ZAMBIA REVENUE AUTHORITY

My Tax Your Tax Our Destiny

ANNUAL REPORT 2018

Letter of Transmittal

OFFICE OF THE CHAIRMAN OF THE ZRA GOVERNING BOARD

29th May, 2019

Honourable Margaret D. Mwanakatwe, 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 24th Annual Report of the Zambia Revenue Authority, covering the Financial Year 1st January 2018 to 31st December 2018.

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,

Chileshe M. Kapwepwe
Chairman of the ZRA Governing Board

VISION

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

MISSION STATEMENT

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

OUR MANDATE

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.

VALUES

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

Taxpayer Focus

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

Integrity

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

Professionalism

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

Innovation

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

Networking

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

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GLOSSARY

ACC	Anti-Corruption Commission
AEO	Authorised Economic Operator
BMS	Block Management System
BSC	Balanced Scorecard
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
CSP	Corporate Strategic Plan
CSR	Corporate Social Responsibility
DEC	Drug Enforcement Commission
DFID	Department for International Development (UK)
EFD	Electronic Fiscal Device
ERM	Enterprise Risk Management
FMIS	Financial Management Information System
ESD	Electronic Signature Device
EU	European Union
FIC	Financial Intelligence Centre
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICT	Information and Communication Technology
IMF	International Monetary Fund
KKIA	Kenneth Kaunda International Airport
KRI	Key Risk Indicator
LAN	Local Area Network
LME	London Metal Exchange
MCU	Mobile Compliance Unit
MIDAC	Mineral Data Analysis Centre
MoF	Ministry of Finance
MOSES	Mineral Output Statistical Evaluation System
MVCMP	Mineral Value Chain Monitoring Project
NAPSA	National Pension Scheme Authority
NIIE	Non-Intrusive Inspection Equipment
NTA	Norwegian Tax Administration
OSBP	One-Stop Border Post
OTA	Office of Technical Assistance
PACRA	Patents and Companies Registration Agency
PAYE	Pay As You Earn
PFMRP	Public Financial Management Reform Programme
PMDC	Performance Management and Development Contract
RDA	Road Development Agency
RMC	Risk Management Committee
RTSA	Road Transport and Safety Agency
SADC	Southern African Development Community
SO	Strategic Objective
TIMS	Tax Invoice Management System
TPIN	Tax Payer Identification Number
US	United States
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax
VDP	Value for Duty Purpose
VSS	Voluntary Support Scheme
WCO	World Customs Organisation
WTO	World Trade Organisation
WVAT	Withholding VAT
ZABS	Zambia Bureau of Standards
ZAMeT	Zambia Mobile Electronic Taxation
ZANAMACA	Zambia National Marketeers Credit Association
ZDA	Zambia Development Agency
ZNDC	Zambia National Data Centre
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 Governor of the Bank of Zambia
- A representative of the Zambia Association of Chambers of Commerce and Industry
- A representative of the Zambia Institute of Chartered Accountants
- The Permanent Secretary - Ministry of Justice;
- A representative of the Law Association of Zambia
- A representative of the Bankers' Association of Zambia
- 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 and is an ex-officio member of the Governing Board.

RESPONSIBILITIES

The functions of ZRA are to:

- Properly assess and collect the taxes, duties, levies and fees at the right time;
- 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.

Taxes Administered by ZRA

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

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

The Government of the Republic of Zambia

The people of Zambia

The media

STAKEHOLDERS

The stakeholders in the operations of ZRA include:

The taxpayers, the business community and their interest groups, together with their professional advisors

Tourists and travellers

Members of regional and other multi-lateral groupings such as the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), World Trade Organisation (WTO) and other countries transacting with Zambia

Non-Governmental Organisations and other interest groups

Cooperating Partners, e.g. the International Monetary Fund (IMF), World Bank, the European Union (EU), and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Traders crossing Zambia's borders

The Governing Board, Management and Staff of ZRA.

PERFORMANCE HIGHLIGHTS - 2018

ZRA collected
K48.5 billion
for the Government

Tax to GDP ratio rose to **17.2% in 2018 from 16.6% in 2017**

Taxpayer registrations under the **Block Management System** increased to **1,492 in 2018** compared to **494 registrations in 2017**

In total , ZRA collected **K3.8 Billion** above The Parliament target

53% of Income Tax refund claims were processed within the standard of **45 days** compared to **84.3%** recorded in **2017**

99% of the Tax Clearance Certificates were processed within **2 days**

MEMBERS OF THE ZRA GOVERNING BOARD

Ms. Chileshe M. Kapwepwe

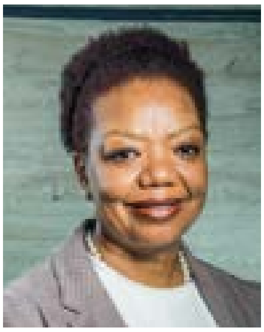
Chairman

Mr. Alfred J. Lungu

Vice Chairman

Mr. Fredson K. Yamba

Member



Mrs. Thandiwe D. Oteng

Member

Dr. Denny Kalyalya

Member

Mr. Kamalesh M. Shah

Member

Mr. James Koni

Member

Mr. Andrew M. Musukwa

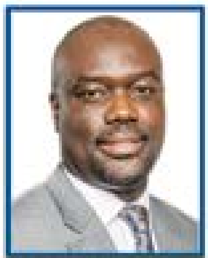
Member

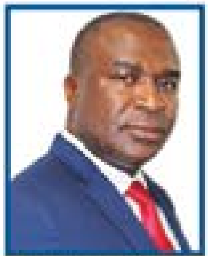
Mrs. Cecilia B. Zimba

Member

MEMBERS OF THE ZRA SENIOR MANAGEMENT


Mr. Kingsley Chanda
Commissioner General


Mr. Sydney Chibbabbuka
Commissioner Customs Services


Mr. Moses Shuko
Commissioner Domestic Taxes


Mr. Dingani C. Banda
Commissioner Modernisation & Corporate Strategy


Mrs. Brigitte N. Muyenga
Commissioner Finance


Mr. Kwegyer Msimuko
Deputy Commissioner Operations


Mr. Peter Phiri
Director Large & Specialised Taxpayer Office


Mr. Ezekiel Phiri
Director Research & Policy


Mrs. Suzyo M. Ng'andu
Board Secretary


Mr. Benjamin Simpungwe
Director Treasury Management

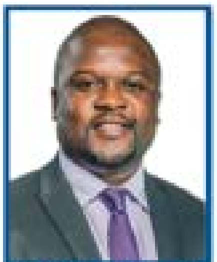

Mr. Timothy Milambo
Director Finance


Mr. Rueben Kunda
Deputy Commissioner Support


Mr. Joseph Nonde
Director Design Monitoring & International Relations


Mr. Clement M. Kasepa
Director Investigations


Mr. Monday M. Katongo
Director Information Communication Technology


Mr. Moffat Nyirenda
Director Human Resource


Mr. Morgan Mukwasa
Director Legal Services


Mr. Kwibisa Siyunyi
Director Internal Audit


Mr. Ronald Chalwe
(Ag) Director Informal Sector & Medium Taxpayer Office


Mr. George Mwale
Director Indirect Taxes


Mr. Wagner Chilembo
(Ag) Director Excise


Mr. Moonga Mumba
Director Corporate Strategy


Mr. Callistus Kaoma
Director Administration

CHAIRMAN'S STATEMENT

It is with great pleasure that I present to you the 24th Annual Report of the Zambia Revenue Authority for the financial year ended 31st December 2018 with the attendant audited financial statements. During the period under review, the Authority collected K48, 459.4 million against a target of K44, 667.5 million; thereby registering a surplus of K3, 791.9 million or 8.5 percent above target.

In 2018, we embarked on several pioneering initiatives that made our enforcement and compliance efforts more productive. We piloted the appointment of collection agents for withholding tax on rental income and base tax in the markets. Our cooperation with these tax agents has revealed important lessons on how best to engage with different categories of taxpayers. One of the key highlights of the year was the commencement of work on the TaxOnPhone project, which aims to create a platform for registration, filing and other taxpayer services on mobile phones using Unstructured Supplementary Service Data (USSD) technology. This will enable taxpayers with limited or no internet access to make the use of electronic services from ZRA and supplements the development of an application for smart phones. We, the Board of ZRA, realise that technology is converging on the mobile phone and it is our desire that tax services are accessible on such convenient platforms.

I am also happy to report that during the year, the Board approved the Corporate Strategic Plan for the period 2019 – 2021. The Plan comes with a rejuvenated vision: *"To be a world class model of excellence in revenue administration and trade facilitation"*; along with a new mission statement: *"To optimize and sustain revenue collection and administration for a prosperous Zambia"*. The Board also approved a new tagline; *"My Tax, Your Tax, Our Destiny"* while also streamlining our core values namely Taxpayer focus, Integrity, Professionalism, Innovation and Networking. These changes have one underlying theme: to provide efficient taxpayer services and thereby reduce compliance costs. I am confident that with the concerted efforts of our devoted employees, we will continue to build on our successes in 2019 and beyond.

Lastly, I would like to thank the Minister of Finance, management and staff of ZRA for their effort in ensuring that the Authority delivered Government revenue efficiently.

Chileshe M. Kapwepwe
Chairman of the ZRA Governing Board

COMMISSIONER GENERAL'S REPORT

I am delighted to present to you the Zambia Revenue Authority Annual Report for the financial year 1st January 2018 to 31st December 2018. The report presents both the operational and financial performance of the Authority in 2018.

The economy in 2018 grew by 3.7 percent largely driven by improved performance in the mining, construction, manufacturing, and wholesale and retail trade sectors. This favourable economic environment resulted in increased revenue collection.

The Authority collected K57, 829.0 million in gross taxes while total refunds stood at K9, 369.6 million. The net tax take was therefore K48, 459.4 million against a target of K44, 667.5 million thereby registering a surplus of K3, 791.9 million or 8.5 percent above target. The tax revenue to Gross Domestic Product (GDP) ratio grew to 17.2 percent in 2018 from 16.6 percent in 2017. This positive performance was attributed to higher than programmed revenue collections under all three tax categories namely, direct taxes, indirect taxes and trade taxes which posted surpluses of K272.4 million, K1, 549.9 million and K1, 969.6 million respectively.

Despite this good performance, some consumption taxes such as excise duty continued to underperform. To address this challenge, the Excise unit in the Domestic Taxes Division was upgraded to a Directorate and the number of staff was increased to enhance compliance and improve enforcement capability. With this development, we expect a turnaround in the performance of this tax. A total of K8, 995.4 million was paid out in VAT refunds. Out of this amount, 78 percent was paid to the mining sector while 22 percent was paid to other sectors in the economy. Going forward, we are confident that the introduction of Sales Tax in 2019 will create the necessary fiscal space to settle the outstanding VAT claims and stop the refund debt escalation.

The year 2018 marked the end of the 2016 – 2018 Corporate Strategic Plan (CSP). The Governing Board therefore approved a new strategic plan for the period 2019 - 2021. The plan comes with several changes. The new corporate vision is "to be a world class model of excellence in revenue administration and trade facilitation" while the new mission statement is "to optimise and sustain revenue collection and administration for a prosperous Zambia". The Board also approved a new tagline *"My Tax, Your Tax, Our Destiny"* and streamlined the core values; Taxpayer focus, Integrity, Professionalism, Innovation and Networking.

In line with our corporate strategic objectives, strengthening our enforcement capacity and ensuring full compliance by taxpayers remained high on our agenda in 2018. In this regard, I am happy to report that the Mobile Compliance Unit made significant progress in curbing smuggling. The enforcement operations resulted in 6, 241 interceptions with a value of K2, 086.7 million. Furthermore, 990 detentions valued at K225.2 million were made along with seizures of 81 consignments valued at K50.6 million. Further, to enhance compliance in domestic taxes, the Authority created an inspectorate unit in the Domestic Taxes Division on similar lines as the Mobile Compliance Unit. The two units have since been merged to form the Inspectorate and Customs Enforcement unit. The creation of this new unit is expected to mitigate revenue leakages orchestrated through cheating, falsification of documents, corruption and smuggling.

In order to improve our corporate governance and ensure effective follow up on audit queries raised by the Office of the Auditor General, a new unit within our Internal Audit department, called the Implementation Monitoring Unit was created whose responsibility, among others, is to ensure timely resolution of all audit queries.

The Authority continued to transform tax administration through the implementation of various projects across the business units. We have managed to transform the way we conduct our business by embracing e-solutions, a change that has transformed the way we relate with our taxpayers and other stakeholders. We have, thus not only reduced the cost of compliance for taxpayers but also the cost of collection.

In the area of trade facilitation, the Authority managed to reach a significant milestone by improving the clearance time from an average of seven days prior to 2018 to four days in 2018. Our visionary and pragmatic approach has further attracted notable technical support from several cooperating partners towards reforming customs clearance procedures, the modernisation of the customs training programme, the improvement of hard and soft infrastructure at Nakonde Border Post, and the strengthening of the core competences of customs officers. These and other programmes aimed at improving the performance of customs will continue in 2019.

Being a public body, the Authority places a high premium on matters of integrity. In this regard, the ZRA Integrity Committee conducted a number of sensitisation activities for ZRA staff across the organisation including induction training sessions for new members of staff. The Whistle-Blower Policy, which is intended to reward and protect informants, was launched during the year.

In the year under review, the Authority's staff strategy continued to focus on promoting an effective and efficient workforce responsive to our core mandate of collecting revenue. In this regard, staff training aimed at increasing productivity was conducted, while competent and qualified members of staff were promoted to various positions as a way of motivating them. Furthermore, the Joint Negotiation Council (JNC) successfully negotiated a new collective agreement for improved conditions of service for unionised staff and this resulted in a cordial industrial environment.

I am grateful to the Government through the Ministry of Finance for ensuring that we received our profiled funding on time. This enabled us to implement our on-going modernisation initiatives meant to enhance revenue collection as well as our capital investments such as the construction of additional offices and staff houses across the country and the renovation of Revenue House.

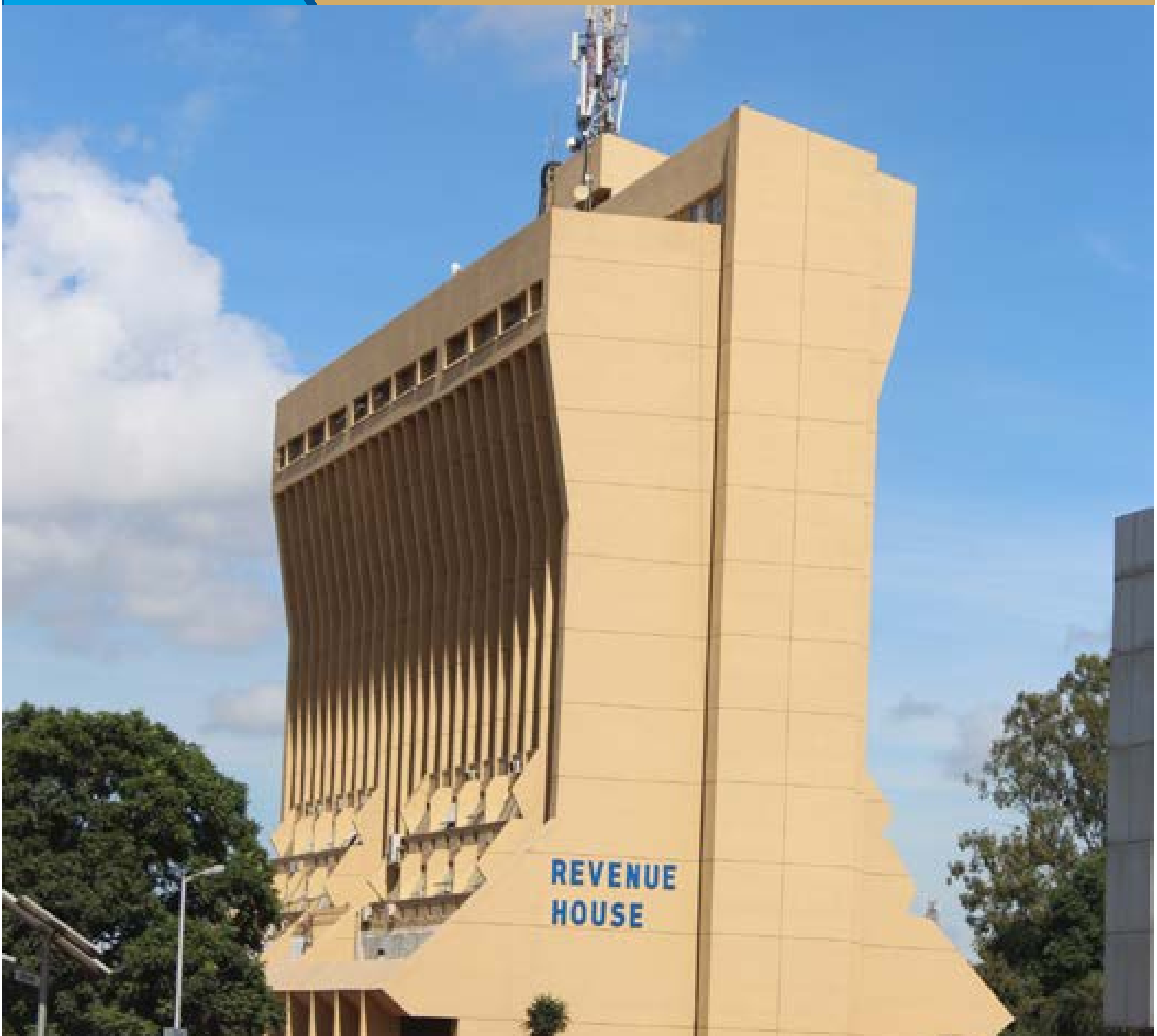
Let me also thank the Governing Board for embracing management's reform agenda aimed at actualising our vision of being a world class model of excellence in revenue administration and trade facilitation.

Further, I wish to thank management and staff for their dedication to duty, as well as taxpayers and other stakeholders who made it possible for us to achieve our revenue mobilisation objective.

Finally, I am mindful of some of the economic challenges facing our country but I remain confident that together we shall overcome these challenges and deliver the revenues required for the development of our country.

Kingsley Chanda
Commissioner General

OVERVIEW OF THE AUTHORITY



Overview of the Performance of the Authority

The following sections provide an overview of the performance of the Authority's Corporate Strategic Plan (CSP).

Corporate Strategic Plan 2016 - 2018

The year 2018 marked the end of CSP for the period 2016 – 2018, which had the following Strategic Objectives (SOs):

Thematic Area	Strategic Objective
Financial Results	SO 1: To optimise revenue collection
Business Process	S0 2: To improve operational efficiency through development of infrastructure, systems and processes
Employee Satisfaction	S0 3: T To enhance the professionalism and productivity of the human capital
Customer Satisfaction	S0 4: To provide accurate, courteous, timely and professional services to internal and external customers

Corporate Governance and Administration of the Authority

1. The Governing Board

The Authority has a nine member Governing Board that oversees its organisation and administration. The Board is appointed by the Minister of Finance drawing representation from both the public and private sectors and is made up of the following Committees:

1.1 Audit and Risk Committee

The Audit and Risk Committee provides independent assurance and advice to the Board in order to promote good governance in the Authority through effective implementation of risk management and internal controls. The Committee also ensures the integrity of financial statements and compliance with relevant regulatory requirements.

1.2 Finance Committee

The Finance Committee reviews and approves the Authority's financial policies and guidelines to ensure proper accountability of operational funding, banking arrangements for revenues and safeguarding of ZRA's assets.

1.3 Legal, Staff and Disciplinary Committee

The Committee provides guidance on all legal issues and human resource related matters that are referred to it by management, including the recruitment of senior management staff.

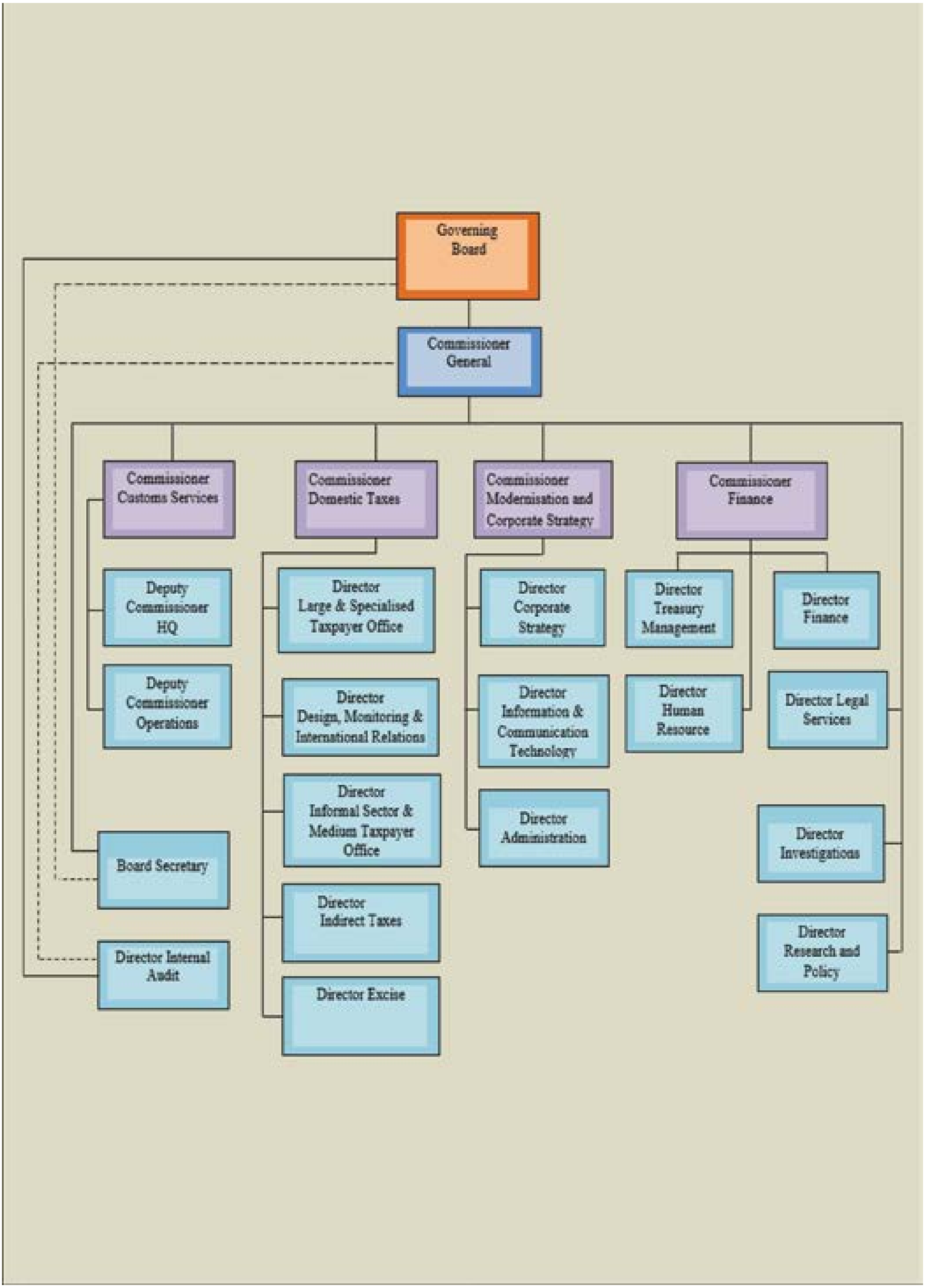
1.4 Modernisation and Corporate Strategy Committee

The Committee oversees the formulation of the Authority's corporate strategy and ensures its implementation. It also provides guidance on the modernisation agenda of the Authority.

2. The Office of the Commissioner General

The Commissioner General is the Chief Executive Officer and is responsible for the day to day running of the Authority.

The governance structure of ZRA as at 31st December 2018 is depicted in Figure 1.


