation	-	1	**1**
Pay As You Earn	15	23	**38**
ZICA/CIMA/ACCA Conference	3	4	**7**
TaxOnline Training	15	25	**40**
TaxOnline and ASYCUDA World interface Training	6	14	**20**
Telecommunication and Audit Training	7	10	**17**
Customs Service Workshop	7	13	**20**
Technical Training on Green Jobs Assessment Methodology	1	-	**1**
COBIT workshop	5	10	**15**
Change Management Training	5	7	**12**
Communication for Change Managers	6	9	**15**
Case Management Software Workshop	7	8	**15**
Prince two (2) Training	5	8	**13**
Computer Forensic Investigations - Study Tour	2	4	**6**
SPSS Training	1	5	**6**
E - Payment Training	4	10	**14**
Treasury Procedures Training	13	17	**30**
SMM Training on TaxOnline	4	6	**10**
CVFTS Training	6	14	**20**
Business Impact Analysis Training (BIA)	7	14	**21**

Management Development Programmes	1	2	**3**
TaxOnline Training for Internal Affairs	2	12	**14**
Training of Trainers for internal Affairs	1	2	**3**
Asycuda World Training	7	13	**20**
Audit & Assessment Revision	3	6	**9**
Customer Care and Personal Grooming	38	56	**94**
Leadership and Management Development Programme	9	10	**19**
ACL Training	8	10	**18**
Practical onsite training on Radiation Detection	4	6	**10**
Oracle Database 11g: Backup and Recovery Training	-	2	**2**
ACL Training	4	9	**13**
Norwegian Tax Authority project work	2	6	**8**
Training of Trainers Course	4	4	**8**
Java Programming	-	1	**1**
IPBX Training	-	2	**2**
Thin Client Solaris Training	-	1	**1**
Standard Audit Risk Model	6	14	**20**
Induction Training	3	7	**10**
Defensive Driving Training	-	30	**30**
Zambia Institute of Human Resource Management Convention	3	1	**4**
Transfer Pricing Training	2	5	**7**
Fire Safety Training	7	9	**16**
Lusaka Centralized Processing Centre Induction Training – Customs	12	16	**28**
Skill Development and Managing the Training Function	1	2	**3**
Central Process Centre Induction Training	8	11	**19**
Value Added Tax Training 2	3	19	**22**
First Aid Training	5	15	**20**
Value Added Tax Training 2	1	21	**22**
Training in Computer Package	5	14	**19**
Customs Services Operations Training	2	5	**7**
Management Development Training for Executive Assistants	2	-	**2**
Customer Care	8	22	**30**
Forensic Audit Training	-	1	**1**
Professional Management Skills Workshop for Executive Assistants	6	-	**6**
Induction Training	-	7	**7**
Quotations for Security Workshop	-	13	**13**
Workshop on International and Policy Procedures and Policies.	3	7	**10**
Total No. of participants trained	**892**	**1,545**	**2,437**

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