Governing Board
Commissioner General
Commissioner Customs Services
Commissioner Domestic Taxes
Commissioner Modernisation and Corporate Strategy
Commissioner Finance
Deputy Commissioner HQ
Deputy Commissioner Operations
Director Large & Specialised Taxpayer Office
Director Design, Monitoring & International Relations
Director Informal Sector & Medium Taxpayer Office
Director Indirect Taxes
Director Excise
Director Corporate Strategy
Director Information & Communication Technology
Director Administration
Director Treasury Management
Director Finance
Director Human Resource
Director Legal Services
Director Investigations
Director Research and Policy
Board Secretary
Director Internal Audit

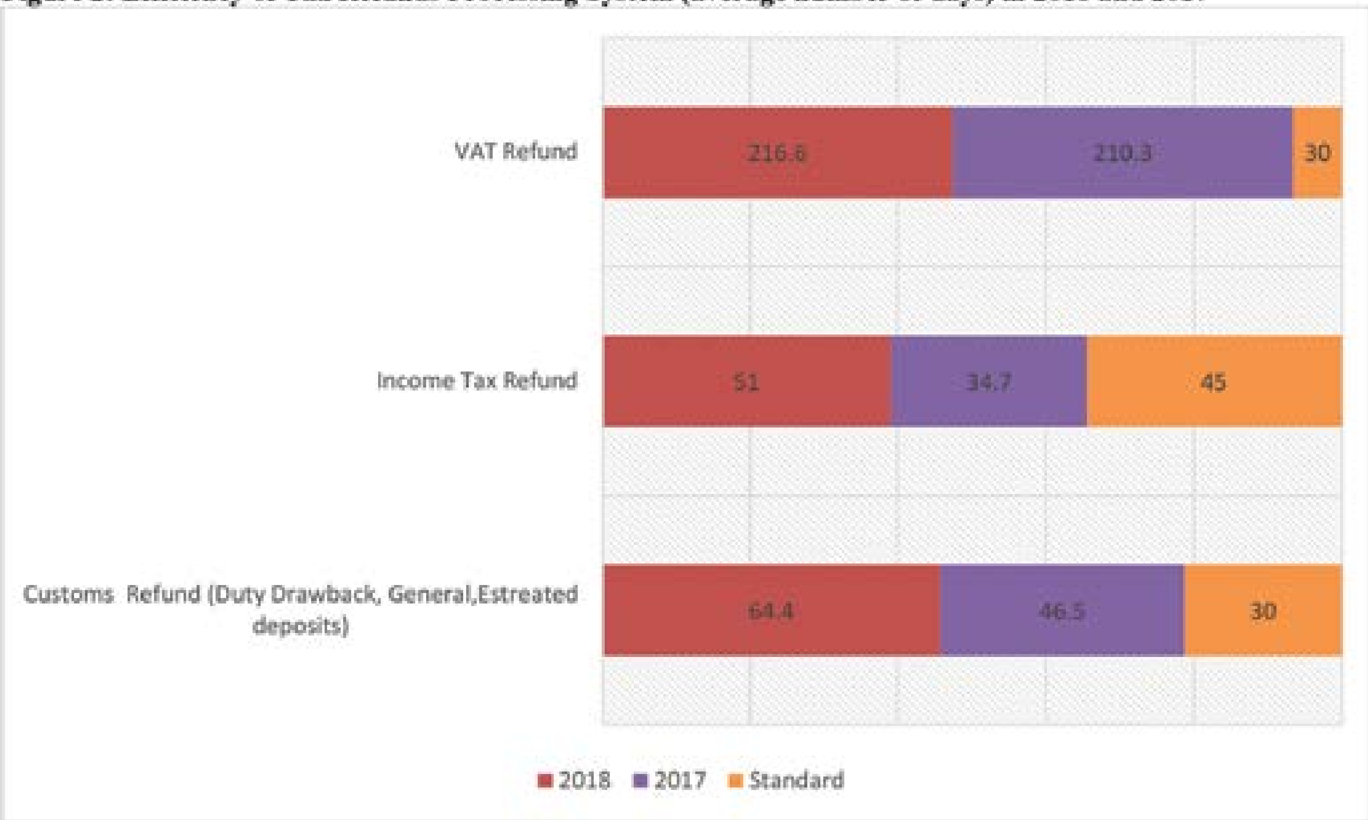
Taxpayer Charter

During the year under review, ZRA continued monitoring the taxpayer service charter in order to ensure continuous improvement in service delivery. The Taxpayer Charter prescribes the minimum standards of service that clients should expect from ZRA as it performs its mandate. The service standards outlined in the Charter can broadly be divided into two categories:

a) Standards related to taxpayer advisory services and processing efficiency; and
b) Standards related to the processing of tax refunds.

In 2018, the performance of the Charter with respect to customs, income tax and VAT refunds were above the stipulated standards. In comparison with 2017, the performance in 2018 with respect to customs refunds was unfavourable as the average processing time increased from 46.5 days in 2017 to 64.4 days in 2018 while VAT refunds averaged 216.6 days from 210.3 days in 2017. The delay in processing VAT refunds was mainly due to administrative and staffing challenges coupled with a high risk of fraud which entails a high volume of cases which need to be subjected to audit. The underperformance of the customs refund on the other hand was in part due to system challenges which affected the processing efficiency (see Figure 2).

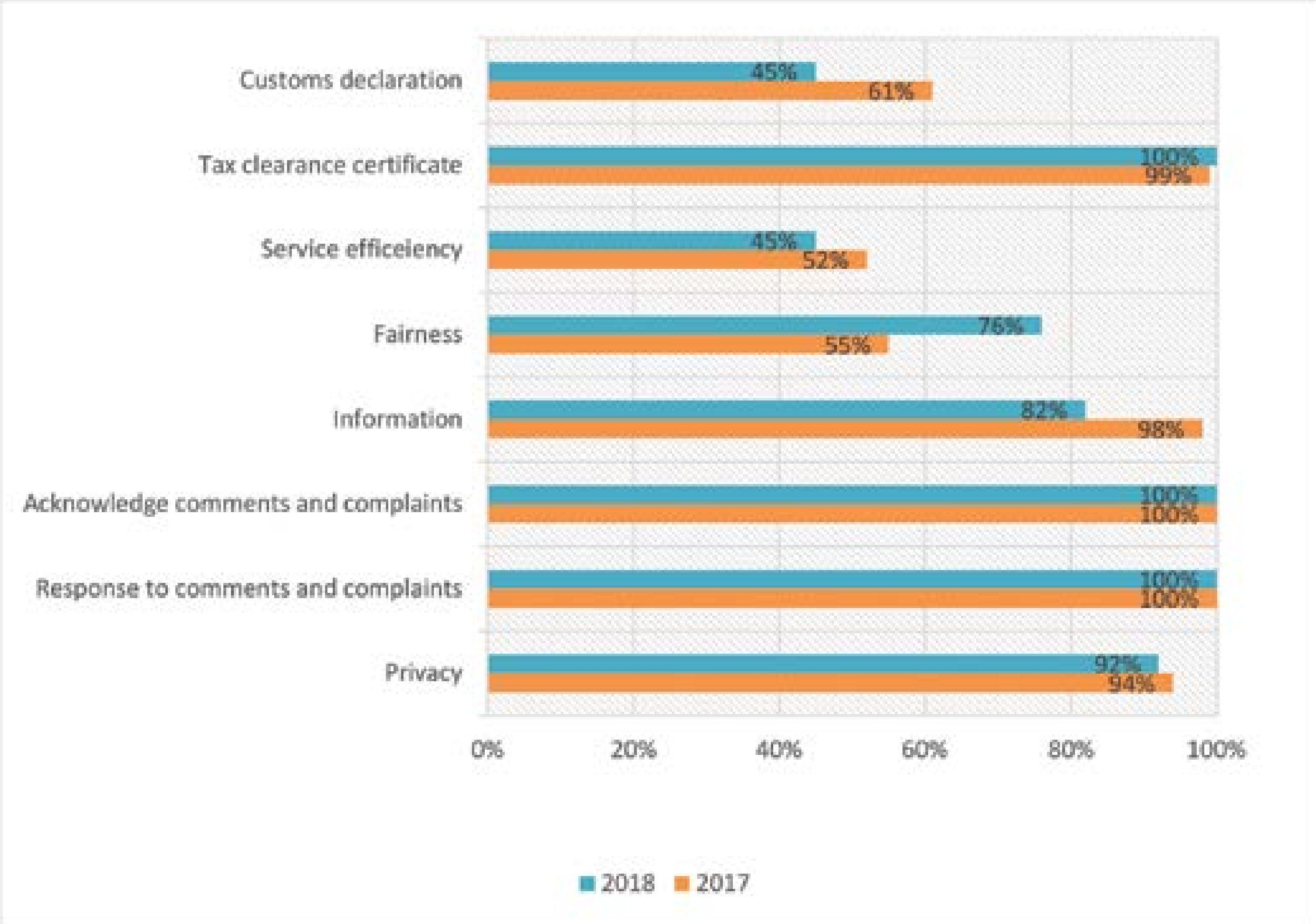
Figure 2: Efficiency of Tax Refunds Processing System (average number of days) in 2018 and 2017



The taxpayer charter monitoring survey revealed that taxpayers were generally satisfied with the performance of the ZRA with respect to how the Authority dealt with acknowledgements and responses to comments and complaints. All sampled cases indicated that the acknowledgements as well as feedback to comments and complaints were provided within the Charter standards. The survey further revealed that 92 percent of the taxpayers were satisfied with the Authority's performance with regard to its confidentiality and privacy policy.

With regard to the processing of tax clearance certificate applications, an average of one day was recorded which was within the set standard of two days. Due to the initiatives the Authority has embarked on in order to widen options of taxpayer information dissemination, 82 percent of the clients revealed that the tax information they received from ZRA was adequate. Notably, ZRA increased its taxpayer education activities through workshops, road-shows and radio presentations. However, standards relating to processing efficiency of tax registrations and time taken to be served performed adversely relative to 2017 (see Figure 3).

Figure 3: Effectiveness of Taxpayer Registration and Advisory Services in 2018 and 2017



PRIORITIES FOR THE YEAR

Priorities for the Year

Our priorities for the year were aimed at enhancing tax compliance and expanding the tax net in line with the revised corporate strategic plan for the period 2016 to 2018. The Authority took "a taxpayer first approach" by improving service accessibility through the establishment of additional service centres and technology platforms. The Authority further continued to develop and encourage the use of e-services in an effort to reduce the cost of compliance. To this effect, the development and stabilisation of e-services was accelerated resulting in a number of tax payments being made through e-payment platforms.

We also prioritised process efficiency by leveraging technology to enhance service delivery. This in turn promoted compliance and simplified business processes, especially in the following areas; investigations, tax audits, anti-smuggling operations, and human resource development. Notably, a large number of goods were seized and forfeited to the state as a result of improvements in anti-smuggling operations. These initiatives, enabled the Authority to collect more tax revenue than the projected target for the year. The increase in revenue collection was also attributed to the implementation of the strategic objectives and improvement in voluntary compliance. In addition, deliberate initiatives were taken to engage the media and other key stakeholders to improve public awareness, operational efficiency and employee professionalism.

Widening the Tax Net

Increasing tax collection from the Mining Sector

Following the successful piloting of the export permit module under the Mineral Output Statistical Evaluation System (MOSES) in 2017, the full roll-out of the module for exports of copper, cobalt and precious metals was effected in March 2018.

The automation of the mineral export permit module has resulted in reduced processing time for the export permit to an average of two days in 2018 compared to an average of three days in 2017. Further, the automation of this process has eliminated the costs associated with the manual process which required applicants to physically visit the geological survey department in Lusaka.

Although not yet fully rolled out, the implementation of MOSES has so far yielded the following notable benefits;

a) improved timeliness in receiving reports from the mines;
b) reduced cost of compliance for the reporting mines;
c) uniformity in the structure of reports which is benefiting all stakeholders;
d) easy verification of figures as reports from the mines can easily be linked with other data platforms such as ASYCUDAWorld;
e) improved compliance due to complete tracking of the mineral value chain; and

f) improved generation of mineral statistics.

Going forward, online payments will be introduced to achieve further simplifications.

Taxation of Small and Medium Taxpayers

In 2018, the Authority continued with its initiatives aimed at increasing compliance in the informal sector. In this regard the German government supported ZRA in training auditors in techniques suitable for auditing small and medium businesses which are characterised by poor record keeping and high volumes of cash based transactions.

In a continued bid to ease the compliance burden on taxpayers, the Authority made progress on the development of its mobile based platform for e-services called the Zambia Mobile Electronic Taxation (ZAMeT) Project. The registration module was fully developed and ready for piloting. Once fully implemented, ZAMeT will enable taxpayers to access services such as registration, filing and payment of taxes on a mobile phone or other similar devices without using the internet.

Enhancing revenue collection using the Block Management System

In 2018, the Authority continued to use the Block Management System (BMS) as a strategy to enhance compliance amongst small and medium taxpayers. The BMS activities from the single block managed in Lusaka contributed revenues of K1.3 million while the four blocks on the Copperbelt raised assessments amounting to K6.3 million.

It is worth noting that whereas the BMS activities on the Copperbelt were conducted throughout the year, and yet the Lusaka BMS activities only began full operations in August 2018.

Table 1: Tax Type registrations in 2018 and 2017 under Block Management System

Type of Registration	Number of registrations	
	2018	2017
TPIN	323	265
Turnover tax	226	57
PAYE	355	65
Withholding tax on rental income	427	103
VAT	0	2
Income Tax	161	2
Total	1,492	494

In 2018, total registrations increased to 1,492 from 494 in 2017. Significant registrations were recorded under withholding tax, PAYE, income tax and turnover tax (see Table 1).

Activities of ZRA Tax Agents

During the year, the Authority appointed the Zambia National Marketeers Credit Association (ZANAMACA) as agents for the collection of base tax while Sherwood Greene Properties Limited were appointed for the collection of withholding tax on rental income. The appointment of these tax agents is aimed at increasing compliance among informal taxpayers.

Despite the late roll out of activities, ZANAMACA registered 2,679 taxpayers for base tax whereas Sherwood Greene surveyed 14,999 properties which resulted in a total of 1,324 taxpayers being registered for withholding tax on rental income.

Mobile Compliance Enforcement Activities

During the year, mobile compliance enforcement activities focused on curbing smuggling through risk based, random patrols and enforcement operations driven by intelligence. The enforcement operations conducted resulted in 6,241 interceptions with a value of K2, 086.7 million out of which 1,928 interceptions, with a value of K197.1 million were recommended for further investigation.

Electronic Fiscal Devices

During the year, the Authority introduced the Tax Invoice Management System (TIMS) which makes it mandatory for every taxpayer registered for insurance premium levy, tourism levy and VAT to install and use Electronic Fiscal Devices (EFDs) as provided for in the VAT Act, Cap 331 of the Laws of Zambia. The EFDs are meant to replace the use of manual cash registers for business transactions for registered taxpayers. Once fully implemented, EFDs will enable real time transmission of transaction data to the ZRA system for compliance monitoring purposes.

The implementation of EFDs was launched on a pilot basis in 2018 under which 2,194 taxpayers were trained on how to use the devices in Phase I. Further, engagements were held with major retailers, POS vendors and other taxpayers who needed to interface directly with TIMS. Following the training, the 2,000 EFDs procured by ZRA were distributed to trained taxpayers for their use. In addition, 20 Electronic Signature Devices (ESDs) were also distributed to taxpayers intending to interface with the TIMS by way of ESDs for test purposes.

In December 2018, the project lifespan was extended to 2019 under Phase II. The scope under this phase includes the roll-out of Sales Tax on TIMS and distribution of 2,000 EFDs and 3,000 ESDs whose procurement was scheduled for 2019.

Improving operational efficiency

In 2018, several projects were undertaken aimed at improving the operational efficiency of the Authority:

Physical Infrastructure Development

1. Housing Projects:

The following housing projects were undertaken:
- The construction of ZRA staff houses at Chinsali, Kasama and Katima Mulilo; and
- Replacement of the roof at the Kenneth Kaunda International Airport (KKIA) Flats.

2. Office Building Projects:

Remodelling of Customer Service Centre at East Park and Cosmopolitan Shopping malls;
- Construction of office block at Chinsali which was on-going;
- Rehabilitation of the Musonko House in Chingola;
- Rehabilitation of the Border Post in Kashiba up to 90 percent completion;
- Installation of elevators at Mpendwa House in Ndola;
- Renovation and extension of the Zombe station;
- Rehabilitation of Nchanga House in Kitwe;
- Refurbishment and remodelling of the 3rd, 9th and 10th floors of the Revenue House in Lusaka; and
- Remodelling of the 8th Floor of Revenue House up to 90 percent completion.

3. General Infrastructure Projects:

- Construction of customs check point at the Nakonde One Stop Border Post up to 95 percent completion;
- Construction of customs check point at KKIA; and
- Painting of the external façade of the Revenue House in Lusaka.

4. Office Furniture & Equipment

The Authority procured assorted office furniture and non-ICT equipment for its various offices countrywide at a total cost of K5.5 million.

5. Transport

In 2018, the Authority procured a total of 30 brand new motor vehicles for its operations at a total cost of K13.8 million.

Enforcement and Compliance Actions

Customs Services Division

a) Scanner Operations at Border Ports

The use of non-intrusive inspection equipment commonly known as scanners is intended to complement enforcement activities in the clearance of goods. This also reduces the processing time and increases compliance among importers and exporters.

In the year under review, 73,921 trucks were scanned from a total of 364,944 trucks representing 20.3 percent of the total number of trucks recorded at the stations presented in Table 2. A total of 55 trucks were found with discrepancies out of the total scanned trucks. The scanner operations generated total revenue of K955, 931.8 in 2018.

Table 2: Scanners Activity Report for 2018

Port	Total Truck Traffic	Scanned	% of Total Traffic	Truck with discrepancies	Additional Revenue Collected (K)
Chanida	11, 692	9, 811	83.9%	7	155, 640.0
Chirundu	81, 888	29, 865	36.5%	8	500, 591.6
Kasumbalesa	139, 539	3, 512	2.5%	3	51, 900.0
Katima Mulilo	16, 878	8, 754	51.9%	9	182, 421.4
Kazungula	34, 402	20, 900	60.8%	26	65, 348.8
Mwani	4, 761	380	8.0%	0	0.0
Nakonde	7, 561	699	0.9%	2	0.0
Total	364, 944	73, 921	20.3%	55	955, 931.8

b) Border Enforcement

Enforcement and compliance activities are undertaken at various ports on a risk based approach through inspections, road blocks and follow-ups on intelligence.

A comparison in the value of goods detained and seized at various stations in 2018, shows that there was an overall increase of 8.0 percent compared to 2017 (see Table 3).

Table 3: Detentions and Seizures in 2018 and 2017 (K 'Million)

Type	2018	2017	Variance	% Variance
Value of Detained Goods	90.8	98.5	-7.7	-7.8%
Value of Seized Goods	55.5	37.0	18.5	50.1%
Total	**146.3**	**135.5**	**10.8**	**8.0%**

A total of K21.4 million was collected from enforcement activities as indicated in table 4.

Table 4: Revenue Yield from Station Enforcement Activities for 2018

Station	Revenue Yield from Enforcement Activities
Kapiri Mposhi	19,071,841.5
Livingstone	817,514.0
Kasumbalesa	436,867.9
Chirundu	368,126.8
Kitwe	328,646.4
Ndola	171,019.0
Nakonde	97,126.0
Mpulungu	64,485.0
Katima Mulimo	30,453.9
Total	**21,386,080.4**

Investigations

a) Mobile Compliance Unit

During the year, the Mobile Compliance Unit's main activities focused on curbing smuggling through risk based, random patrols and enforcement operations driven by intelligence. The enforcement operations conducted resulted in 6,241 interceptions with a value of K2, 086.7 million out of which 1, 928 interceptions, with a value of K197.1 million were referred for further investigation.

The total interceptions of 6, 241 in 2018 exceeded the targeted 3, 000 interceptions by 108 percent and raised assessments totalling K49.3 million. The total revenue collected from these interceptions was K46.0 million compared to K35.96 million collected in 2017.

In order to enhance enforcement activities, an inspectorate was created in the Domestic Taxes Division to operate on similar lines as the Mobile Compliance Unit. Effective 1st January 2019, the two units will be merged to form the Inspectorate and Customs Enforcement unit. The focus of this unit will be to mitigate revenue leakages orchestrated through various forms of tax evasion.

b) Investigations Unit

During the year, the Investigations Unit handled a total of 597 cases, out of which 331 were brought forward from 2017. A total of 151 cases were concluded during the year while 446 were carried forward to 2019.

Table 5: Investigation cases in 2018

2018	B/F	New Cases Received	Total	Terminated	Referred to Division	Civil Settlement	Prosecution	C/F
Customs	185	169	354	43	0	43	12	256
Domestic Taxes	146	97	243	26	0	25	2	190
Total	**331**	**266**	**597**	**69**	**0**	**68**	**14**	**446**

Out of the 597 cases considered in 2018, 354 cases related to customs and excise, while 243 cases were related to domestic taxes. This represents an increase of 46 percent for customs related cases and an increase of 34 percent for domestic taxes related cases from the 243 and 182 cases handled in 2017 respectively (see Table 5)

In addition, the forensic audits that were commissioned for five mines were at pre-final stage at the close of the year. With regard to import and export audits, these were referred to the Tax Appeals Office following an objection from the concerned taxpayers, except one which was being finalised.

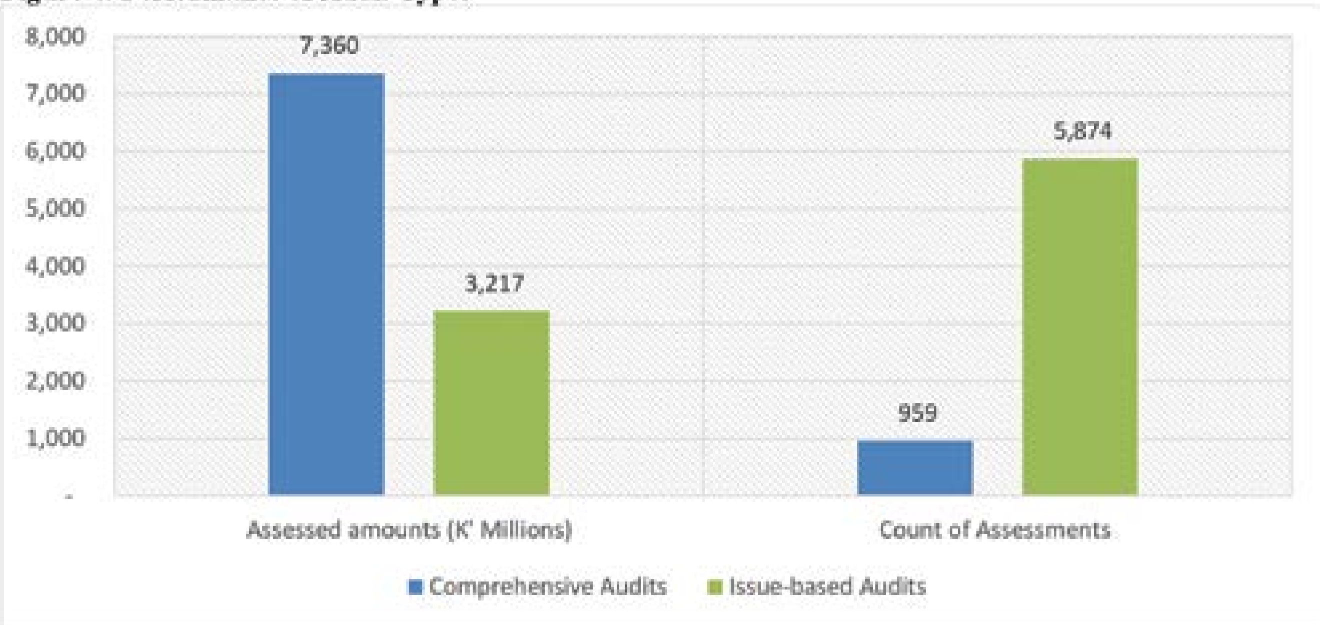
Domestic Taxes Division

In 2018, the Domestic Taxes Division's strategy was to identify and prioritise its audits by analysing risk parameters on TaxOnline and sampling from taxpayers in high risk economic sectors. The Division also made use of third-party data and other intelligence information in its audits.

a) Tax Audits

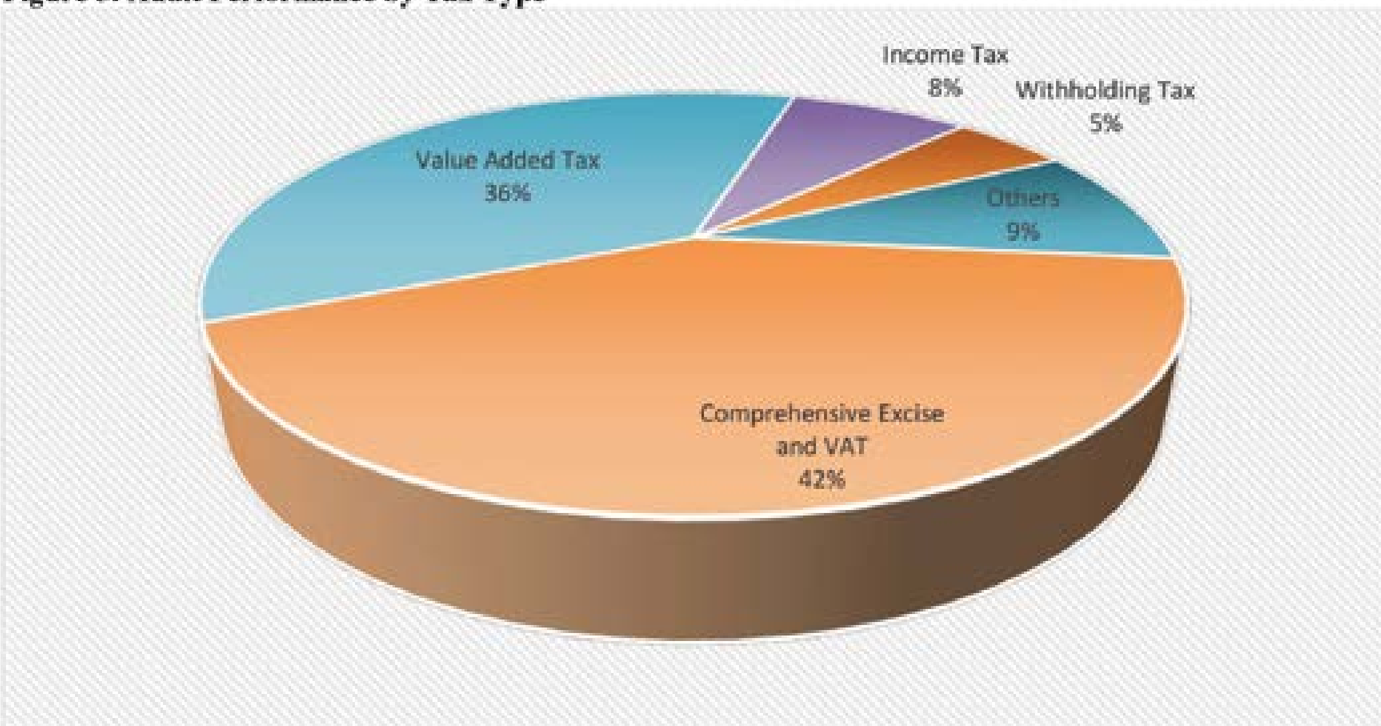
During the year, a total of 6,833 audits were conducted and this resulted in tax assessments of K10, 577.1 million. As depicted in Figure 4, comprehensive audits accounted for K7, 360.1 million of the audit assessments whereas issue-based audits accounted for K3, 217.0 million.

Figure 4: Performance of Audit Types



In terms of tax types, comprehensive VAT and excise audits accounted for 42 percent of the total tax assessments whereas VAT control audits, income tax and withholding taxes accounted for 36 percent, 8 percent and 5 percent of the total tax assessments respectively. Other tax types accounted for 9 percent of the audit assessments (see Figure 5).

Figure 5: Audit Performance by Tax Type



b) Block Management System (BMS)

The Block Management System (BMS) was adopted as a compliance enhancing measure for small and medium taxpayers in Lusaka and the Copperbelt provinces. On the Copperbelt, four blocks were managed by the Ndola office, namely, the Ndola central business district, Ndola industrial area, Luanshya town centre and Mufulira town centre. In Lusaka, the focus was on the central business district. The specific objectives of the BMS are to initiate appropriate taxpayer registrations, enforce tax compliance and conduct taxpayer education in the block.

In the course of the year, the Ndola office managed a total of 1, 281 taxpayers across its blocks whereas the Lusaka block managed 1, 951 taxpayers. The intensified monitoring of the blocks resulted in increased return filing compliance rates in the blocks for turnover tax, income tax, employment tax and withholding tax on rental income at 76 percent, 85 percent, 82 percent and 74 percent respectively.

c) Taxpayer education activities

In order to increase tax awareness, the Authority, in 2018, signed a Memorandum of Understanding with the Zambia National Broadcasting Corporation (ZNBC) as the main platform for disseminating tax information on radio and television. Other platforms used during the year to disseminate tax information included stakeholder engagements, road shows and social media. Topics covered in the awareness campaigns included tax legislation changes, compliance, standardised motor vehicle valuation, e-services, Electronic Fiscal Devices and anti-smuggling initiatives. The Commissioner General also held a number of press briefings to keep our stakeholders, taxpayers and the general public updated on various changes and on the performance of the Authority.

Business Development

Enterprise Risk Management and Business Continuity Planning

Enterprise Risk Management (ERM) was one of the focus areas for the Authority during the year. The Authority used risk management in the formulation of the new Corporate Strategic Plan (CSP) for the period 2019 to 2021 and to identify current and potential operational risks.

As part of management's commitment to the institutionalisation of the risk management, an enhanced ERM policy and framework was developed and approved by the Board. Under the new policy, Risk Management Committees (RMCs) were established for customs services, domestic taxes, finance, support services, and at corporate level.

The Authority also updated the Information and Communications Technology disaster recovery procedures which included upgrades of infrastructure and equipment. In addition, business continuity plan procedure manuals for customs services and domestic taxes were developed. Further testing of critical systems were undertaken to ensure that the Authority's business continuity agenda was assured.

The monitoring of Key Risk Indicators (KRIs) formed part of the broader risk agenda. A total of 87 KRIs were monitored out of which 17 were at corporate level and the rest were at divisional and departmental levels.

As at the end of the year, seven major risks were on the risk watch-list namely: low taxpayer compliance; internal ICT systems instability; high prevalence of a cash economy; misclassification and under-declaration of goods; TaxOnline sustainability risk; EFD sustainability risk; and economic shocks.

Enhancements on TaxOnline and uptake of e-services

During the year, the major developments under TaxOnline were:

- the automation of the approval process for resident individual TPIN registration which considerably reduced the processing time;
- implementation of Issue Audit Module;
- the migration of TaxOnline database to more stable engineered system platforms leading to increased system availability;
- the automation of the withholding VAT mechanism; and
- the development of ZRA–NAPSA Interface Comparison report which compares registrations, return data and declarations between TaxOnline and the NAPSA System was finalised.

With regard to uptake of e-services, a total of 1, 363, 086 returns were filed electronically while 39, 820 returns were filed manually. Portal sign-ups increased to 52, 221 in 2018 from 47, 827 in 2017. There was a massive increase in e-registration applications received in 2018 with a total of 521,720 applications being processed electronically compared to 248, 979 in 2017.

Table 6: Use of e-Services in 2018 and 2017

Description of Activity		2018	2017	% Change
1.	**Sign up**	52, 221	47, 827	9.2%
2.	**Registrations by Type**			
i)	*Electronic*	521, 720	248, 979	109.5%
ii)	*Manual*	33, 482	47, 907	-30.1%
3.	**Return Filing by Type**			
i)	*Electronic*	1,363,086	1,987,675	-31.4%
ii)	*Manual*	39,820	49,977	-20.3%

ASYCUDAWorld System Upgrade

In 2018, several developments were undertaken on the ASYCUDA-World. These included the following;

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- *Customs Valuation Referencing Database:* This database is intended to provide a basis for cross-referencing customs declarations and was activated for five products in 2018 with additional products expected to be added to the database.

- *Implementation of Customs Self-Assessment (CSA):* This was piloted at Kenneth Kaunda International Airport and enables clients to self-assess and make payments in real time. The system has improved clearance time for businesses. Further, the CSA has an automated penalty regime for delayed payments resulting in improved compliance by taxpayers.

- *Single Window Project:* This project is intended to provide a platform for trade facilitation. In order to improve processing time, the electronic Voucher of Exemptions on ASYCUDAWorld was activated for the Ministry of Finance as the approving Ministry, the Ministry of Works and Supply and the Ministry of Health. This improved the processing time for imports for the ministries of health and works and supply to five days from an average of 70 days. Seven other Government ministries were earmarked for activation in 2019.

- *Interfaces:*
- The development of ZRA-IFMIS revenue module interface, reached an advanced stage and was earmarked for full rollout in 2019.
- The development of the one-stop border post between Zambia and Malawi at Mwami-Mchinji border commenced in 2018 and is expected to be implemented in 2019.

SMS-Notification System

ZRA managed to implement the SMS alert solution on its operating systems, such as ASYCUDAWorld and TaxOnline. This solution also has a bulk SMS facility which enables communication with clients in bulk, including transactional alerts.

E-Payment

As at end of the year, 17 commercial banks were connected to both ASYCUDAWorld and TaxOnline. These are Access Bank, Atlas Mara, Barclays Bank, Bank of China, Cavmont Bank, Citi Bank, EcoBank, First Alliance Bank, First National Bank, First Capital Bank, Indo-Zambia Bank, Investrust Bank, Stanbic Bank, Standard Chartered Bank, United Bank for Africa, Zambia National Commercial Bank and Zambia Industrial Commercial Bank.

Further, eight of these banks extended the e-payment platform to walk-in clients who are non-account holders. These are, Access Bank, Barclays Bank, Cavmont Bank, Eco Bank, Atlas Mara, United Bank for Africa, Zambia Industrial Commercial Bank and the Zambia National Commercial Bank.

Similarly, ZAMTEL and MTN Mobile Money launched the USSD mobile tax payment solution. This mode of payment enables taxpayers to make a payment without the use of internet. These developments are complementing the Authority's effort of enabling taxpayers to have access to more convenient payment platforms from any part of the country.

Modernisation of Trade Logistics

In order to improve trade facilitation, the Authority continued with its modernisation of trade logistics. In this regard, the following key activities were undertaken:

- the installation of a non-intrusive scanner at Nakonde Port in January 2018;
- the adoption of good international practices regarding the management of Authorised Economic Operators (AEOs);
- the broadening of AEO accreditation to include customs brokers and engagement of other border management agencies to optimize the benefits to AEOs;
- conducted a Rules of Origin workshop in May 2018 under World Customs Organisation in Lusaka which covered key concepts for proper origin determination and establishment of efficient origin management;
- the piloting of the Customs Self-Assessment (CSA) system at Kenneth Kaunda International Airport;
- the implementation of the Customs Valuation Referencing Database on ASYCUDAWorld in June 2018; and
- the admission of ZRA as a beneficiary of the tailor-made track of the Mercator Program which supports World Customs Organisation members successfully implement the provisions of the World Trade Organisation Agreement on Trade Facilitation.

Stakeholder Relations

Cooperating Partner Relations

In recognition of the value of collaboration, the Authority endeavoured to maintain cordial relations with its key stakeholders.

The Public Financial Management Reform Programme (PFMRP)

The first phase of the multi-donor support under the PFMRP administered by the World Bank came to a close at the end of 2018. The major support under this program, whose focus was enhancing compliance and broadening the tax base, was to the mineral value chain project. During the year, focus was on extending the MOSES production reporting to small scale miners in addition to the 12 large scale mining companies. This development has now enabled ZRA to access production volumes in electronic form that can be used to verify export volumes. Further, support was provided to the development of the Balance of Payments interface with the Bank of Zambia.

US Treasury - Office of Technical Assistance (OTA)

During the year, the US Treasury provided technical assistance to ZRA-staff in transfer pricing. This was done through three technical assistance missions that delivered in-house training to auditors in the transfer pricing unit.

Deutsche Gesellschaft fur International Zusammenarbeit (GIZ)

During the year, GIZ supported the Authority in the refurbishment and installation of the Queue Management System at the Ndola taxpayer service centre. This development has created a more efficient system at the front office. Additional support was provided through refurbishment of the advice centres at Lusaka and Kitwe.

GIZ also supported the Authority in the development of a mobile taxation platform through the Zambia Mobile E-Taxation Project (ZAMeT) which will enable taxpayers to have access to ZRA services on the mobile phone or similar device without the use of internet. Further, an agreement was signed with GIZ to support the implementation of the Bulk Intelligence Data Analysis, Mobile Offices and data cleaning projects.

Royal Norwegian Government

The support from the Royal Norwegian government to the Authority focused on the Mineral Value Chain Monitoring Project (MVCMP). With this support, the Mineral Data Analysis Centre (MIDAC) was operationalized in 2018 and this has enabled the analysis of mineral production data submitted through MOSES. The Norwegian government also supported the procurement, supply, installation and training for the Laboratory Information Management System which has since been fully rolled out. The support to the MVCMP came to an end in 2018.

Other Local Partners

In conducting its work under various projects, ZRA continued to collaborate with various governmental and non-governmental institutions. These included the Ministry of Finance, Ministry of Mines and Mineral Development, other Government Ministries and Departments, the Bank of Zambia, Radiation Protection Authority, Zambia Public Procurement Authority, Zambia Metrology Agency, Zambia Compulsory Standards Agency, Zambia Bureau of Standards (ZABS), the Central Statistical Office (CSO), Zambia Development Agency (ZDA), the Anti-Corruption Commission (ACC), the Financial Intelligence Centre (FIC), the Drug Enforcement Commission (DEC), the Road Development Agency (RDA), the Road Traffic and Safety Agency (RTSA), the Patents and Companies Registration Agency (PACRA), the Zambia Police Service,commercial banks, civil society groups and the church. The Office of the Auditor General and Parliament also engaged with ZRA through their oversight roles.

Corporate Social Responsibility

During the year, our Corporate Social Responsibility activities were anchored on uplifting the lives of vulnerable people in our society and communities. The major activities that were carried out included the proactive contribution of five motor vehicles to help with the fight against cholera which broke out in 2018. The Authority also made donations worth K734,842 to Chainda Orphanage, Maramba Old people's Home, Lubasi Orphanage, Lushomo Orphanage, Choongo Orphanage, Chirundu District Social Welfare office, Mtendere Mission Hospital and Mudzi Wamoya Orphanage. Further, a number of vehicles that were seized and forfeited to the state were donated to various government institutions and charitable organisations. Other CSR activities were targeted at enhancing taxpayer education. In this regard, the Authority committed to supporting Real Nakonde Football Club based in Nakonde district which is one of the country's busiest border. The support to the team was rendered through the procurement of ZRA branded football jerseys.

TRENDS IN DOMESTIC AND GLOBAL ECONOMIC INDICATORS

Trends In Domestic And Global Economic Indicators

The performance of the domestic and global economic variables such as GDP, inflation, exchange rate, interest rates and commodity prices play a critical role in the performance of tax revenue. Movements in these variables have an influence not only on revenue performance but also on the formulation of tax revenue projections.

The Global Economy in 2018

The global economy grew by 3.6 percent in 2018 compared to 3.8 percent in 2017. The decline in the global economic growth was attributed to the escalation of US-China trade tensions, macroeconomic stress in Argentina and Turkey, disruptions to the automobile sector in Germany, tighter credit policies in China, and financial tightening alongside the normalisation of the monetary policy in the larger advanced economies, especially in the second half of 2018.

The Domestic Economy in 2018

In 2018, the domestic economy recorded a real Gross Domestic Product (GDP) growth of 3.7 percent compared to 3.5 percent recorded in 2017. The buoyant performance in mining, manufacturing and construction sectors as well as the stable supply of electricity aided the growth momentum in 2018. This growth was mainly restrained by a decline in the metal prices on the international market and instability in domestic macroeconomic factors such as inflation and the Kwacha exchange rate against major trading currencies.

The main drivers of economic growth in 2018 were wholesale and retail trade; construction; mining and quarrying; manufacturing; and education which accounted for 21.4 percent, 10.8 percent, 10.7 percent, 8.1 percent, and 7.8 percent of the real GDP, respectively. These were followed by the Agriculture, forestry and fishing; and public and defence whose individual share in GDP were also above 5 percent. The contribution of each one of the 12 remaining sectors was below 5 percent and collectively summed up to 24.6 percent of real GDP (see Table 7).

Table 7: Growth and Share of Real GDP in 2018 and 2017

Economic Activity (Sector)	Percentage real growth		Percentage share of real GDP	
	2018	2017	2018	2017
Agriculture, forestry and fishing	(21.2)	9.8	5.9	7.8
Mining and quarrying	6.3	3.0	10.7	10.5
Manufacturing	4.1	4.4	8.1	8.1
Electricity generation and supply	11.7	23.6	1.8	1.6
Water supply; sewerage, waste management and remediation activities	5.1	-3.7	0.2	0.2
Construction	1.6	6.4	10.8	11.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	3.3	0.7	21.4	21.5
Transportation and storage	0.9	7.8	3.3	3.4
Accommodation and food service activities	1.7	6.0	1.9	1.9
Information and communication	40.1	(13.2)	4.4	3.3
Financial and insurance activities	23.7	-5.8	4.0	3.3
Real estate activities	2.5	2.9	3.4	3.4
Professional, scientific and technical activities	2.4	6.1	1.8	1.8
Administrative and support service activities	6.0	6.0	1.0	0.9
Public administration and defence; compulsory social security	1.6	2.8	5.1	5.2
Education	4.8	6.7	7.8	7.7
Human health and social work activities	11.0	17.4	1.6	1.5
Arts, entertainment and recreation	12.2	(4.0)	0.4	0.4
Other service activities	2.5	2.8	0.8	0.8
Real GDP Growth	**3.7**	**3.5**		

Source: CSO

Most of the economic sectors posted lower growth in 2018 relative to 2017. Notable among these were agriculture, forestry and fishing; electricity generation and supply; construction; transport and storage; and the accommodation and food services activities.

On the other hand, the mining and quarrying; water supply; sewerage, waste management; wholesale and retail trade; information and communication; financial and insurance services; and arts, entertainment and recreation accelerated by 0.3 percentage points, 8.8 percentage points, 2.6 percentage points, 53.3 percentage points and 16.2 percentage points respectively.

Inflation

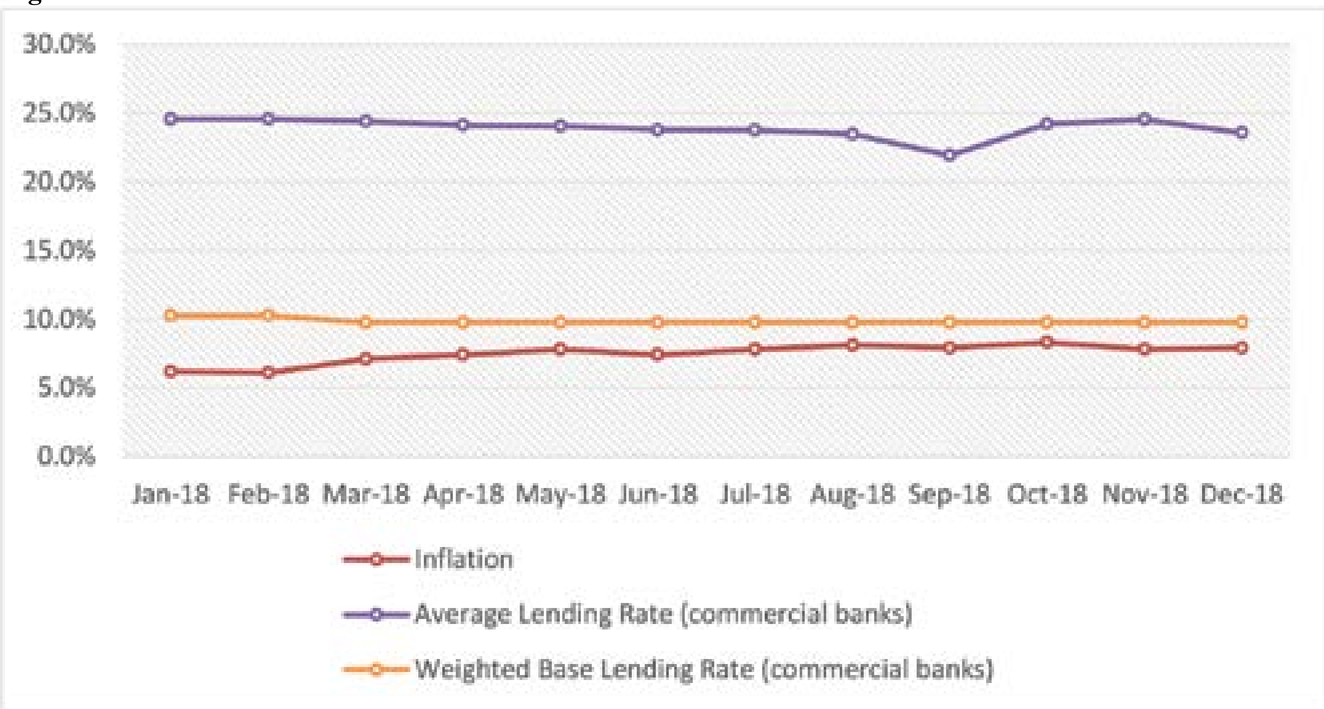
Inflation was relatively stable and within the target range of 6-8 percent for most of the year, recording an average of 7.5 percent in 2018 which was 0.9 percentage points higher than the 6.6 percent posted in 2017. The minimum annual inflation rate of 6.1 percent was recorded in February 2018, while the maximum annual inflation rate of 8.3 percent was posted in October 2018 (see Figure 6).

The rise in inflation from the onset of the year was influenced by the increase in prices of both food and non-food items. In the early part of the third quarter, the depreciation of the kwacha against other tradable currencies and the pass through effect of the hike of domestic fuel price adversely impacted inflation.

Interest Rates

Commercial banks' lending rates edged downwards to an average of 23.9 percent in 2018 from 26.9 percent in 2017. This was in response to the reduction in the Bank of Zambia policy rate to an average of 9.8 percent in 2018 from an average of 12.6 percent in 2017 (see Figure 6).

Figure 6: Inflation and Interest Rates in 2018

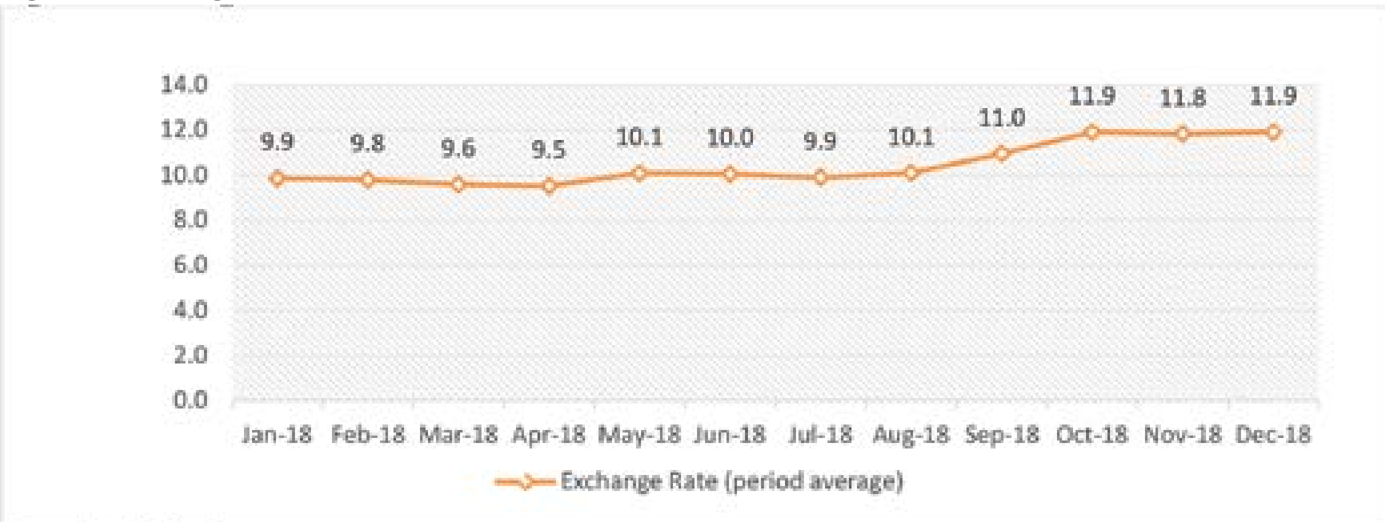


Source: Bank of Zambia

Exchange Rates

The performance of the Kwacha against US dollar was relatively weak but stable in the first quarter of 2018 until April. The year's highest average exchange rate of K11.9 per US Dollar was posted in October and December 2018. The depreciation of the Kwacha in the second quarter, among other factors, was on account of higher than projected external debt service payments and stronger US dollar following the hike of the United States of America Federal Reserve Fund rate. The Kwacha traded at an average of K10.50 per US Dollar in 2018 from an average of K9.53 per US Dollar in 2017 (see Figure 7).

Figure 7: Exchange Rate Movement in 2018



Source: Bank of Zambia

Commodity Prices

In 2018, the price of copper on the London Metal Exchange (LME) averaged US$6, 519.3 per metric tonne, and was 5.8 percent above the average price of US$6, 161.9 per metric tonne recorded in 2017. The average outturn in the price of cobalt on LME increased by 30.1 percent to US$72, 226.4 per metric tonne in 2018 from an average of US$55, 495.7 per metric tonne recorded in 2017. Given that these are Zambia's major export commodities, the increase in their prices on the international market improved the overall trade balance.

Notwithstanding, the price of crude oil, Zambia's major import commodity, registered an unfavourable outturn in the commodity markets during 2018. The price of crude oil increased by 28.9 percent to an average of US$68.7 per barrel in 2018 from an average of US $53.3 per barrel recorded in 2017, a movement which exerted pressure on the country's balance of payments (see Table 8).

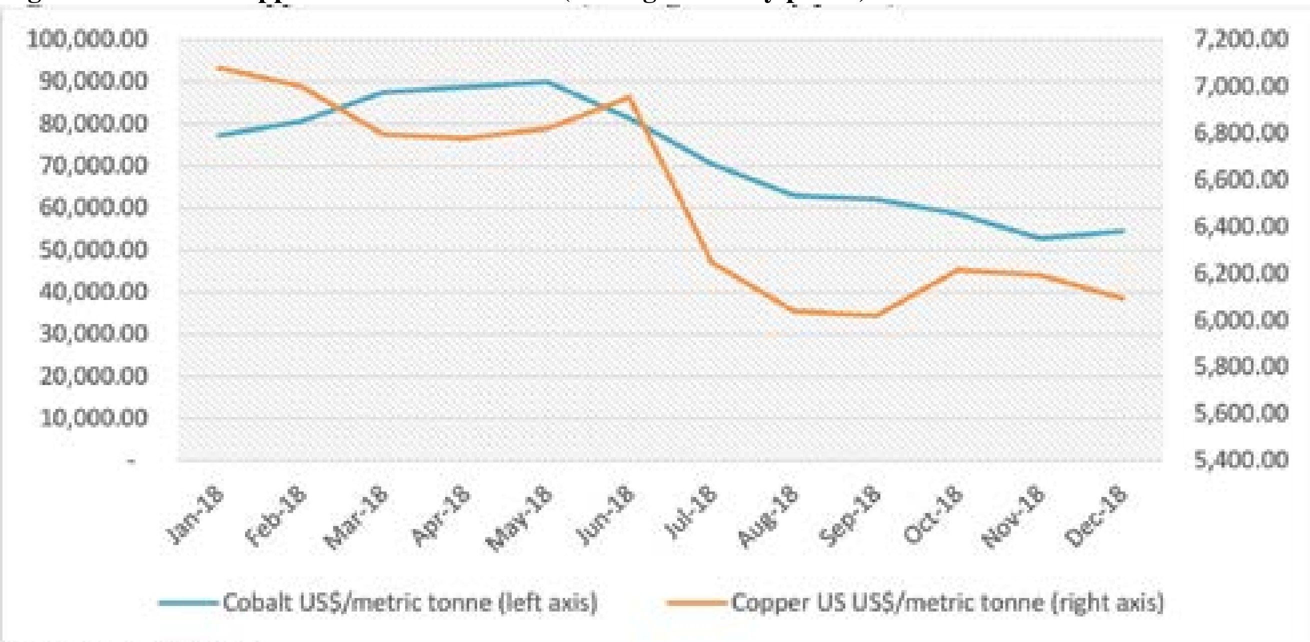
Table 8: Commodity Prices in 2018 and 2017

	Copper US$ per metric tone		Cobalt US$ per metric tone		Crude oil US$ per barrel	
	2018	2017	2018	2017	2018	2017
Average	6,519.3	6,161.9	72,226.4	55,495.7	68.7	42.2
High	7,079.5	6,824.6	89,940.5	72,131.6	78.0	52.7
Low	6,019.2	5,590.7	52,761.4	34,514.3	55.9	29.0

Source: London Metal Exchange and Bank of Zambia

Figure 8 depicts the monthly series of metal prices during 2018. It was observed that the price of copper tended to steadily fall during the year while that of cobalt increased for the first five months, then declined afterwards.

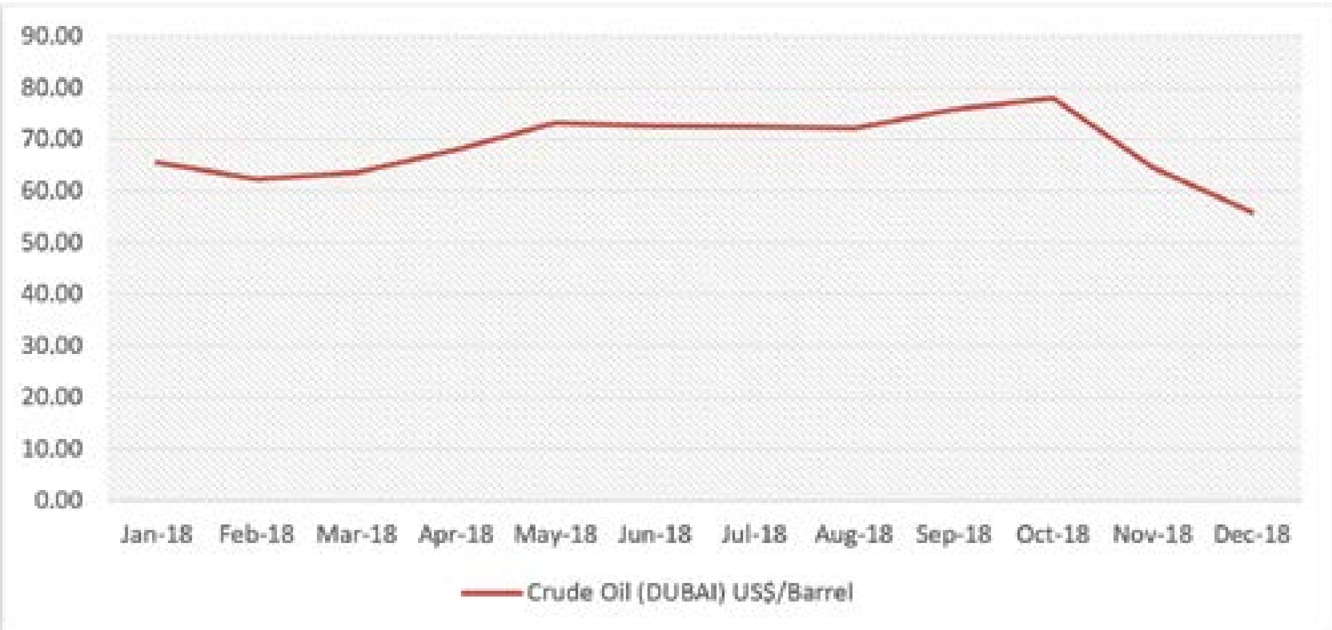
Figure 8: Price of Copper and Cobalt in 2018 (Average monthly prices)



Source: London Metal Exchange

The price of crude oil exhibited an upward trend until October 2018, opening the year at US$65.5 per barrel and closed at US$55.9 per barrel (see figure 9).

Figure 9: Average monthly price of Crude Oil in 2018



Source: Bank of Zambia

Tax Policy Support

Tax Policy Review Committee

The Authority is mandated to provide advice on tax policy to Government. It is therefore an active participant in the tax policy formulation process through provision of tax policy advice to the Minister of Finance and participation in the work of the Tax Policy Review Committee. In 2018, the Authority proposed a number of tax policy and administrative measures aimed at enhancing domestic resource mobilisation and simplifying tax administration. A number of these proposals were adopted in the 2019 National Budget. Furthermore, the Authority participated in the drafting of the 2019 National Budget Address; the preparation of the 2019 tax revenue estimates; and the drafting of tax legislation.

Provision of Revenue Data and Information

One of the main responsibilities of the Authority is to provide revenue and trade statistics to Government. This is in recognition of Authority's' position as a primary producer of such statistics. The provision of these statistics is important as it informs policy formulation and decision making.

Government's desire for quality statistics has been underpinned through the enactment of the Statistics Act No. 13 of 2018. The Act among other things provides for mechanisms for coordination, collection, management and dissemination of statistics; the production and compilation of official statistics in a transparent and impartial manner; and the building of sustainable capacity for the production and use of statistical data and information for planning purposes and ensuring coordination among statistical agencies.

During the year, revenue and trade statistics were provided to the Ministry of Finance, the National Assembly, the Central Statistical Office, the Ministry of Commerce, Trade and Industry, the Bank of Zambia, cooperating partners, universities, researchers, students, and other public and private stakeholders.

In addition, the Authority held quarterly revenue media briefings at which tax revenue performance and other statistics were disseminated to members of the public.

Budget Legislation

During the year, Parliament passed various pieces of legislation to support the revenue measures announced in national budget for the fiscal year 1st January 2019 to 31st December 2019 that was presented to the House in September 2018. Among the pieces of legislation passed were the Customs and Excise (Amendment) Act; the Income Tax (Amendment) Act; the Insurance Premium Levy (Amendment) Act; the Value Added Tax (Amendment) Act; and the Mines and Minerals Development (Amendment) Act. The tax policy measures contained in the Amendment Acts took effect on 1st January 2019.

In addition, a number of Statutory Instruments were issued by the Minister of Finance to give effect to other revenue measures contained in the budget.

In line with its objective of enhancing taxpayer education, the Authority published and distributed Budget Highlights pamphlets explaining the tax changes announced in the Budget Address. The pamphlets were distributed to the public at all post-budget engagements as well as to walk-in clients at all our taxpayer service centres. Furthermore, the Budget Address, the Budget Highlights and the amended Acts were all posted on the ZRA Website in order to ease access to the Budget information for members of the public. The Authority also participated in post-budget discussions organised by various interest groups and business organisations across the country.

Ministerial and Parliamentary Services

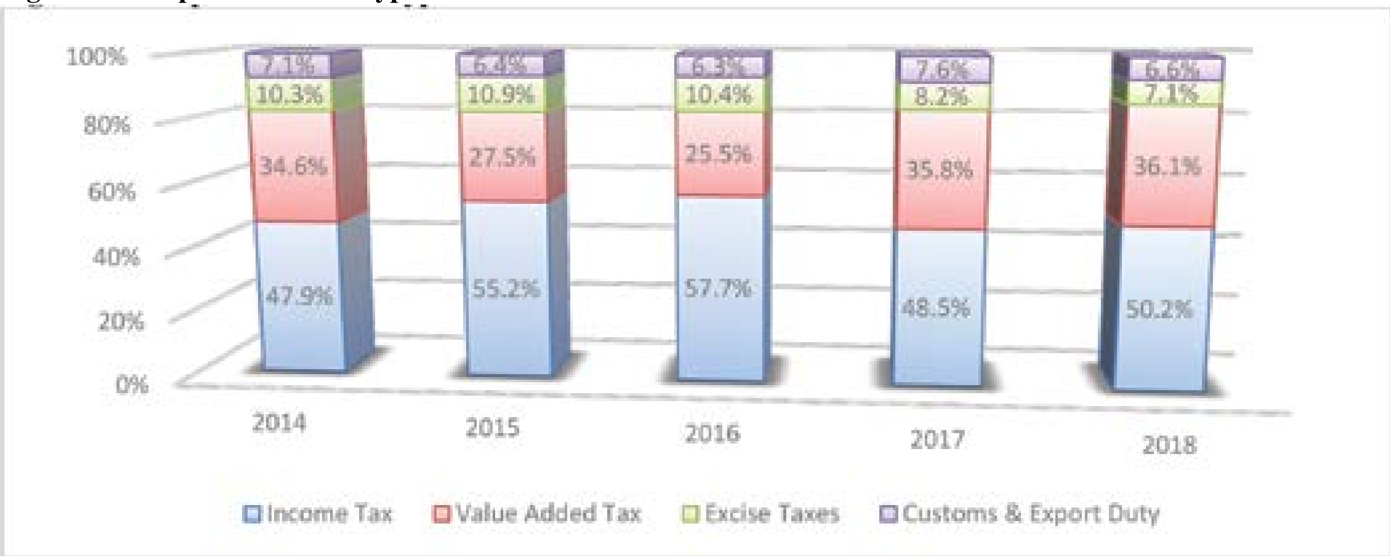
During the year, the Authority continued to engage with Government ministries, Parliament, quasi-government institutions and agencies, and other stakeholders. The interactions were in various forms such as cooperation in the enforcement of relevant legislative and administrative provisions; exchange of intelligence; provision of revenue and trade statistics; provision of responses to Parliamentary questions and other general information requests; and preparation of Parliamentary briefs on matters of interest to the House.

Review of Revenue Performance

Structure of the revenue system in 2018

In 2018, income taxes accounted for the largest share of tax revenue with a contribution of 50.2 percent, followed by VAT at 36.1 percent and then excise taxes at 7.1 percent. Customs and export duties together accounted for 6.6 percent of tax revenue collections compared to 7.6 percent contribution in 2017 (see Figure 10).

Figure 10: Proportion of Tax Types to Total Revenue 2014 - 2018



In the income tax category, PAYE contributed the largest share at 43.2 percent, followed by company income tax at 24.7 percent and then mineral royalty at 16.3 percent. Withholding tax accounted for 15.7 percent of income tax collections.

With respect to VAT, domestic VAT made up 37.4 percent of net VAT collected in 2018 while import VAT contributed 62.6 percent. Further, collections from customs duties accounted for 99.7 percent of the total customs and export duties.

Tax Revenue Performance in 2018

During the year, the Authority collected K57, 829.0 million in gross taxes while the refunds stood at K9, 369.6 million. The net tax take stood at K48, 459.4 million against a target of K44, 667.5 million thereby registering a surplus of K3, 791.9 million or 8.5 percent above target. This performance was largely as a result of favourable outturn in in all the three broad revenue categories; direct taxes, local indirect taxes and trade taxes.

With respect to domestic taxes, direct taxes as a group were above target by K272.4 million or 1.1 percent, while indirect taxes were K1, 549.9 million or 21.2 percent above their respective targets of K24, 053.3 million and K7, 326.4 million. The negative performance of company tax and withholding tax which recorded deficits of K142.5 million and K253.9 million, respectively, dampened the performance of direct taxes. On the other hand, all indirect taxes performed above their respect targets with the exception of local excise duties and rural electrification levy.

Further, trade based taxes were K1, 969.6 million or 14.8 percent above the target of K13, 287.8 million. The positive performance of import VAT, import fuel levy and motor vehicle fees with surpluses of K2, 545.4 million, K64.4 million and K16.1 million, respectively, sustained the favourable performance of trade taxes. On the down side, customs duty, export duties, import excise duty and carbon tax were below their targets by 4.8 percent, 83.4 percent, 39.7 percent and 40.1 percent, respectively (see Table 9).

Table 9: Tax Revenue Performance in 2018 (K' Million)

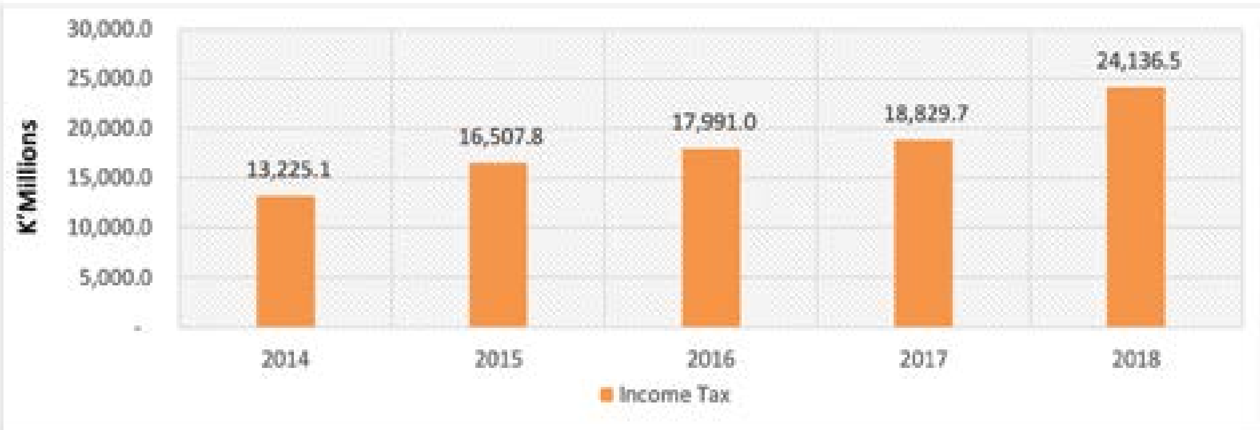
	Actual Outturn	Target	Variance of actual vs. target	Percentage variance of target	Percentage of GDP
Total Revenue	**48,459.4**	**44,667.5**	**3,791.9**	**8.5%**	**17.3%**
Tax Revenue	**48,176.7**	**44,402.1**	**3,774.6**	**8.5%**	**17.2%**
Non-Tax Revenue	**282.7**	**265.4**	**17.3**	**6.5%**	**0.1%**
1. Domestic Taxes Division	**33,202.0**	**31,379.7**	**1,822.3**	**5.8%**	**11.9%**
A. Direct Taxes	**24,325.7**	**24,053.3**	**272.4**	**1.1%**	**8.7%**
1. Company tax	5,973.5	6,115.9	(142.5)	(2.3%)	2.1%
Non Mining Company Tax	3,616.7	4,167.7	(551.0)	(13.2%)	1.3%
Mining Company Tax	2,356.8	1,948.3	408.5	21.0%	0.8%
2. PAYE	10,426.2	10,167.6	258.6	2.5%	3.7%
3. Withholding tax & others	3,800.2	4,054.0	(253.9)	(6.3%)	1.4%
4. Mineral royalty tax	3,936.7	3,527.7	408.9	11.6%	1.4%
5. Skills Development Levy	172.7	176.7	(4.0)	(2.3%)	0.1%
6. Tourism Levy	16.5	11.3	5.2	46.0%	0.0%
B. Indirect Taxes	**8,876.3**	**7,326.4**	**1,549.9**	**21.2%**	**3.2%**
1. Local Excise Duties	1,596.4	2,658.9	(1,062.5)	(40.0%)	0.6%
2. Local Excise-Cement	77.7	-	77.7	100.0%	0.0%
3. Rural Electrification Levy	111.3	210.6	(99.3)	(47.2%)	0.0%
4. Local Fuel Levy	487.3	327.9	159.4	48.6%	0.2%
5. Insurance Premium	106.5	68.6	37.9	55.2%	0.0%
6.VAT on domestic goods	6,497.1	4,060.4	2,436.7	60.0%	2.3%
2. Customs Services Division	**15,257.4**	**13,287.8**	**1,969.6**	**14.8%**	**5.5%**
1. VAT on imports	10,854.5	8,309.0	2,545.4	30.6%	3.9%
2. Customs duty (Import tariffs)	3,143.9	3,302.3	(158.3)	(4.8%)	1.1%
3. Export duties; o/w	8.6	51.6	(43.0)	(83.3%)	0.0%
Export Duty on Maize	-	-	-	0.0%	0.0%
Export Duty on Timber	-	35.3	(35.3)	(100.0%)	0.0%
Export Duty on Concentrates	8.6	16.3	(7.7)	(47.2%)	0.0%
4. Import Excise Duties	650.8	1,079.7	(428.9)	(39.7%)	0.2%
5. Import Fuel Levy	467.2	402.7	64.4	16.0%	0.2%
6. Carbon Tax	38.9	65.1	(26.1)	(40.1%)	0.0%

The performance of the individual tax types is discussed below.

Income Taxes

The performance of income taxes as a group was favourable, recording an outturn which was 8.2 percent above target in 2018. This was as a result of higher than programmed collections under mineral royalty, PAYE and insurance premium. When compared to 2017, income tax collections in 2018 increased by 28.2 percent.

Figure 11: Trend in Income Taxes 2014 - 2018 (K'Millions)



Value Added Tax

During the year, K17, 351.6 million was collected in net VAT (domestic and import VAT) against a target of K12, 369.5 million and was K4, 982.2 million or 40.3 percent above target. Despite this positive performance, it is worth noting that there was an increase in the stock of unpaid refund claims, mainly due to high risk of fraud which led to an increase in the number of claims requiring credibility audits before payment. The withholding VAT mechanism and increased enforcement activities continued to buoy collections of domestic VAT. Import VAT performance was due to the increase in the taxable base and the pass-through effects of the depreciation of the Kwacha against the US Dollar during the second half of the year.

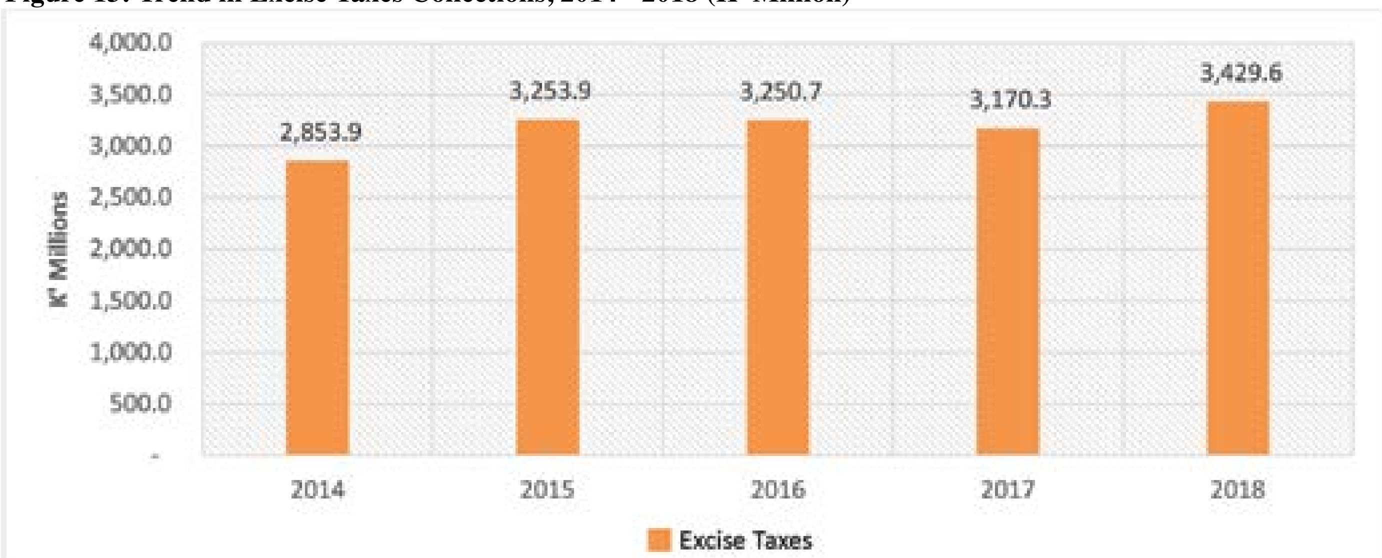
Furthermore, it should be noted that overall, net VAT collections in 2018 were above the collections recorded in 2017 by 24.9 percent (see Figure12).

Figure 12: Trend in VAT 2014 - 2018 (K' Million)

Excise Duties

During 2018, both local and import excise duty were below their targets by 40.0 percent and 39.7 percent respectively. The unfavourable performance of local excise duty was mainly due to the delay in the implementation of the digital tax stamps and telecommunication traffic monitoring systems meant to increase compliance. Revenue leakages in the procurement of petroleum fuels by Government also contributed to the poor performance of excise duty. In comparison to 2017, excise duty collections in 2018 increased by 8.2 percent.

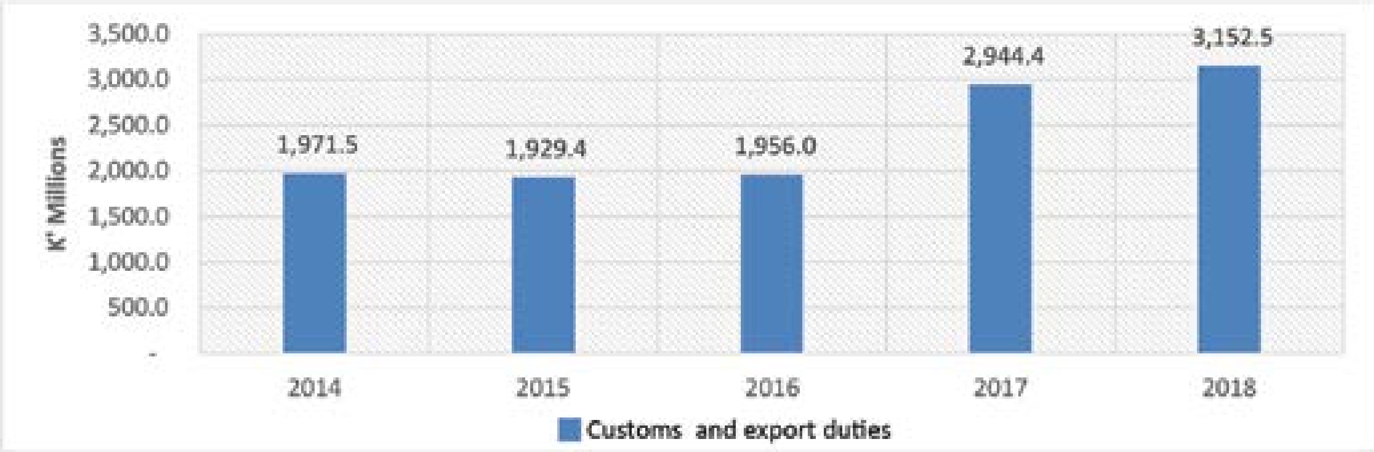
Figure 13: Trend in Excise Taxes Collections, 2014 - 2018 (K' Million)



Customs and Export Duties

Customs and export duties together recorded K3, 152.5 million in total collections against a combined target of K3, 353.9 million, thus posting a deficit of K201.4 million. The collections under customs duty were eroded by, among others, the concessions under the trade protocols and the lower than projected growth in the taxable base. Despite this performance, the collections of these taxes were higher in 2018 than in 2017 as depicted in Figure 14.

Figure 14: Customs and Export Duty Collections, 2014 - 2018 (K' Million)



Performance of Mining Sector Taxes

In 2018, mining tax revenue as a percentage of total tax revenue increased to 13.1 percent from 9.0 percent in 2017. Mineral royalty accounted for the largest share of the total mining tax revenue with a contribution of 62.9 percent, followed by company tax at 37.4 percent and then export duty on mineral ores and concentrates at 0.1 percent. As a percentage of GDP, mining tax revenues increased to 2.3 percent in 2018 from 1.5 percent recorded in 2017 (see Figure 15).

Figure 15: Tax Revenues from the Mining Sector, 2014 to 2018 (K' Millions)

	2014	2015	2016	2017	2018
Company Tax	1,473.5	418.2	1,289.5	1,067.6	2,356.8
Mineral Royalty	1,766.9	3,749.1	3,053.1	2,435.2	3,936.7
Export Duty	22.4	27.5	35.3	6.4	8.6
Mining Revenue as % of Tax Revenue	11.8%	14.0%	14.0%	9.0%	13.1%
Mining Revenue as % of GDP	2.0%	2.3%	2.0%	1.5%	2.3%

Contribution of Tax Types to GDP

The ratio of total tax revenue to GDP was recorded at 17.2 percent in 2018 which was 0.6 percentage points above the 16.6 percent posted in 2017. The increase in the tax to GDP ratio was mainly due to the continued gains in revenue as a result of increased compliance enforcement activities by the Authority.

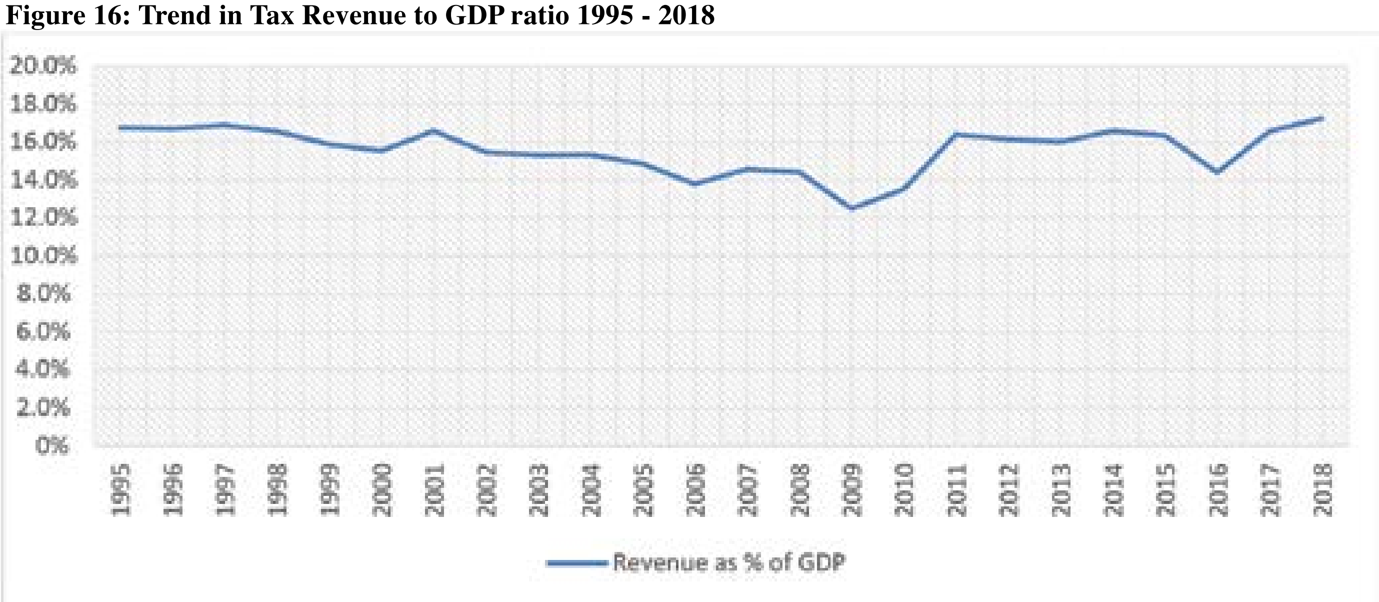
In comparison to 2017, the ratio of the broad tax categories to GDP in 2018 was mixed. In particular, the ratio for income taxes increased to 8.6 percent in 2018 from 8.0 percent in 2017. On the other hand, the ratio for domestic goods and services decreased to 3.6 percent in 2018 from 3.7 percent in 2017, while trade taxes increased to 5.0 percent in 2018 from 4.8 percent in 2017. This is shown in Table 10.

Table 10: Total Revenue as Share of GDP IN 2018 and 2017

Tax Type	Percentage of GDP in 2018	Percentage of GDP in 2017
Income Tax	**8.6%**	**8.0%**
Company Tax	2.1%	1.9%
Pay As You Earn (PAYE)	3.7%	3.7%
Withholding Tax	1.4%	1.4%
Mineral Royalty	1.4%	1.0%
Domestic Goods & Services	**3.6%**	**3.7%**
Excise Duty	1.2%	1.3%
Domestic Value-Added Tax (VAT)	2.3%	2.4%
Trade Taxes	**5.0%**	**4.8%**
Import VAT	3.9%	3.5%
Import Duty	1.1%	1.2%
Export Duty	0.0%	0.0%
Insurance Premium Levy	**0.0%**	**0.0%**
Tax Revenue as % of GDP	**17.2%**	**16.6%**
GDP (K' million)	**279,441.2**	**234,932.5**

The trend of tax revenue to GDP ratios over the last 24 years is depicted in Figure 16. Over this period, the tax revenue to GDP ratio has averaged at 15.6 percent.

Figure 16: Trend in Tax Revenue to GDP ratio 1995 - 2018



Trend in Collection of individual Tax Types and Total Revenue

The ratio of each tax type to GDP between 1995 and 2018 is shown in figures 17 to 23. Overall, income taxes as a proportion of GDP have displayed an upward trend since 1995 peaking between 2011 and 2012. Despite the sharp decline between 2012 and 2015, the ratio has steadily increased. In contrast, the ratios of consumption taxes and import tariffs to GDP have steadily declined in the last five years.

Figure 24 shows the growth trend in total tax revenue over the period 1995 to 2018.

Figure 17: Company Income Tax as Percentage of GDP, 1995 - 2018

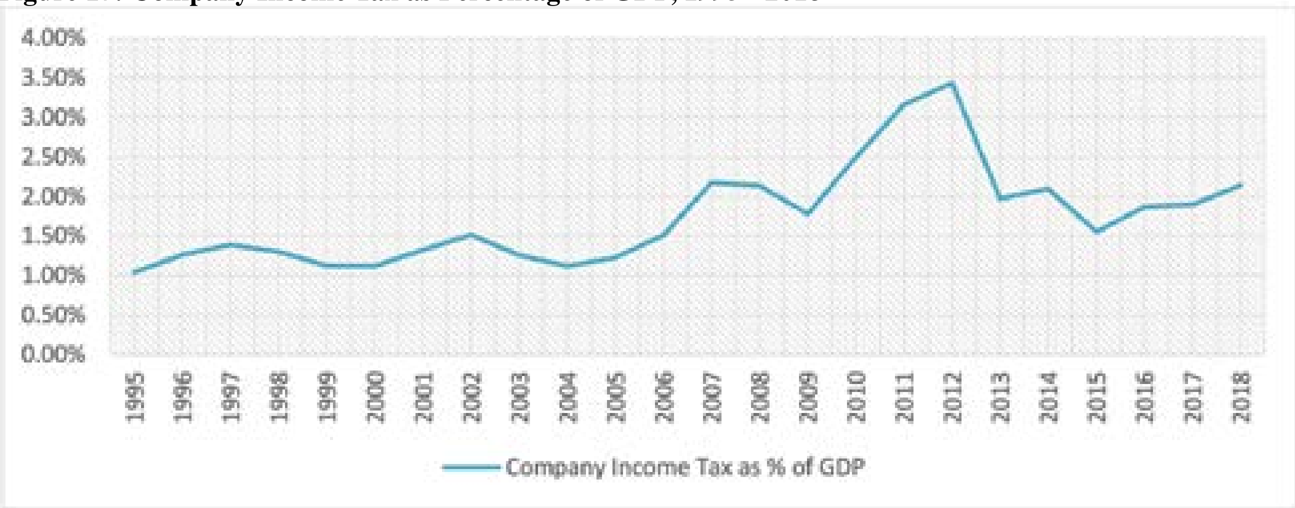


Figure 18: Pay As You Earn as Percentage of GDP, 1995 - 2018

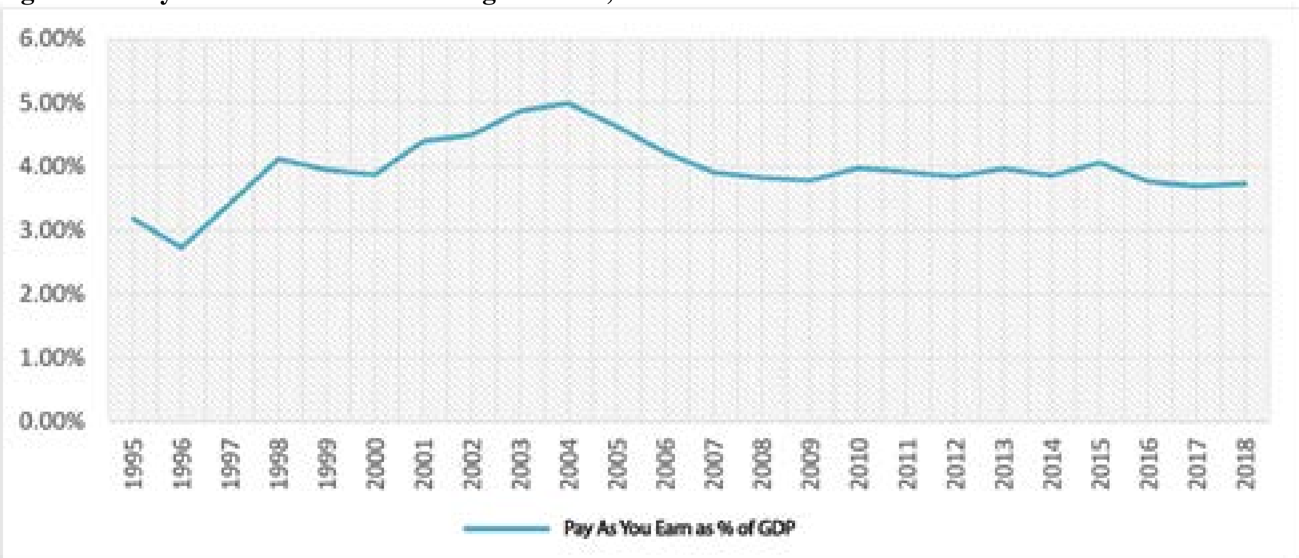


Figure 19: Withholding Tax as Percentage of GDP, 1995 - 2018

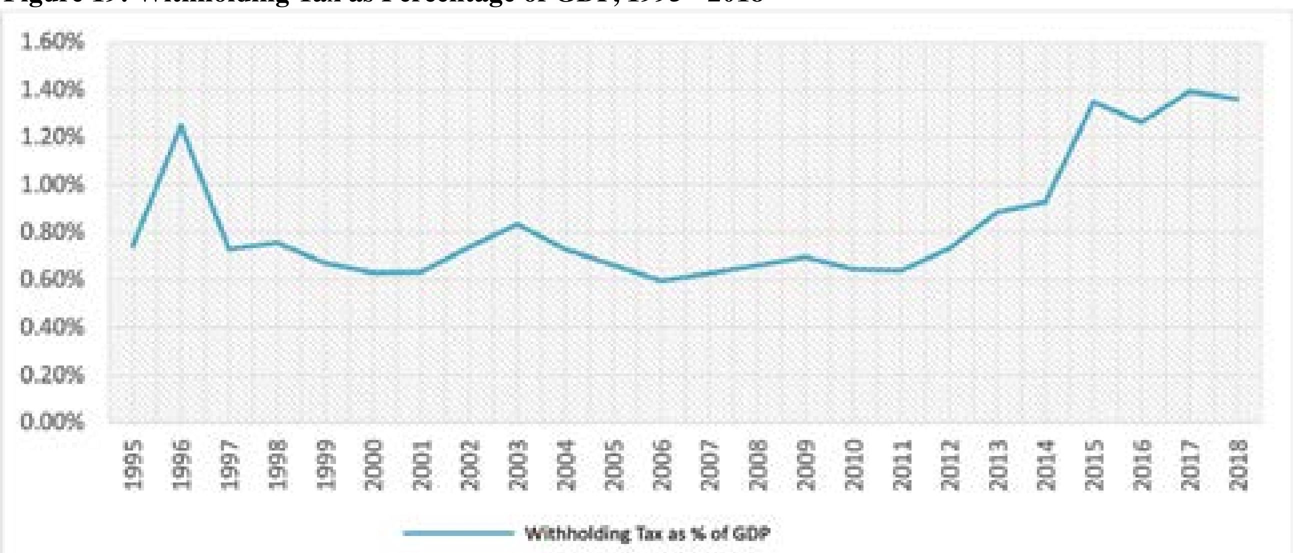


Figure 20: Value Added Tax as Percentage of GDP, 1995 - 2018

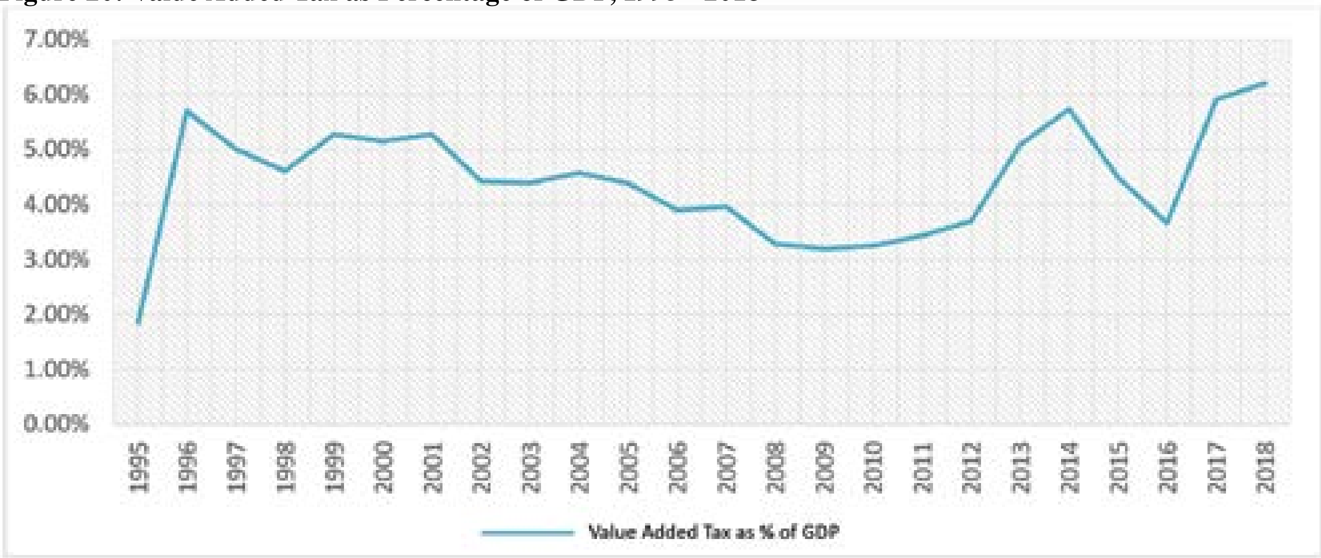


Figure 21: Mineral Royalty as Percentage of GDP, 1995 - 2018

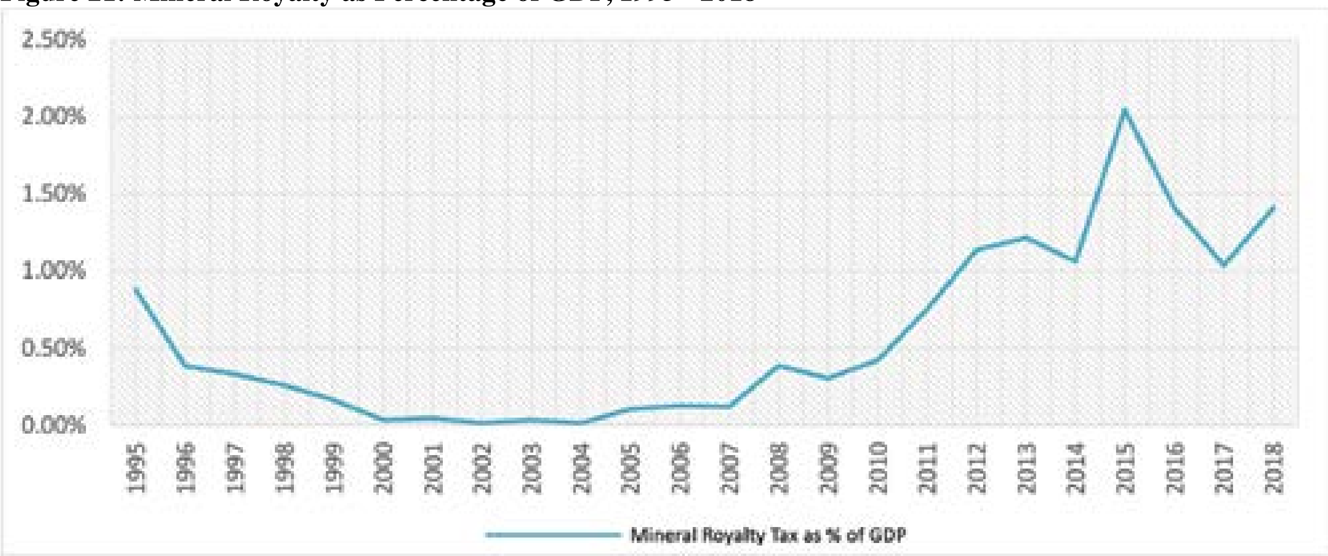


Figure 22: Excise Duties as Percentage of GDP, 1995 - 2018

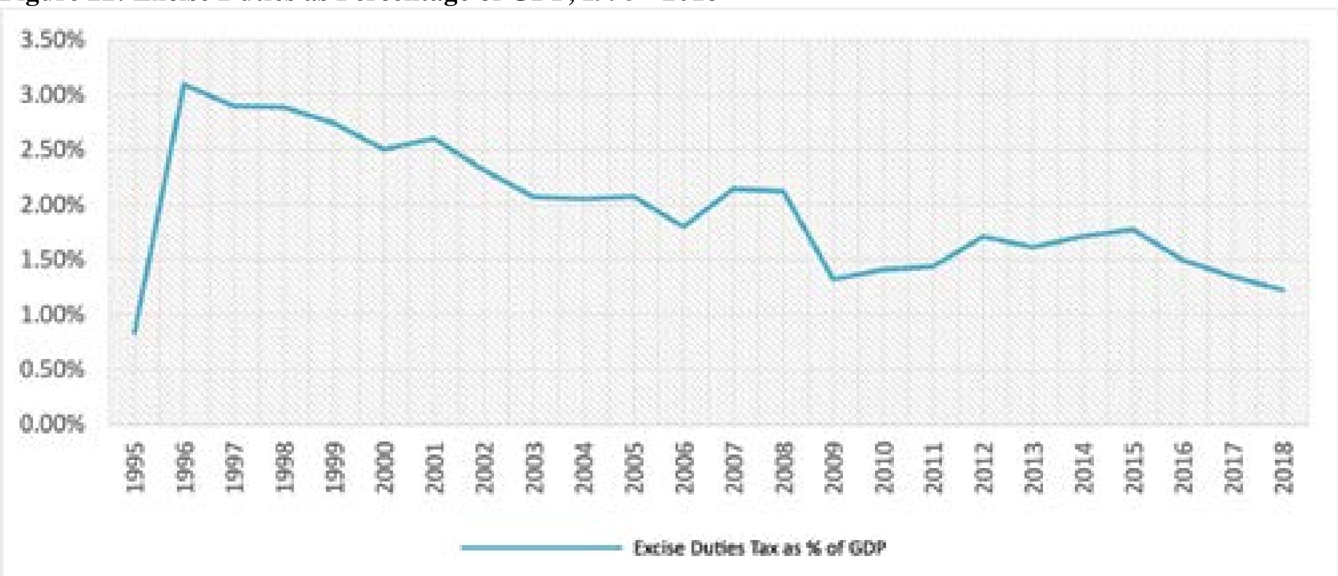


Figure 23: Import Tariffs as Percentage of GDP, 1995 - 2018

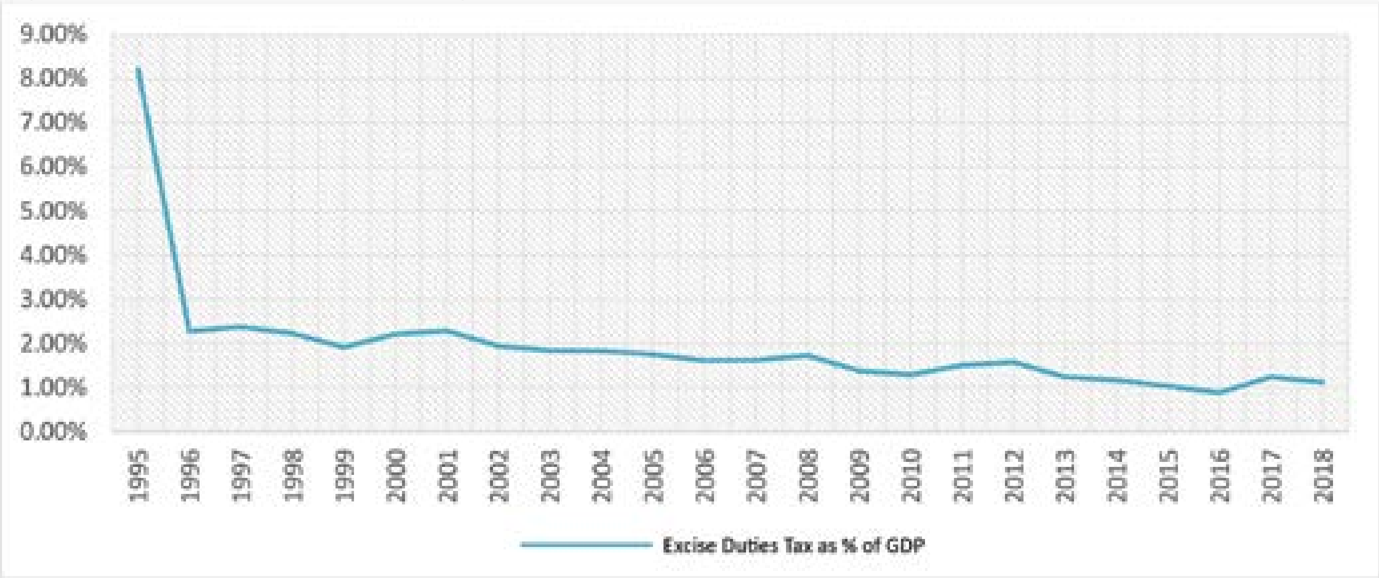
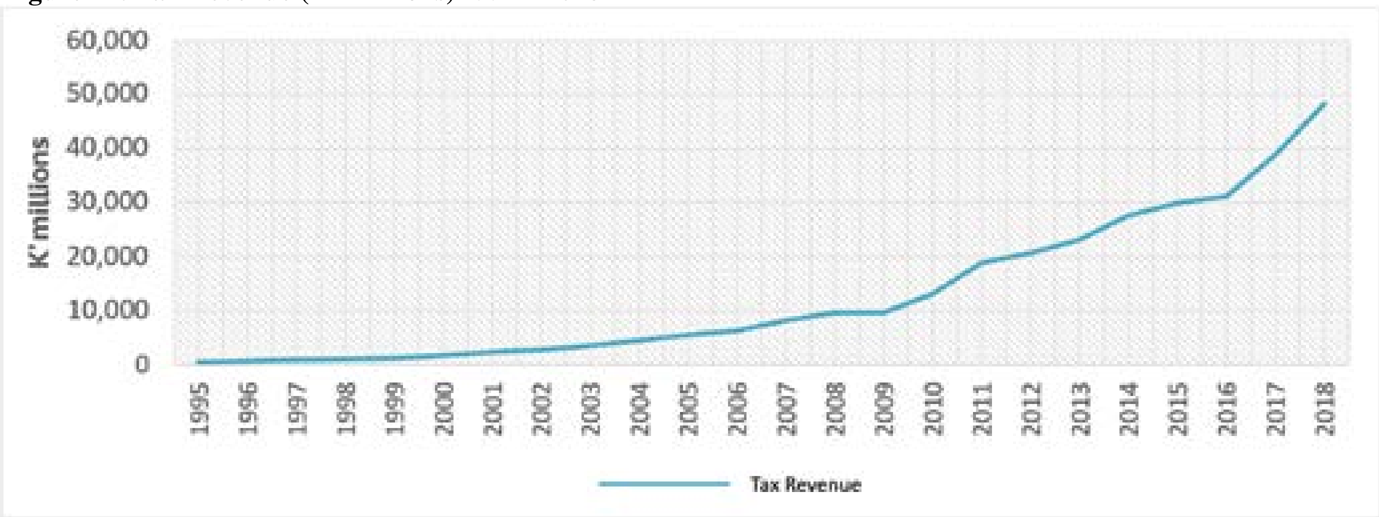


Figure 24: Tax Revenue (K' Millions) 1995 - 2018



Performance of Operating Divisions and Corporate Initiatives

Customs Services Division

In line with its trade facilitation function, ZRA implemented initiatives that were aimed at simplifying customs declarations procedures in order to reduce associated costs and maximise efficiency.

Customs Declarations

During the year, a total of 98.9 percent declared registrations were assessed compared to 99.6 percent in 2017. This indicates that there was an increase in the volume of declared registrations that did not reach the assessment stage of the revenue collection process (see Table 11).

Table 11: Registration to Assessment Conversion Ratio for all transactions in 2018 and 2017

Period	Assessed	Un-assessed	Total	% Assessed	% Unassessed
2018	794,414	9,071	803,485	98.9%	1.1%
2017	1,084,402	4,093	1,088,495	99.6%	0.4%

Customs Refunds

As a means of making exports competitive, the Authority operates a Duty Drawback Scheme that allows manufacturers to claim back a proportion of duties paid on inputs used in the local manufacture of exported goods. In addition, customs refunds arising from claims on import and export transactions are also provided for.

During the year under review, the duty drawback claims significantly reduced to 285 from 344 in 2017. Similarly, the value of processed claims declined by 50.9 percent to K43.4 million from K88.4 million processed in 2017. The decrease was also attributed to the suspension of refunds under the scheme pending review of the duty drawback coefficients (see Table 12).

Table 12: Number and Value of Duty Drawback Applications and General Refunds in 2018 and 2017

	2018	2017	%Variance
Duty Drawback Refunds:			
Number of duty drawback applications	285	344	(17.2)%
Value of duty drawback applications (K' Million)	97.1	96.3	0.9%
Value of processed duty drawback applications (K' Million)	43.4	88.4	(50.9)%
Value of duty drawback payments (K' Million)	44.6	68.3	(34.7)%
General Refunds:	**2018**	**2017**	**%Variance**
Number of General refunds claims	222	431	(48.5)%
Value of General refund claims (K' Million)	12.9	19.1	(32.4)%
Value of processed General refund claims (K' Million)	12.9	19.1	(32.4)%
Value of General refund payments (K' Million)	12.8	18.9	(32.3)%

In comparison to 2017, the number of general refunds claims in 2018 reduced by 48.5 percent to 222 from 431. Similarly, there was a decline in the value of general refunds claims of 32.4 percent over the same period.

Direct Import and Export Declarations

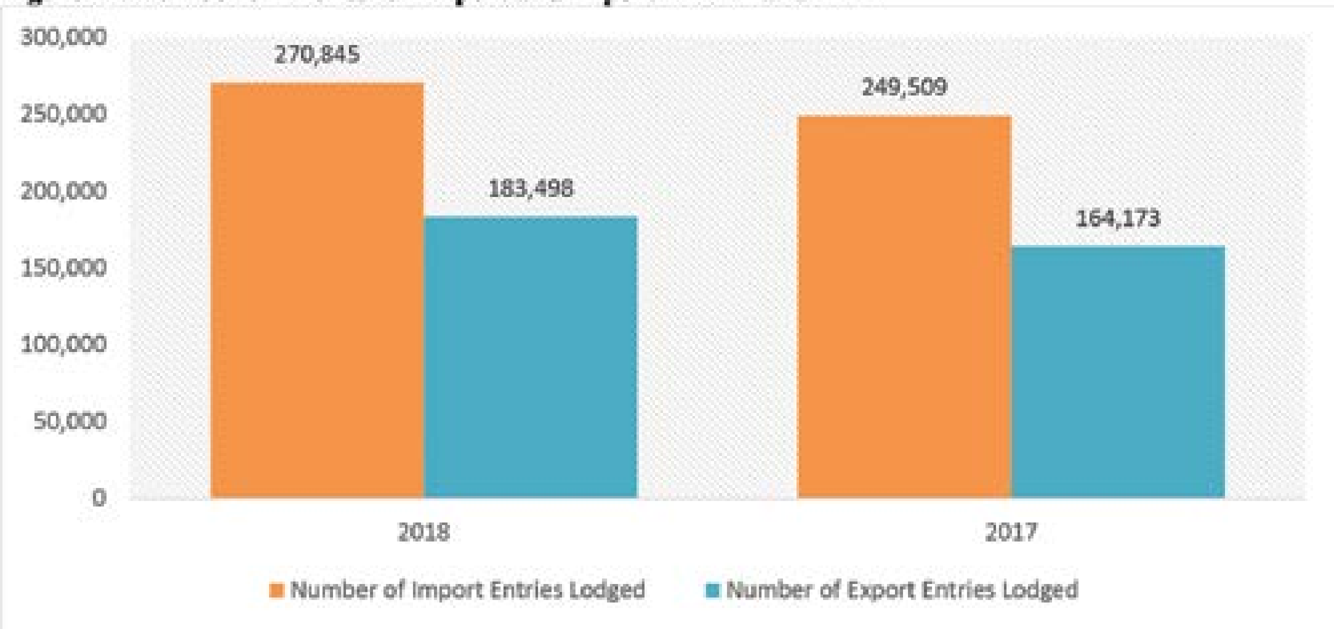
In 2018, permanent import transactions recorded an increase of 8.6 percent in volume with a corresponding 19.6 percent increase in value for duty purposes compared to their 2017 levels. On the other hand, the volume of export transactions increased by 11.8 percent while the value of permanent exports recorded a 29.3 percent growth over the same period (see table 13).

The growth in the volume of import and export transactions was as a result of an increase in the volumes of transactions by the mining companies following increased copper prices on the international market.

Table 13: Entries of Permanent Imports and Permanent Exports in 2018 and 2017

	2018	2017	% Variance
Number of Import Entries Lodged	270,845	249,509	8.6%
Value of Import Entries Lodged (K Million)	96,848.1	81,007.4	19.6%
Number of Export Entries Lodged	183,498	164,173	11.8%
Value of Export Entries Lodged (K Million)	145,772.5	112,748.0	29.3%

Figure 25: Number of Entries for Import and Export in 2018 and 2017



Processing Efficiency

Processing efficiency, which measures the actual revenue collected against the potential revenue, marginally declined to 96.7 percent in 2018 from 97.0 percent recorded in 2017. The potential revenue in the period under review was K13, 960.5 million out of which K13, 499.5 million was collected. Of the uncollected revenue, K354.7 million was registered and assessed while K106.2 million was not assessed (see Table 14).

Table 14: Processing Efficiency in Tax Yield from all Taxable Transactions in 2018 and 2017 (K' million)

	2018		2017	
	K' Million	%	K' Million	%
Un-assessed Taxes	106.2	0.8%	53.3	0.4%
Registered, Assessed, Not paid	354.7	2.5%	329.9	2.6%
Registered, Assessed and Paid (Receipted)	13,499.5	96.7%	12,417.3	97.0%
Total Collectable Amount	13,960.5	100.0%	12,800.6	100.0%

As depicted in Table 15, the total Value for Duty Purposes (VDPs) for both taxable and non-taxable transactions increased to K166, 743.4 million in 2018 from K123, 616.9 million recorded in 2017, representing a growth of 34.9 percent. The non-taxable VDP, on which duty is not collectible, grew by 36.9 percent to K149, 941.9 million in 2018 from K109, 552.4 million recorded in 2017 and this negatively affected the performance of customs duty collections.

Table 15: VDP and Tax Yield from Taxable and Non-Taxable Transactions in 2018 and 2017 (K' Million)

VDP Type	Value for Duty Purposes			Tax Amount (Gross)		
	2018	2017	% Variance	2018	2017	% Variance
Non-Taxable	149,942.0	109,552.4	36.9%	25,004.9	17,955.7	39.3%
Taxable	16,801.4	14,064.5	19.5%	3,052.4	2,655.9	14.9%
Total	**166,743.4**	**123,616.9**	**34.9%**	**28,057.3**	**20,611.6**	**36.1%**

During the year, the revenue foregone on account of various trade related concessions increased by K1, 238.2 million or 24.8 percent to K6, 219.8 million from K4, 981.6 million recorded in 2017 (see Table 16).

Table 16: Tax Revenue Foregone from Concessions, 2018 and 2017 (K' Million)

	2018	2017	Variance	% Variance
Total Revenue Foregone	6,219.8	4,981.6	1,238.2	24.8%

Risk Profiling Analysis

The use of risk management techniques in the processing of imports and exports has proved effective in the selection of customs declarations for different levels of scrutiny. Therefore, during the year, the Authority continued to employ this technique to segment customs declarations according to their risk profile. Using this technique, 23.1 percent of the entries were channelled to the red lane requiring physical inspection while 41.9 percent were channelled to the yellow lane requiring documentary check. A further 8.6 percent were channelled to the blue lane requiring post clearance audits while the remaining 26.2 percent of the transactions were channelled to the green lane and were therefore not subjected to any scrutiny (see Table 17).

Table 17: 2018 Lane Analysis by Business Volume

Lane	Red	Yellow	Blue	Green	Total
Total	185,633	336,638	69,359	210,206	801,836
Percentage	23.2%	42.0%	8.7%	26.1%	100.0%

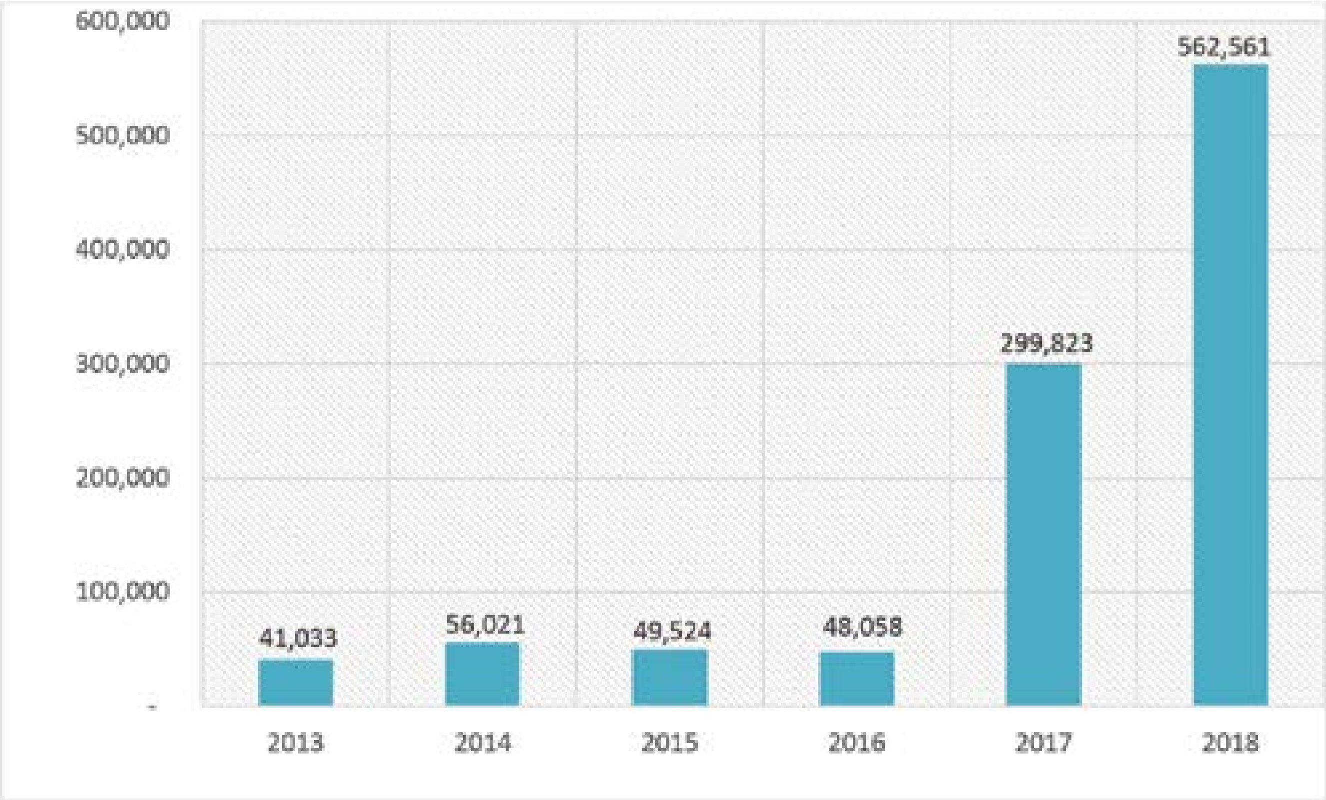
Domestic Taxes Division

Taxpayers are expected to meet their obligations regarding registration, reporting, return filing, and timely payment of taxes while the Authority is expected to sensitise its taxpayers to ensure they understand their rights and obligations so as to make it easy for them to comply. A review of the Authority's performance on these compliance pillars is discussed:

Tax Registration

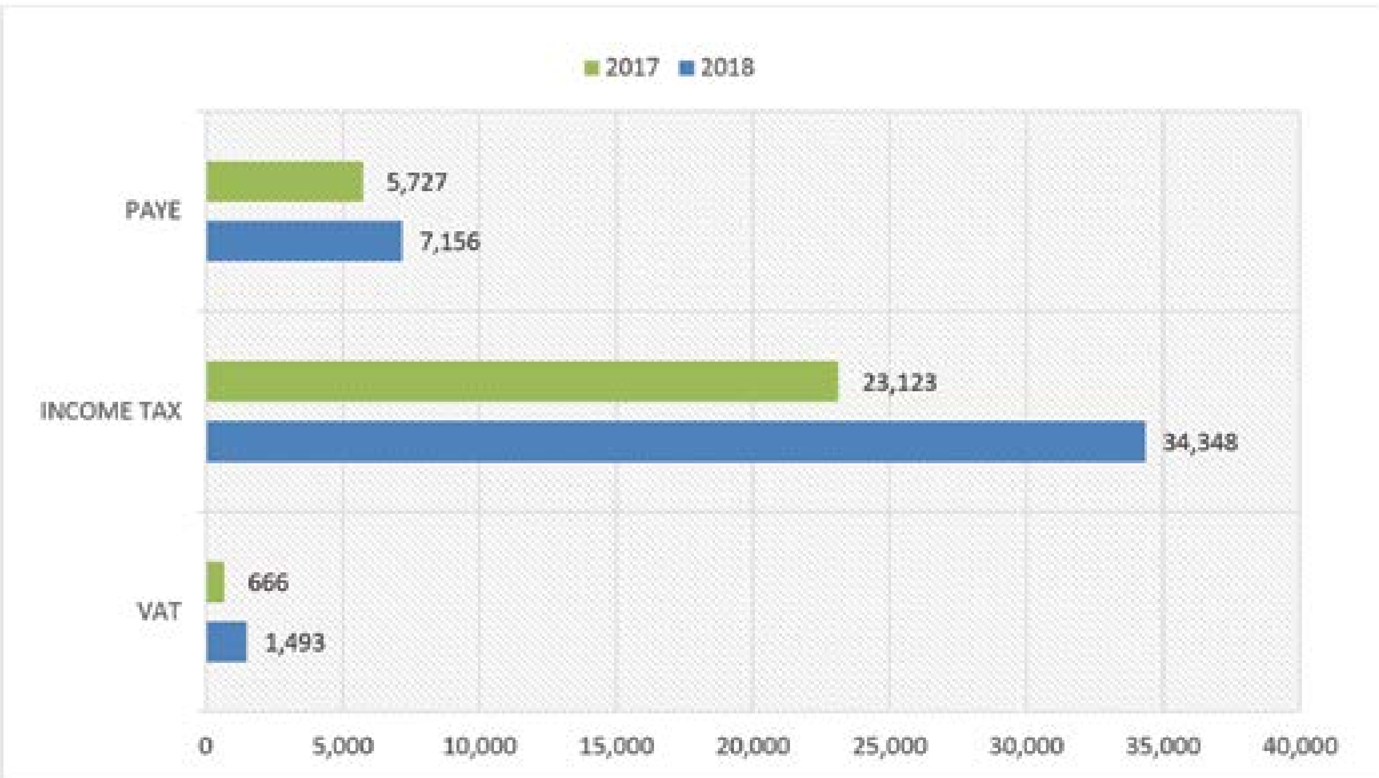
During the course of the year, a total of 562,561 TPIN registrations were issued to various taxpayers. The increased number of registrations was largely on account of the requirement for all bank account holders to have a TPIN (see Figure 26).

Figure 26: TPIN registrations, 2013 - 2018



In addition, there was an increased number of registrations for key tax types during the year. Specifically, there were 34, 348 registrations for various income taxes in 2018 compared to 23, 123 registrations in 2017; 7, 156 PAYE registrations in 2018 compared to 5, 727 in 2017; and 1, 493 VAT registrations in 2018 compared to 666 registrations in 2017 (see Figure 27).

Figure 27: Registrations by tax type in 2018 and 2017



Return Filing

At the close of 2018, there were 388, 647 taxpayer accounts compared to 268,055 in 2017. The total number of taxpayers registered for turnover tax, company income tax, PAYE, VAT, and other tax types were 148,421; 68,381; 59,152; 16,449; and 96,244, respectively.

During the year, a total of 1,795,416 returns were submitted compared to 2,015,004 returns submitted in 2017. The decline in return filing was attributable to the exceptionally high number of return submissions in 2017 on account of the tax amnesty on interest and penalties.

The total number of returns filed for the income taxes decreased to 1,306,220 in 2018 from 1,808,415 in 2017 representing a 27.8 percent decrease. Amongst the income taxes, the largest number of returns received were for Turnover Tax (see Table 18). In 2018, there was a 10.0 percent increase in the number of PAYE refund applications to 7, 821 from 7, 101 in the previous year. Similarly, income tax refund applications registered a 24.5 percent increase to 132 compared to 106 applications received in 2017. In monetary terms, a total of K275.6 million in direct taxes was refunded, comprising K61.5 million PAYE and K214.0 million income tax which translates to an increase of 21.0 percent and 938.8 percent, over the 2017 respective levels (see Table 18).

Table 18: Income Tax Return Statistics

	2018	2017	% Change
A. Number of returns submitted: o/w	**422,671**	**602,483**	**-29.8%**
Company tax	33,791	45,933	**-26.4%**
Individuals	14,987	16,712	**-10.3%**
PAYE	266,977	421,174	**-36.6%**
Withholding tax	106,916	107,931	**-0.9%**
Turnover Tax	**883,549**	**1,205,932**	**-26.7%**
Company	320,009	455,245	**-29.7%**
Individuals	563,540	750,687	**-24.9%**
B. Number of refund Applications: o/w	**7,953**	**7,207**	**10.4%**
Employment Tax (Pay As You Earn)	7,821	7,101	**10.1%**
Income Tax	132	106	**24.5%**
C. Value of Refunds paid (K' million):o/w	**275.55**	**71.47**	**285.5%**
Employment Tax (Pay As You Earn)	61.6	50.9	**21.0%**
Income Tax	214	20.6	**938.8%**

In the year under review, the number of VAT returns filed decreased to 154, 198 from 193, 199 in 2017. Similarly, the percentage of nil VAT returns filed decreased by 28.3 percent from 111, 184 in 2017 to 79, 689 in 2018. However, the number of repayment returns filed increased by 21.2 percent in 2018.

The number of VAT refund applications increased to 18, 258 in 2018 from 15, 136 recorded in 2017. The total VAT claims from returns submitted in 2018 increased to K13, 772.4 million from K8, 992.5 million in 2017. A total of K8, 995.4 million was paid out in VAT refunds during the year compared to K6, 560.0 million paid out in 2017 (see Table 19).

Table 19: VAT Return Statistics

	2018	2017	% Change
A. Number of returns submitted: o/w	154,198	193, 949	-20.5%
Payment returns	58,040	69, 174	-16.1%
Nil returns	79,689	111, 184	-28.3%
Repayment (claims) returns	16,469	13,591	21.2%
B. Value of returns submitted (K' million):			
Payment returns	7,899.2	9,357.2	-15.6%
Nil returns	0	0	
Repayment (claims) returns	13,772.4	8,992.5	53.2%
C. Number of Refund Applications:			
Number of Refund Applications	18,258	15,136	20.6%
Number of Refunds Processed	4,698	3,857	21.8%
D. Value of Refunds Paid (K' million)	8,995.4	6,560.0	37.1%

Domestic Taxes Audit Performance

In 2018, tax audits conducted by the Domestic Taxes division yielded a total of K3, 127.9 million. Large taxpayers in the non-mining unit were the largest contributors to this amount with a total of K1, 602.2 million from 1, 535 audits. This was followed by contributions from the mining unit at K955.9 million from 486 audits. Further, audits from small and medium taxpayers contributed a total of K569.8 million from 10, 344 audits conducted.

In terms of tax type, VAT audits yielded the largest contribution at K1, 928 million of the total audit collections, followed by income tax audits at K525.7 million and PAYE audits at K148.5 million. Other tax type audits yielded K525.7 million (see Table 20).

Table 20: Audit Activity in 2018

	Audit Yield (K' Million)	Count of audits
LTO MINING	**955.9**	**486**
Income Tax	185.2	31
Mineral Royalty	57.0	105
Pay As You Earn	23.6	62
Property Transfer Tax	3.4	95
Value Added Tax	677.5	164
Withholding Tax	9.3	29
LTO Non MINING	**1,602.2**	**1,535**
Domestic Excise	5.0	2
Income Tax	294.7	158
Insurance Premium Levy	0.1	3
Pay As You Earn	56.9	176
Property Transfer Tax	61.3	456
Value Added Tax	1,044.1	469
Withholding Tax	140.1	271
SMTO	**569.8**	**10,344**
Domestic Excise	9.7	26
Income Tax	45.8	520
Insurance Premium Levy	0.0	1
Pay As You Earn	68.0	635
Property Transfer Tax	191.9	5,578
Turnover Tax	6.8	1,954
Value Added Tax	206.4	980
Withholding Tax	41.1	650
Grand Total	**3,127.9**	**12,365**

Compliance Initiatives that Support Revenue Collection

During the year, the Authority implemented a number of measures to enhance revenue collection and foster compliance. These measures included increased use of internal data and enhanced compliance and enforcement activities. Some specific measures implemented include:

- the introduction of the Customs Valuation Referencing Database to reduce undervaluation of imports;
- data sharing arrangements with Zambia Public Procurement Authority, Financial Intelligence Centre and other external stakeholders;
- implementation of a data matching project to compare consistency of taxpayer declarations to the Authority; and
- the appointment of tax agents for the collection of base tax and withholding tax on rental income.

In its effort to better inform tax policy and improve service delivery, the Authority commissioned a number of research projects in 2018. These included;

- the taxation of the proceeds of gambling and betting in Zambia;
- the Cost of Compliance Study whose main objective was to assess the costs that businesses incur when complying with tax laws; and
- an assessment of the strategies to improve personal income tax administration in the informal sector.

Debt Management

Domestic Taxes Debt

As at end-2018, domestic taxes debt stock stood at K36, 166.8 million out of which K17, 247.8 million was principal tax, K17, 359.0 million were penalties and K1, 560 millionwas interest. The 2018 debt stock was 16.1 percent higher than the K31, 144.7 million recorded at the end of 2017 (see Table 21). It is worth noting that debt reconciliation activities were heightened in 2018.

Table 21: Composition of Domestic Tax Debt in 2018 (K' Millions)

Year	Principal	Penalties	Interest	Total
2018	17,247.8	17,359.0	1,560.0	36,166.8
2017	13,571.3	16,076.2	1,230.2	31,144.7

The largest share of domestic tax debt was domestic VAT with a stock of K19, 787.9 million or 54.7 percent of the total debt. This was followed by company income tax with a stock of K8, 384.5 million and then by PAYE with a stock of K4, 032.9 million. Turnover tax had a total stock of K1, 951.6 million, while withholding tax accounted for K1, 109.0 million. Mineral royalty tax accounted for K471.9 million while the rest of the tax types each had debt below K300.0 million (see Table 22).

Table 22: Trend in Domestic Debt Accumulation, 2013 - 2018 (K' Millions)

Tax Type	2013	2014	2015	2016	2017	2018
Company Tax	5,813.0	3,652.5	3,633.9	4,260.5	3,566.5	8,384.5
Back Duty	287.2	-	-	-	-	-
Self Employed (Turnover Tax)	812.8	75.9	496.2	1, 068.1	1,493.0	1,951.6
PAYE	641.4	473.4	2,200.1	5,465.9	5,934.1	4,032.9
Domestic VAT	901.9	11, 357.2	15,620.3	14,679.1	17,060.4	19,787.9
Mineral Royalty	40.3	133.8	1,288.7	1,655.2	2,015.7	471.9
Withholding tax	-	-	1,133.2	787.9	805.3	1,109.0
Domestic Excise	-	-	58.4	306.1	193.0	273.4
Insurance Levy	-	-	-	2.5	74.8	76.6
Presumptive Tax	-	-	-	-	1.0	3.7
Property Transfer Tax	-	-	-	-	0.5	75.2
Medical Levy Tax	-	-	-	-	0.2	0.1
Total	**8,496.6**	**15,692.8**	**24,430.8**	**28,225.6**	**31,144.7**	**36,166.8**

Customs Debt

As at end-2018, the total customs debt stood at K445.5 million. This debt stock decreased by 81.6 percent from K2, 428.8 million recorded at the end of 2017 (see Table 23).

Table 23: Trend in Customs Debt Accumulation, 2013 - 2018 (K' Millions)

Tax Type	2013	2014	2015	2016	2017	2018
Customs Duty	15.7	45.4	83.9	200.1	961.0	117.7
Advance Income Tax	1.2	2.1	4.6	24.1	47.7	24.6
Import excise duty	26.9	44.8	97.6	1.7	424.2	56.7
Fuel Levy	7.8	23	23	205.4	34.0	34.0
Export Duty	0	0.2	1.3	46.2	0.4	0.5
Motor Vehicle Fee	0.8	1.4	1.9	247.1	73.5	3.0
Carbon Emission Surtax	0.3	0.5	0.5	1.6	27.8	1.1
Import VAT	32.8	93.7	244.5	435.4	828.3	207.9
Total Debt	**85.5**	**211.1**	**457.2**	**827.6**	**2,428.8**	**445.5**

Total Debt Stock

The total debt stock closed at K36, 612.3 million in 2018 of which domestic taxes debt accounted for K36, 166.8 million or 98.8 percent. The balance of K445.5 million or 1.2 percent of the total debt stock was customs related.

As a result of the increase in domestic taxes debt, the total debt stock increased by 9.1 percent from the 2017 closing stock (see Table 24).

Table 24: Total Debt Stock, 2013-2018

	2013	2014	2015	2016	2017	2018
Total Debt, K' Million: o/w	8,582.1	15,903.9	24,888.0	29,053.2	33,573.5	36,612.3
Domestic Taxes Debt	8,496.6	15, 692.8	24,430.8	28,225.6	31,144.7	36,166.8
Customs Debt	85.5	211.1	457.2	827.6	2428.8	445.5
Domestic Taxes Debt (% of Total)	***99.0%***	***98.7%***	***98.2%***	***97.2%***	***92.8%***	***98.8%***
Customs Debt (% of Total)	***1.0%***	***1.3%***	***1.8%***	***2.8%***	***7.2%***	***1.2%***

Taxpayer Education and Advisory Services

In line with ZRA Taxpayer Education Strategy and corporate objective of having satisfied customers, the Authority interacted with taxpayers using various tax information dissemination modes as outlined in the plan.

Workshops

A total of 176 workshops were conducted in Luwingu, Mpulungu, Serenje, Mpika, Solwezi, Senanga, Samfya, Petauke, Katete, Chingola, and Lusaka. Some key stakeholders engaged were; NGOCC, Zambia Cooperative Federation, Zambia Congress of Trade Unions, manufactures, Zambia Institute of Marketing, Kafue Business Community, Lusaka Chamber of Commerce, Kalingalinga Industrial Cluster, Hotel and Catering Association of Zambia and the Zambia National Marketeers Credit Association.

Further, the Authority conducted monthly workshops at its training centre in Lusaka at which members of the public were trained on how to use the ZRA e-services. This training attracted around 200 participants per session

The Authority also partnered with various Government ministries and agencies to promote their use of e-services. In addition, taxpayer education was successfully conducted for withholding VAT agents.

Open Days

A total of nine open day sessions were held at various shopping malls and markets in Lusaka, Kasama and Kabwe. These sessions were meant to educate taxpayers on e-services such as TPIN registration, e-payments, and other aspects of tax administration.

Tax Clinics, Lectures and School Chats

In an effort to reach out to the communities, a total of 202 tax clinics were held at which members of the public were educated on various tax matters. These clinics included visits to universities, colleges, secondary and primary schools across the country.

Television and Radio Programmes

A number of television and radio programmes were produced and broadcasted to various audiences on the taxes administered by the Authority. Other topics covered included EFDs, e-services, tax due dates and TPIN registrations.

Trade Shows

The Authority participated in three national and ten provincial trade and agricultural shows. During these shows, various taxpayer services were offered which included on-site taxpayer registrations. In addition, literature on various tax types administered by the Authority was distributed. Further, demonstrations on how the EFDs function were presented.

Taxpayer Training

The Authority conducted a total of 306 taxpayer training sessions to increase taxpayer awareness on the e-services and initiatives being implemented by the Authority. The sessions on e-services focused on e-returns, e-payments, e-registration, advance income tax and customs electronic licensing.

Taxpayer Visits

A total of 1, 569 visits were made to various taxpayers across the country. Issues discussed during the visits included reconciliation of accounts, e-services, TPIN registration requirements, withholding tax on rental income and withholding VAT, among others.

Tax Literature

Various tax literature were handed out to taxpayers at trade shows, workshops, road shows, tax clinics, front offices and other strategic places. These included Practice Notes, withholding VAT guidelines, fast track TPIN registration leaflets, frequently asked questions, self-assessments for customs, and many others. Table 25 presents a summary of engagements with taxpayers in 2018.

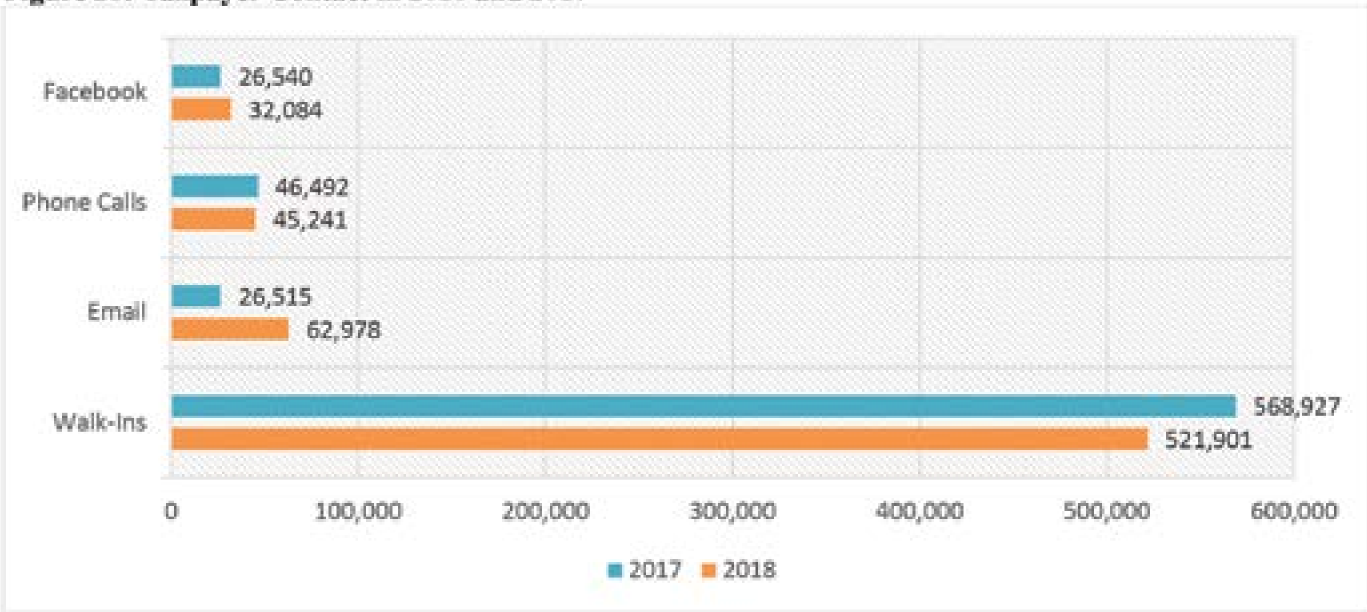
Table 25: Number of Taxpayer Outreach Programmes in 2018

Type of Programme	2018	2017
Workshops/ Seminars	176	175
Open Days	9	10
Tax Clinics	202	106
Radios/ TV programmes	744	245
Agriculture and Trade Shows	12	12
Taxpayer Training	306	361
Door to door/ Taxpayer Visits	1,719	356
Lectures/School Chats	97	25
Total	**2,521**	**1,290**

To improve service delivery, the Authority established taxpayer service centres at East Park Mall, Cosmopolitan Mall and at the Civic Centre in Lusaka. These centres have proved to be popular leading to a reduction in traffic at Head Office. In addition, the ZRA website has enabled taxpayers to access e-services and download tax information thereby improving service delivery and reducing compliance costs. Further, the Authority's Facebook page has proved popular for taxpayer engagements, with the number of followers rising to 32,084 in 2018 from 26,540 in 2017.

In 2018, a total of 521,901 contacts were made by taxpayers with ZRA through the taxpayer service centres and the Advice Centre compared to 568,927 in 2017. The reduction in walk-in clients was attributed to the increased uptake of e-services. For example, a total of 62,978 emails were received and responded to by the Authority compared to 26,515 in 2017.

Figure 28: Taxpayer Contact in 2018 and 2017



In addition, the National Call Centre received a total of 45, 241 phone calls compared to 46, 492 in 2017 and the Interactive Voice Response system successfully resolved 181, 489 queries. The most frequent topics of inquiry were the withholding VAT mechanism, EFDs, TPIN requirement for bank account holders and withholding tax on rent.

Non-Compliance and Prosecution

In 2018, the Authority heightened its compliance and enforcement activities through the use of intelligence, risk profiling and random patrols. Non-compliant taxpayers were subjected to administrative sanctions and where appropriate to prosecution.

Investigations

During the year, the Investigations Department handled a total of 597 cases out of which 331 were brought forward from 2017. A total of 151 cases were concluded with the outstanding 446 cases carried forward to 2019.

MANAGING PUBLIC CONFIDENCE

Managing Public Confidence

Professional Excellence and Staff Integrity

The need for continuous sensitisation of members of staff on the importance of upholding the highest levels of integrity remained high on the Authority's agenda. Through the integrity committee, members of staff were educated on the importance of adhering to the Authority's Code of Ethics. According to the Zambia Bribe Payers Index published in 2018, the rating of the conduct of ZRA employees improved on the Index to 5.6 percent in 2017 from 12.0 percent in 2009.

Further, the Taxpayer Charter provides a platform for taxpayers to hold the Authority accountable to the service delivery standards set out in the Charter. In this regard, the Authority continued to monitor its performance against the Charter standards and some of the recommendations from this process were incorporated in strategies aimed at enhancing service delivery and professionalism.

Minimising Compliance Costs

In a bid to ease taxpayers' compliance burden, the Authority set out to deliver a mobile based platform for tax services under the ZAMeT project in 2018. This application will allow taxpayers access ZRA e-services using a mobile phone or similar device without the need for internet connectivity.

CORPORATE GOVERNANCE

Corporate Governance

During the year, the Governing Board continued with its oversight role and provided strategic guidance in line with its Board Charter. The Board remained active and engaged management during key events such as the Strategic Planning workshop which was part of the process for developing the 2019-2021 Strategic Plan. In addition, the Governing Board visited key locations including Kasumbalesa Border Post in order to appreciate the Authority's operating environment.

The Governing Board further continued to monitor the implementation of the Corporate Strategic Plan (CSP) in order to ensure that the corporate objectives are carried out in an efficient and effective manner

Performance of the Corporate Strategic Plan

The performance of the CSP in 2018 was as follows:

a) BSC Financial Results – SO 1: *To optimise revenue collection*

The Authority set out to achieve this objective by improving compliance, reducing the debt stock and enhancing enforcement. The revenue target was exceeded by K3, 791.9 million or 8.5 percent. Under this objective, 32 percent of all the KPIs were attained, 39 percent were partially attained while 29 percent were not achieved.

b) BSC Business Processes - SO 2: *To improve operational efficiency through development of infrastructure, systems and processes*

The Authority achieved 59 percent of the KPIs under this strategic objective. 26 percent of the KPIs were partially met while 15 percent were not met. Among the KPIs fully met were: the stabilisation of TaxOnline and ASYCUDAWorld; the inclu sion of more commercial banks on the e-payment platform; and the implementation of the mineral value chain monitoring system.

c) BSC Employee Satisfaction SO 3: *To enhance the professionalism and productivity of the human capital*

The Authority achieved 77 percent of the KPIs under this strategic objective while 23 percent were partially met. The staff establishment for the Authority stood at 97 percent as at year-end with 98 percent of employees meeting their agreed annual performance targets. The defined Contribution Pension Scheme for the Authority was introduced.

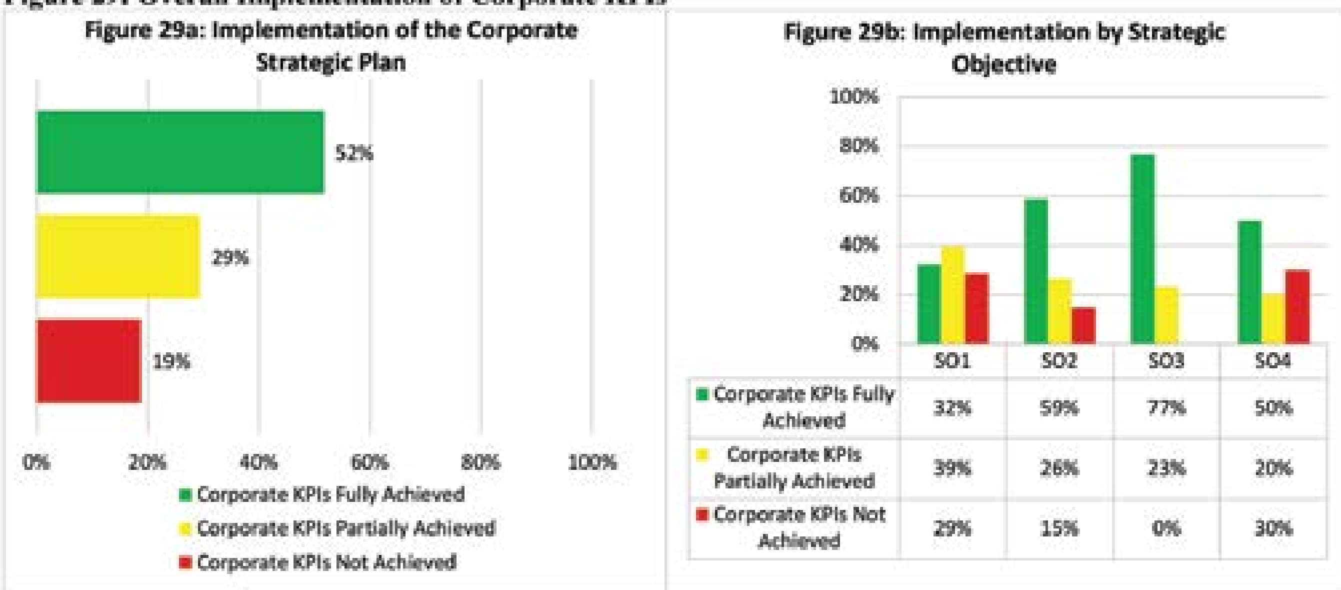
d) BSC Customer Satisfaction – SO 4: *To provide accurate, courteous, timely and professional services to internal and external customers*

The Authority fully achieved 50 percent of the KPIs under this objective. 20 percent of the KPIs were partially achieved while 30 percent were not met. The key initiatives implemented included conducting taxpayer education and outreach programmes, and streamlining of the dispute resolution process through implementation of the revised administrative guidelines.

Overall Implementation of Corporate Strategic Plan

With regard to the overall performance, the Corporate Strategic Plan was 52 percent fully implemented, 29 percent partially implemented and 19 percent not met (see Figures 29a and 29b).

Figure 29: Overall Implementation of Corporate KPIs



Divisional and Departmental Functions

During the year under review, the structure of the Authority consisted of four Divisions and six Departments, all of which had direct reporting lines to the Commissioner General. Divisions are headed by Commissioners while Departments are headed by Directors. The summary of the functions of the Divisions and Departments is discussed:

Customs Services Division

The Customs Services Division administers customs duties, import excise and other duties as mandated by the Customs and Excise Act, Chapter 322 of the Laws of Zambia. Other core functions include: licensing and controlling warehouses and premises for the manufacture of certain goods; the prohibition of imports and exports in line with the Control of Goods Act - Chapter 421 of the Laws of Zambia; and implementation of customs and trade agreements.

Domestic Taxes Division

The Domestic Taxes Division is mandated to administer all inland taxes as provided for under various Acts which include: the Income Tax Act, Chapter 323 of the Laws of Zambia; the Value Added Tax Act, Chapter 331 of the Laws of Zambia; the Property Transfer Tax Act, Chapter 340 of the Laws of Zambia and the Insurance Premium Levy Act No. 21 of 2015. The Division also collects mineral royalty, as provided for under the Mines and Minerals Development Act, No. 11 of 2015. Further, the Division collects skills development levy under the Skills Development levy Act No. 46 of 2016 and tourism levy as prescribed under the Tourism and Hospitality Act.

Finance Division

The Finance Division is in charge of the accounting function of the Authority, which deals with the management of operational funds, and the Treasury function which involves the receipting and accounting for Government revenue. The Division is also responsible for the debt management function at corporate level. In addition, the division is also responsible for all aspects of human resource management in ZRA, which includes the implementation of staff development, compensation, staff welfare, and payroll management.

Modernisation and Corporate Strategy Division

The Modernisation and Corporate Strategy Division spearheads the reform agenda of the Authority in terms of systems development and critical information management. The Division is also responsible for among other things, the development and maintenance of infrastructure, procurement, risk management, project management and business process re-engineering. The Division has three departments: the Information and Communication Technology Department; the Administration Department; and the Corporate Strategy Department.

Research and Policy Department

The Department undertakes research, statistical analysis, data management and tax policy coordination. The department continued to coordinate the development of bulk data analysis capability at corporate level and to provide executive support duties to the Office of the Commissioner General.

Internal Audit Department

The Internal Audit Department provides assurance to management and the Governing Board on the effectiveness and reliability of internal controls, risk management and governance processes within the Authority. The Department also facilitates external audits by the appointed private external auditors and the Office of the Auditor General.

Investigations Department

The Investigations Department investigates allegations of tax offences under the various tax related Acts with a view to prosecute as a way of deterring non-compliance. 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 all other Acts administered by the Commissioner General.

Legal Services Department

The Department is responsible for providing legal advice to the Authority and attending to civil cases on behalf of the Authority in the courts of law.

INTERNAL AND EXTERNAL SCRUTINY

Internal Audit

In 2018, the Internal Audit Department planned to undertake 25 audits, out of which 15 were finalised while the rest were at various stages of completion. The Department also finalised 11 audits carried forward from 2017. The total number of reports tabled before the Audit Committee in 2018 was 29 (see Table 26).

Table 26: Audits and Investigations Undertaken in 2018 and 2017

Audits and Investigations	2018	2017
Number of planned audits	25	31
Number of special reviews and investigations and audits finalised	15	17
Number of audits in progress	10	11
Planned audits not executed due to lack of activity on the projects	-	3
Number of 2017 audits finalised in 2018	11	13
Number of audit reports tabled before the Audit Committee	29	21

Internal Affairs

In 2018, the Internal Affairs Unit recorded a total of 64 cases of allegations of fraud, malpractice and misconduct against ZRA staff compared to 38 in 2017. The increase in the number of cases recorded may be attributed to enhanced intelligence gathering techniques (see Table 27).

Table 27: Cases of allegations of Fraud and Misconduct by Employees in 2017 and 2018

Offence	2017	2018
Fraud	3	2
Dishonest Conduct	19	25
Theft	2	1
Bribery/Corruption	3	6
Abetting smuggling/collusion	6	21
Other	5	9
Total cases investigated	**38**	**64**

During the period under review, the unit recommended over 30 cases for disciplinary action out of which 13 resulted in dismissal. One case was recommended to have the officer trained in the relevant processes and procedures, while another case was recommended for counselling.

Two cases of forgery and smuggling involving external parties were recommended for prosecution while another case of fraudulent clearance of motor vehicles was recommended for the collection of foregone taxes.

Staff Integrity

During the year under review, the ZRA Integrity Committee (ZRAIC) Secretariat held a number of sensitization activities for members of staff throughout the country. Induction trainings were conducted for new members of staff and the Secretariat also conducted sessions at some internal trainings. The Authority also launched the ZRA Whistle Blower Policy which is intended to reward and protect informants.

Further, the Authority participated in the commemoration of the 2018 International Anti-Corruption Day. Other activities during the year included engagements with stakeholders such as the Auditor-General's Office, Transparency International-Zambia, the Drug Enforcement Commission and Anti-Corruption Commission. ZRA also continued to play a critical role in chairing the Public/ Private Sector Integrity Development Project.

The number of comments and complaints received in 2018 reduced to 32 from 37 received in 2017. Two complaints were received in 2018 relating to alleged staff misconduct. The complaints and comments were received through various channels including letters, email, telephone and suggestion boxes which are mounted in all stations (see Table 28).

Table 28: Number of Complaints and Comments Received by ZRAIC

Year	Complaints	Comments	Total
2018	2	30	32
2017	28	9	37

The breakdown of the types of comments and complaints received in 2018 and 2017 is shown in Table 29.

Table 29: Types of Comments and Complaints Received

Taxpayer Feedback	2018	2017
Compliments	2	28
Information	26	2
Queries	4	7
Suggestions	0	0

External Scrutiny

Parliamentary Committees

The Zambia Revenue Authority being a statutory body created by an Act of Parliament is subject to Parliamentary oversight. This is achieved through reports that the Authority submits to the various Committees of the House and also through the provision of responses to questions raised by Members of Parliament.

In 2018, the Authority appeared before a number of Committees of the House and submitted written responses to various Parliamentary queries. These included the Committee on National Economy, Trade and Labour Matters; the Budget Committee; the Expanded Budget Committee on Estimates; and the Public Accounts Committee.

Auditor General

The Office of the Auditor General has a constitutional mandate to audit all public bodies in order to ensure prudent utilisation of public resources appropriated by Parliament. Being a public body, ZRA operations are subjected to annual audits and reviews by the Auditor General in order to ensure that public funds are spent on budgeted activities and also to ensure that all revenue collected through taxes and other levies are promptly banked and properly accounted for.

In this regard, the Authority was in 2018 subjected to two audits by the Auditor General: The first report covered the financial and operational activities for the years ended 31st December 2016 and 31st December 2017, and the other covered revenue collection activities for the year ended December 2017.

Notably, there were 14 audit queries raised in the financial and operational activities report while 10 control weaknesses were highlighted in the revenue collection report. In order to ensure effective follow up on audit queries and reduce the number of such queries, management established the Implementation Monitoring Unit in the Internal Audit department whose responsibility is to among others, minimise audit queries and ensure that all audit queries are attended to.

Litigation

Litigation provides a mechanism to arbitrate conflicting claims between the Authority and taxpayers. Litigation does more than just resolve conflicts. More importantly, it shapes the behaviour of market participants. Therefore, in the establishment of rights and remedies, the legal system prescribes basic patterns of behaviour and remains an essential tool for enhancing compliance. In 2018, the Authority was involved in both civil and criminal litigation in the Supreme Court, the Court of Appeal, the High Court, the Magistrates Court, the Industrial Relations Court and the Tax Appeals Tribunal.

Civil Litigation

In 2018, ZRA litigated 74 civil cases compared to 57 cases litigated in 2017, representing a 29.8 percent increase. Out of the 74 cases litigated in 2018, a total of 17 were Supreme Court cases; three were Court of Appeal cases; 24 were High Court cases; 20 were Tax Appeals Tribunal cases, nine were Industrial Relations Court cases; and one was a Subordinate Court case. The majority of cases were customs related followed by the domestic taxes and labour related cases (see Table 30).

Table 30: Tax Related Litigation in 2018 and 2017

Type of Court	2018	2017	% Change
Magistrates Court	1	0	100%
High Court	24	16	50.5%
Court of Appeal	3	na	na
Supreme Court	17	10	70%
Tax Appeals Tribunal	20	24	(16.7)%
Industrial relations court	9	7	28.6%
Total Cases	**74**	**57**	**29.8 %**

From the 74 cases litigated in 2018, 54 cases or 72.9 percent were tax related whereas 19 or 25.6 percent of the cases were labour-related. The total number of cases concluded during the year was 11 out of which 10 were in favour of ZRA. By the end of the year, a total of 30 cases were active in the various courts and at the Tax Appeals Tribunal.

Criminal Litigation

The Investigations Department prosecuted a total of 27 cases in 2018, out of which eight convictions were secured, two were acquittals while six were withdrawn. It is worth noting that the total number of cases prosecuted in 2018 increased by 63 percent compared to 2017 due to increased focus on criminal prosecution for tax offences. As at end of the year, 11 cases were under litigation.

Of the 27 cases handled in 2018, 23 were customs related while four were domestic taxes related (see Table 31).

Table 31: Prosecuted cases by Tax Type and Values in 2018 and 2017

Cases closed by type	Customs & Excise		Domestic Taxes		Total, 2018		Total, 2017	
	Number	Value (K)	Number	Value (K)	Number	Value (K)	Number	Value (K)
Withdrawn	6	1,204,756	0	0	6	1,204,756	0	0
Conviction & Fine	6	1,618,477	2	2,000	8	1,620,477	4	414,122
Acquittal	2	1,865,476	0	0	2	1,865,476	0	0
Awaiting Judgement	3	324,643	0	0	3	324,643	1	715,382
Pending arrest	0	0	0	0	0	0	1	65,641
Trial Stage	6	999,458	2	217,432	8	1,216,890	11	5,495,701
Total Prosecutions	**23**	**6,012,810**	**4**	**219,432**	**27**	**6,232,242**	**17**	**6,690,855**

Seizure of Goods

In 2018, the Authority seized several goods that were the subject of various offences. Some goods were forfeited to the State and auctioned to recover taxes or donated in accordance with the law.

MANAGING PEOPLE

Managing People

Staff Strategy

In terms of staff strategy, the Authority continued to focus on promoting an effective and efficient workforce that would be responsive to ZRA's mandate of optimising revenue collection. In this regard, the Authority undertook the following:
• Promotion of 108 employees in line with the Promotion Policy.
• Development of productivity standards for all the departments and divisions.
• Development of management control principles for managers.
• Streamlining of the management of leave days.

Further, the following policies were developed and approved by the Governing Board:
• the revised Disciplinary, Capability and Grievance Policy and Procedures; and
• the Employee Wellness Policy with a specific objective to promote healthy lifestyles of employees through care and support.

Staff Complement

The Authority's staff complement stood at 1,813 employees as at close of 2018 compared to 1,688 at the end of 2017, thereby representing a 7.4 percent increase. This increase was in response to the operational and structural changes implemented in 2018. Nevertheless, the staff complement in 2018 was still below the approved establishment of 1,860 representing 97.5 percent of the approved establishment, an improvement from 96.7 percent in 2017.

Table 32: ZRA Staff Complement by Division/Department/Unit as at end 2018 and 2017

Division / Unit	2018		2017	
	Actual	Approved	Actual	Approved
Commissioner General's Office	42	44	40	44
Domestic Taxes	545	560	482	508
Customs Services	574	588	565	584
Administration Department	267	272	258	259
Legal Department	12	12	9	10
Research and Policy	11	12	12	12
Human Resource*	39	39	33	37
Finance*	147	149	119	121
Corporate Strategy	10	10	8	7
Information Technology	79	83	70	71
Project Management	5	4	6	6
Internal Audit	19	19	19	19
Investigations	64	67	67	67
Total	1,813	1,860	1,688	1,745

*Formed one division

In our effort to have a gender balanced workforce, the share of female staff increased to 35.0 percent from 33.9 percent in 2017. In terms of staff category, the share of non-represented contract staff was 12.2 percent of the workforce in 2018 compared to 12.1 percent in 2017. In 2018, 43.7 percent of the staff were in the represented contract staff category an increase from 41.5 percent in 2017. Further, 44.1 percent of the staff were in the represented non-contract staff category compared to 46.4 percent in 2017 (see Table 33).

Table 33: ZRA Staff Complement by Category and Gender

Staff Category	2018				2017			
	Male	Female	Total	% of Total	Male	Female	Total	% of Total
Non Represented Contract Staff (ZRA00 – ZRA04)	170	52	**222**	**12.2**	162	42	**204**	**12.1%**
Represented Contract Staff (ZRA05 – ZRA06)	494	298	**792**	**43.7**	441	260	**701**	**41.5%**
Represented Non-Contract Staff (ZRA07 – ZRA10)	515	284	**799**	**44.1**	512	271	**783**	**46.4%**
Total	**1174**	**634**	**1813**	**100%**	**1115**	**573**	**1688**	**100.0%**

The staff complement in the operating divisions/departments was 1,183 or 65.0 percent in 2018 compared to 1,114 or 66.0 percent in 2017 (see Table 34).

Table 34: ZRA Staff Classification as Operations and Support in 2018 and 2017

Division/Department	2018	2017	% Change
Operations:			
Domestic Taxes	545	482	13.1%
Customs Services	574	565	1.6%
Investigations	64	67	(4.5)%
Sub Total	**1,183**	**1,114**	**6.1%**
Support Services:			
Commissioner General's Office	42	40	5.0%
Research & Policy	11	12	(8.3)%
Administration Department	267	258	3.5%
Legal Department	12	9	33.3%
Human Resource	39	33	18.2%
Finance	147	119	23.5%
Internal Audit	19	19	0.0%
Corporate Strategy	10	8	2.5%
Information Technology	79	70	12.9%
Projects	4	6	(33.3)%
Sub Total	**630**	**574**	**9.8%**
Grand Total	**1,813**	**1,688**	**7.4%**

Resourcing and Selection

A total of 366 vacancies were filled in 2018, out of which 164 were through internal recruitment while the rest were externally recruited.

Staff Development and Training

In order to respond to the changing business environment, the Authority continuously trains its staff. In this regard, a total of K8.4 million was budgeted for capacity building in 2018 out of which K6.1 million was utilised to implement training programmes attended by 2,976 participants compared to 1,809 participants recorded in 2017. Of the training programs planned for the year, 85 percent were implemented with a budget utilisation rate of 72 percent.

Performance Management and Development Process

The Authority has in place a Performance Management and Development Process which is implemented through the Performance Management Development Contracts (PMDCs) between members of staff and their supervisors. In terms of performance ratings, the majority of the employees were rated "Very Good" representing 55.5 percent of the rated employees

Separations

In 2018, 77 employees separated from ZRA representing overall attrition rate of 4 percent for the year compared to 91 separations in 2017 which was 5 percent attrition rate. The separations were on account of dismissals, resignations, early retirement, expiry of fixed term contracts, medical discharges and death (see Table 35).

Table 35: Separations Recorded in 2018 and 2017

	Dismissal	Termination of Contract/ Employment	Contract Expiry	Resignation	Early Retirement	Medical/Discharge	Death	Total
2018	13	2	12	11	34	1	4	**77**
2017	12	2	27	11	27	5	7	**91**

Staff Welfare and Employee Relations

Employee Wellness/HIV and AIDS

The Employee Wellness Policy was implemented in the year under review which combined the HIV and AIDS Workplace Policy and the Voluntary Support Scheme. The Policy encompasses chronic diseases such as diabetes and cancer. The policy applies to all employees and registered dependents, except aspects of sports and recreation which excludes dependents.

By the end of 2018, the ZRA Voluntary Support Scheme (VSS) had a membership of 642 out of a total workforce of 1,813 employees, representing 35.4 percent of the total workforce. However, it must be stated that following the approval of the Employee Wellness Policy by the Governing Board, the scheme shall change the name to Wellness Support Scheme and shall become mandatory in 2019. At the end of the year, 80 employees were accessing the Anti-Retroviral Therapy (ART) under VSS, representing 4.4 percent of the total work force.

Employee Relations

During the period under review, employee relations climate remained stable. Management and the Union concluded negotiations for the conditions of service for the period covering 2019 – 2020.

INFORMATION TECHNOLOGY AND PHYSICAL ASSET MANAGEMENT

Information Technology and Physical Asset Management

Asset Management

In 2018, ZRA constructed several office and staff houses around the country as part of its on-going infrastructure upgrade and maintenance programme. The major works that were commenced or concluded in the year under review are shown in Table 36.

Table 36: Major Construction Projects in 2018

S/N	Project Name	Contract Value (K)	Status
1	Painting of External Façade of the Revenue House	7,474,298.0	Works completed
2	Remodelling of the Ninth Floor of Revenue House	1,415,404.3	Works completed
3	Remodelling of the Ten Floor of Revenue House	1,403,607.2	Works completed
4	Remodelling of the Eighth Floor of Revenue House	1,183,426.2	90% complete
5	Remodelling of the Third Floor Revenue House	1,557,821.9	Works completed
6	Construction of office Block at Chinsali	8,861,956.9	Works in progress
7	Construction of 2 by 3-bedroomed Staff Houses at Chinsali	1,978,442.6	Works completed
8	Construction of 3 by 3-bedroomed Staff Houses at Kasama	2,591,169.7	Works completed
9	Construction of 2 blocks of 4 by 1 Bedroomed Staff Houses at Katima Mulilo	2,175,920.2	Works completed
10	Rehabilitation of Musonko House	497,830.2	Works completed
11	Construction of Customs Check Point at Nakonde One Stop Border Post	472,736.0	95% complete
12	Construction of Customs Check Point at Kenneth Kaunda International Airport	277,068.9	Works completed
13	Remodelling of Customer Service Centre at East Park Shopping Mall	376,051.1	Works completed
14	Remodelling of Customer Service Centre at Cosmopolitan Shopping Mall	329,367.7	Works completed
15	Renovation of Kashiba Border Post	60,443.9	90% complete
16	Replacement of roof at Kenneth Kaunda International Airport Flats	357,743.2	Works completed
17	Installation of Lifts at Mpendwa House, Ndola	1,320,001.1	Works completed
	Total	**32,333,288.9**	

The infrastructure development and rehabilitation works undertaken in 2018 were meant to make ZRA more efficient and responsive to the changing business environment.

Information and Communication Technology

During the year under review, the Authority installed a Local Area Network (LAN) at the Fast Track Office. The Authority also separated the links connecting ZRA head office to the Zambia National Data Centre through Smartnet. Further, the LAN connecting the main building in Nakonde and the ZRA entry gate was extended to the Tanzanian side of the One Stop Border Post (OSBP). In addition, the LAN from scanner control room in Nakonde was extended to the ZRA entry gate. The installation of fibre links for the ZRA campus network at Nakonde was undertaken.

A Virtual Private Network (VPN) connectivity was set up for customs officers at Zambia Postal Services offices at KKIA to enable them access the ZRA network. The Authority also configured the link for Cosmopolitan Mall Service Centre to enable connectivity to ZRA systems and a firewall was deployed and configured for the internet bureau at the Cosmopolitan Mall Customer Service Centre.

The Authority also implemented the use of EFDs under the Tax Invoice Management System. As at the end of the year, the number of active EFDs stood at 1,694 out of the 1,903 devices that were distributed.

MANAGING RESOURCES

Managing Resources

During the period, the Authority received an income of K1, 260.8 million out of which K979.3 million was funding from the Government. In 2018, ZRA raised K255.6 million from ASYCUDA fees compared to K218.8 million in 2017. Other income amounted to K8.0 million. Table 37 provides a comparative summary of our operating income and expenditure for 2018 and 2017.

Table 37: Summary of Income and Expenditure, 2018 and 2017

	2018 (K)	2017 (K)
Income:		
Government Funding –Received	822,490,000	768,664,000
Supplementary Funding	156,863,283	51,472,413
Investment Climate Facility	-	-
Norwegian Tax Administration (support to MVCMP)	4,155,412	2,487,526
Mineral Value Chain	6,738,971	6,923,988
ASYCUDA Income	255,650,555	218,850,287
Other Income	8,018,689	5,603,011
Amortisation of Capital grant	1,814,779	3,126,077
Kasumbalesa Agency Fees	5,070,146	4,601,505
Commission on Kariba dam toll fees	24,677	9,568
Total Income	**1,260,826,512**	**1,061,738,375**
Recurrent expenses:		
Staff related expenses	(843,797,566)	(740,830,631)
Administrative expenses	(78,410,542)	(63,751,338)
Operations expenses	(137,497,855)	(99,258,735)
Legal and professional fees	(1,081,114)	(1,827,306)
Depreciation and amortisation	(75,452,950)	(62,404,637)
Results from operating activities	**124,586,485**	**93,665,728**
Finance income	10,257,842	7,115,771
Finance costs	(57,777,261)	(32,124,470)
Net finance income	**(47,519,419)**	**(25,008,699)**
Surplus for the year	**77,067,066**	**68,657,029**
Other comprehensive income *Items that will be reclassified to surplus or deficit*		
Revaluation of property, plant and equipment	264,723,992	-
Items that will never be reclassified to surplus or deficit		
Re-measurement of defined benefit liability	(74,268,000)	35,348,000
Total other comprehensive income for the year	**190,455,992**	**35,348,000**
Total comprehensive income for the year	**267,523,058**	**104,005,029**

In 2018, financial support to the Mineral Value Chain Monitoring Project amounted to K10.9 million. The Authority received K1.8 million in deferred income and K24, 677.0 as commission on the Kariba Dam toll fees.

As the appointed profit collection agent on behalf of the Government from the Kasumbalesa joint venture project, the Authority collected US$40.9 million for the period January to December 2018. The Authority retained 10 percent of this amount as administration fee in accordance with the approval granted by the Minister of Finance. The 10 percent commission is included in the Authority's income for the year.

Recurrent Expenditure

In 2018, ZRA's recurrent expenditure was largely made up of staff related costs which accounted for 74 percent, followed by operational costs at 12 percent. Administrative costs accounted for 7 percent while depreciation and amortization accounted for 7 percent.

Staff costs in 2018, increased by 14 percent from the 2017 level as a result of recruitments and salary and wage adjustments. Administrative expenses increased by 23 percent, while other operating expenses increased by 37 percent from the 2017 level.

Capital Expenditure

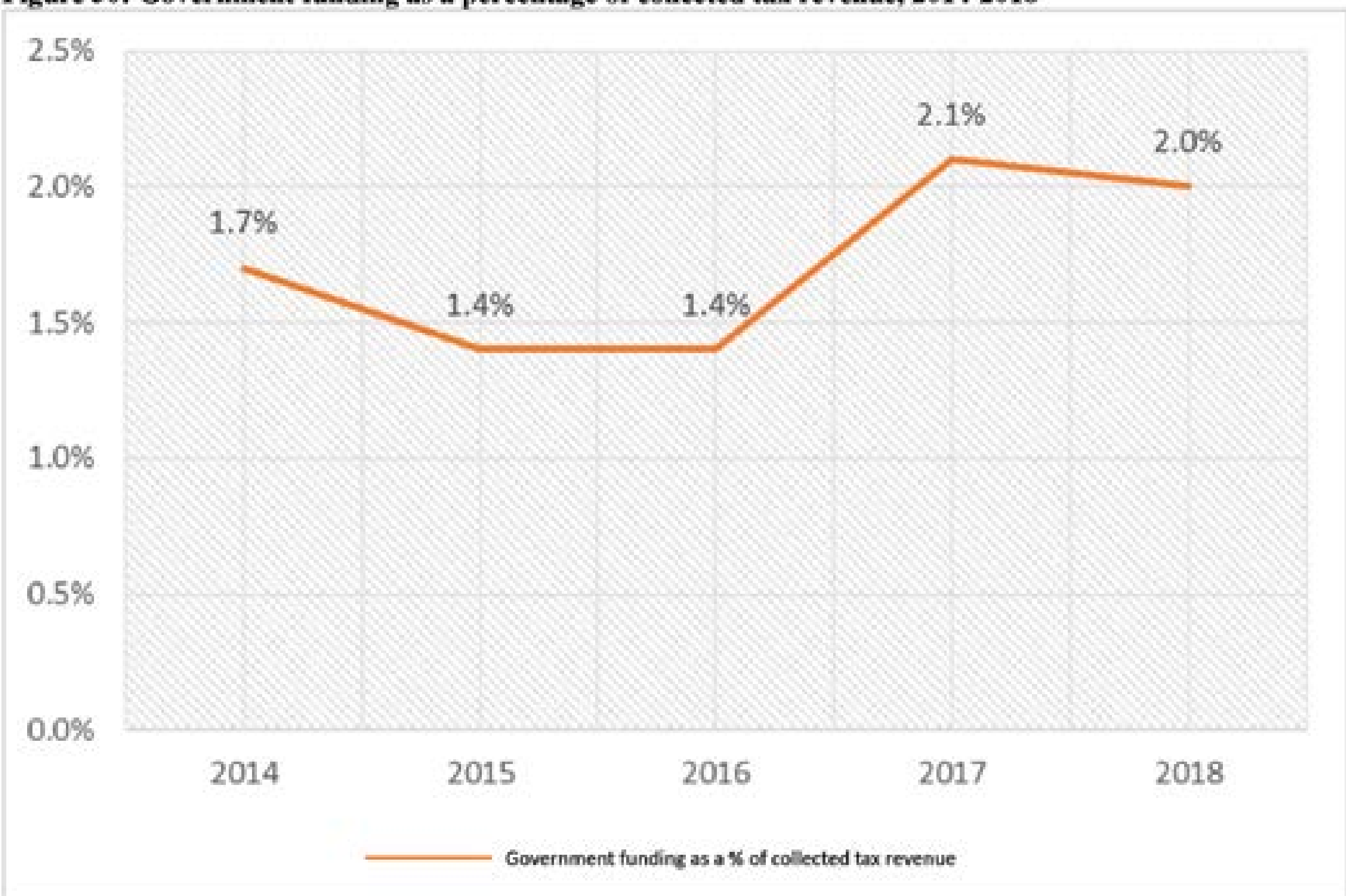
In addition to the above operating expenses, ZRA spent K103.9 million in capital expenditure.

The detailed financial performance based on Accrual Basis of Accounting is shown in the Financial Statements.

Cost of Tax Revenue Collection

The cost of tax revenue collection ratio was 2.0 percent in 2018 which was marginally lower than 2.1 percent recorded in 2017. The slight decrease in the ratio is mainly attributed to enhanced efficiency in revenue administration as a result of the advanced implementation of modernisation reforms. In the last five years, the cost of tax revenue collection ratio has averaged at 1.7 percent, with its highest being 2.1 percent recorded in 2017.

Figure 30: Government funding as a percentage of collected tax revenue, 2014-2018



FINANCIAL STATEMENTS

ZAMBIA REVENUE AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2018

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ZAMBIA REVENUE AUTHORITY

GOVERNING BOARD'S REPORT

The Governing Board submit their report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of the Authority.

PRINCIPAL ACTIVITIES

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

RESULTS	**2018**	2017
	K	K
Revenue	**1,260,826,512**	1,061,738,375
Surplus for the year	**77,067,066**	68,657,029

The surplus for the year of **K77.1 million** (2017: K68.7 million) has been adjusted in the capital fund.

GOVERNING BOARD

The members who held office during the year were:

Ms Chileshe M. Kapwepwe - Chairperson
Mr Fredson K. Yamba
Mr Alfred J. Lungu
Mrs. Thandiwe D. Oteng
Mrs. Cecilia Zimba - Appointed 28 March 2018
Mr. James Koni
Dr. Denny Kalyalya
Mr. Kamalesh M. Shah
Mr. Andrew M. Musukwa

A new board was appointed in March 2017 after the Minister of Finance dissolved the previous board in November 2016.

EMPLOYEES

The total remuneration of employees during the year amounted to **K843.8 million** (2017: K740.8 million). The average number of employees for each month of the year was as follows:

Month	**Number**	**Month**	**Number**
January	1,721	July	1,844
February	1,792	August	1,855
March	1,810	September	1,849
April	1,803	October	1,850
May	1,780	November	1,849
June	1,789	December	1,861

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

PROPERTY AND EQUIPMENT

The Authority purchased property and equipment amounting to **K103.9 million** (2017: K107.9 million) during the year. In the opinion of the Directors, the carrying value of property and equipment is not more than their recoverable value.

GIFTS AND DONATIONS

Donations to charitable organisations and events during the year amounted to **K155,277** (2017: K618,974).

AUDITOR

The Authority's Auditors, Messrs Deloitte & Touche, were reappointed to another term of three years following a competitive bidding process. Their current term of office is the audit of financial years 31 December 2018, 2019, and 2020.

DIRECTOR
Date: 14th June, 2019

ZAMBIA REVENUE AUTHORITY

STATEMENT OF GOVERNING BOARD'S RESPONSIBILITIES

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

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

The Governing Board is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the annual statements and their report, is shown on pages 77, 78 and 79.

The Governing Board is also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties.

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

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

Signed on behalf of the Board by:

DIRECTOR
Date: 14th June, 2019

DIRECTOR
Date: 14th June, 2019

INDEPENDENT AUDITOR'S REPORT

To the Government of Zambia through the Minister of Finance

Report on the financial statements

Opinion

We have audited the accompanying financial statements of the Zambia Revenue Authority (the "Authority") as set out on pages 80 to 105, and which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in capital fund and reserves and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia.

Basis of opinion

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

Key audit matters

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

Key audit matters	**How our audit addressed the key audit matter**
Actuarial valuation of pension obligations	
The Authority operates an unfunded lump sum gratuity arrangement. As the arrangement is unfunded, gratuity benefits are paid out of the Authority's general revenues. Upon retirement of unionised and contract employees, a liability is settled by the Authority under the final salary principles. The Authority has legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Paragraph 58 of International Accounting Standard No. 19 Employee Benefits states that " An entity shall determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period."	In considering the actuarial valuation of pension obligation, we performed the following procedures: Obtained the actuarial report based on 31 December 2018 numbers. Ensured that the valuation met IAS 19 requirements. Reviewed key inputs used within the report as well as challenged key assumptions made. Performed a retrospective review to assess obligation for reasonableness. Corroborated the inflation rates used in inflation projections in the region and tested for reasonableness.

	How our audit addressed the key audit matter
Actuarial valuation of pension obligations (Continued)	
We focused on this audit area because of the significant assumptions and judgements which are included to arrive at the pension obligation. Key assumptions that are involved in the calculation of the defined benefit obligation as per note 23 to the financial statements are:	The Discount rates used were appropriate and comparable to Government bond yield rates available with the Bank of Zambia. Had a discussion with the Actuary on where mortality rates were derived from and compared those rates to the central statistics office in Zambia.
Discount rate;	Ensured the Independent Actuaries who carried out the valuation were appropriately qualified and competent.
Expected rate of salary increment;	Assumptions were tested and were found to be reasonable.
Average longevity at retirement age for current employees.	We found that the assumptions used by the Expert were appropriate and the discount rates were comparable to the market. Further, the disclosures pertaining to the pension obligations were found to be appropriate and comprehensive in the financial statements.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governing Board.
- Conclude on the appropriateness of the Governing Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal requirements

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

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

Deloitte & Touche

DELOITTE & TOUCHE

ALICE JERE TEMBO
PARTNER
AUD/F000433

DATE: **14th June, 2019**

ZAMBIA REVENUE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 K	2017 K
Revenue			
Government grants	6	**979,353,283**	820,136,413
Asycuda processing fees	7	**255,650,555**	218,850,287
Other income	8	**8,018,689**	5,603,011
Mineral Value Chain and Norwegian Tax Administration income	9	**10,894,383**	9,411,514
Deferred income	10	**1,814,779**	3,126,077
Kasumbalesa Agency Fees	11	**5,070,146**	4,601,505
Kariba Dam Agency Fees	11	**24,677**	9,568
		1,260,826,512	1,061,738,375
Expenditure			
Personnel expenses	12	**(843,797,566)**	(740,830,631)
Administrative expenses	13	**(78,410,542)**	(63,751,338)
Other operating expenses	14	**(138,578,969)**	(101,086,041)
Depreciation and amortisation expenses	17, 18	**(75,452,950)**	(62,404,637)
Surplus from operating activities		**124,586,485**	93,665,728
Finance income	15	**10,257,842**	7,115,771
Net exchange losses	16	**(57,777,261)**	(32,124,470)
Net finance costs		**(47,519,419)**	(25,008,699)
Surplus for the year		**77,067,066**	68,657,029
Other comprehensive income for the year			
Items that will not be reclassified to surplus or deficit			
Gain on revaluation of properties	17	**264,723,992**	-
(Loss) gain on defined benefit plan	23	**(74,268,000)**	35,348,000
Total other comprehensive income for the year		**190,455,992**	35,348,000
Total comprehensive income for the year		**267,523,058**	104,005,029

ZAMBIA REVENUE AUTHORITY

STATEMENT OF FINANCIAL POSITION
at 31 December 2018

	Notes	2018 K	2017 K
ASSETS			
Non-current assets			
Property and equipment	17	**840,847,153**	604,838,212
Intangible assets	18	**85,511,096**	45,228,896
Employee loans and advances	20	**10,268,763**	10,658,871
		936,627,012	660,725,979
Current assets			
Inventories	19	**3,565,590**	3,016,516
Employee loans and advances	20	**30,806,289**	31,976,613
Other assets	21	**28,014,837**	16,831,087
Cash and cash equivalents	22	**216,970,265**	104,763,479
Customs deposit bank accounts	26	**4,689,653**	5,417,837
Tax refunds bank accounts	27	**19,037,012**	4,271,699
		303,083,646	166,277,231
TOTAL ASSETS		**1,239,710,658**	827,003,210
CAPITAL FUND, RESERVES AND LIABILITIES			
Capital fund and reserves			
Capital deficiency		**(212,817,465)**	(218,035,011)
Revaluation reserve		**389,734,624**	127,429,112
Net capital surplus (deficiency)		**176,917,159**	(90,605,899)
Liabilities			
Non-current liabilities			
Deferred income	10	**635,733**	817,312
Post employment benefits	23	**446,115,699**	336,306,728
Borrowings	25	**379,363,560**	364,660,774
		826,114,992	701,784,814
Current liabilities			
Investment Climate Facility, Mineral Value Chain and Norwegian Tax Administration grants	9	**1,375**	8,234,439
Deferred income	10	**1,569,154**	2,892,265
Post employment benefits	23	**78,726,300**	59,348,246
Payables	24	**101,065,871**	77,525,483
Borrowings	25	**31,589,142**	58,134,326
Customs deposit bank accounts	26	**4,689,653**	5,417,837
Tax refunds bank accounts	27	**19,037,012**	4,271,699
		236,678,507	215,824,295
Total liabilities		**1,062,793,499**	917,609,109
TOTAL CAPITAL FUND, RESERVES AND LIABILITIES		**1,239,710,658**	827,003,210

ZAMBIA REVENUE AUTHORITY

STATEMENT OF CHANGES IN CAPITAL FUND AND RESERVES
for the year ended 31 December 2018

	Capital deficiency K	Revaluation reserve K	Total K
At 1 January 2017	(324,458,520)	129,847,592	(194,610,928)
Total comprehensive loss for the year	106,423,509	(2,418,480)	104,005,029
Surplus for the year	68,657,029	-	68,657,029
Other comprehensive income:			
Gain on employee retirement benefit plan	35,348,000	-	35,348,000
Amortisation of revaluation surplus	2,418,480	(2,418,480)	-
Balance as at 31 December 2017	**(218,035,011)**	**127,429,112**	**(90,605,899)**
At 1 January 2018	**(218,035,011)**	**127,429,112**	**(90,605,899)**
Total comprehensive income for the year	**5,217,546**	**262,305,512**	**267,523,058**
Surplus for the year	77,067,066	-	77,067,066
Other comprehensive income:			
Loss on employee retirement benefit plan	(74,268,000)	-	(74,268,000)
Revaluation surplus	-	264,723,992	264,723,992
Amortisation of revaluation surplus	2,418,480	(2,418,480)	-
At 31 December 2018	**(212,817,465)**	**389,734,624**	**176,917,159**

ZAMBIA REVENUE AUTHORITY

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Notes	2018 K	2017 K
Cash flows from operating activities			
Surplus for the year		**77,067,066**	68,657,029
Adjustments for:			
Amortisation of Mineral Value Chain, Norwegian Tax Administration and Investment Climate Facility grant	9	**(10,894,383)**	(9,411,514)
Amortisation of capital grant	10	**(1,814,779)**	(3,126,077)
Depreciation and amortisation	17	**75,452,950**	62,404,637
Amortisation of staff benefit	20	**12,643,916**	4,186,754
Impairment loss on employee loans and advances	20	**-**	10,012
(Gain) loss on disposal of equipment		**(812,749)**	2,727,851
Net exchange losses on borrowings	25	**49,369,408**	29,211,586
Interest paid on borrowings	25	**(4,128,556)**	(4,078,139)
Net finance income		**(10,257,842)**	(7,115,771)
Capital work in progress written off	17	**15,452,515**	529,212
Defined benefit obligation expense	23	**154,440,000**	159,541,000
Operating cash flows before movements in working operating funds		**356,517,546**	303,536,580
Changes in operating funds:			
Increase in inventories		**(549,074)**	(276,144)
Increase in employee loans and advances		**(11,083,484)**	(12,986,829)
Increase in other assets		**(11,183,750)**	(696,181)
Increase in payables		**23,540,414**	34,804,133
		724,106	20,844,979
Employee benefits paid from plan	23	**(99,521,000)**	(126,399,000)
Net cash generated from operating activities		**257,720,652**	197,982,559
Cash flows from investing activities			
Interest received		**10,257,842**	7,115,771
Acquisition of property and equipment and intangible assets	17, 18	**(103,851,323)**	(113,779,463)
Proceeds from disposal of equipment		**2,191,457**	835,396
Investment Climate facility and Norwegian Tax Administration grant received	9	**2,661,319**	8,903,640
Investment Climate facility and Norwegian Tax Administration grant refunded	9	**-**	(220,196)
Capital grant received - World Bank	10	**310,089**	127,798
Net cash used in investing activities		**(88,430,616)**	(97,017,054)
Cash flows from financing activities			
Repayment of borrowings	25	**(57,083,250)**	(49,456,750)
Net cash used in financing activities		**(57,083,250)**	(49,456,750)
Net increase in cash and cash equivalents		**112,206,786**	51,508,755
Cash and cash equivalents at beginning of the year		**104,763,479**	53,254,724
Cash and cash equivalents at end of the year	22	**216,970,265**	104,763,479

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1. GENERAL INFORMATION

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

Revenue House
Kabwe Roundabout
P. O. Box 35710
Lusaka

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Authority has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

IFRS 9 introduced new requirements for:
1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Authority's financial statements are described below.

The Authority has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Authority has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Authority has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have not been restated as the impact has been deemed to be insignificant.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

• debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

• debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

• all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Authority may make the following irrevocable election/designation at initial recognition of a financial asset:

• the Authority may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

• the Authority may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Authority has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 New and amended Standards that are effective for the current year (continued)

(a) Classification and measurement of financial assets (continued)

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The Governing Board of the Authority reviewed and assessed the Authority's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had an insignificant impact on the Authority's financial assets as regards their classification and measurement:

• financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Authority to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Authority to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;

(2) Lease receivables;

(3) Trade receivables and contract assets; and

(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Authority to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Authority is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the Governing Board have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2018.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 New and amended Standards that are effective for the current year (continued)

(b) Impairment of financial assets (continued)

The result of the assessment is as follows:

Items existing as at 01/01/18 that are subject to the impairment provisions of IFRS 9	Note	Credit risk attributes 1 January 2017 and 1 January 2018
Employee loans and advances	20	The Authority does not use a provision matrix to measure the expected credit loss on Employee loans and advances. It is a considered view by the Governing Board that the Employee loans and advances are to be recovered in full in a period not exceeding 6 months.
Other assets	21	The maximum exposure to credit risk on other assets at the reporting date is the carrying value of each class of receivables contained in other assets. It is a considered view by the Governing Board that other assets are of low credit risk and these are to be recovered in full.
Cash and bank	22	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions, some of which are partly owned by the government.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.
Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Authority's financial liabilities.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the entity's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Authority has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Authority's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Authority has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 New and amended Standards that are effective for the current year (continued)

(d) General hedge accounting (continued)

IFRS 9 requires hedging gains and losses to be recognised as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorised as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Authority's practice prior to the adoption of IFRS 9.

Consistent with prior periods, when a forward contract is used in a cash flow hedge or fair value hedge relationship, the Authority has designated the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument.

When the option contracts are used to hedge the forecast transactions, the Company designates only the intrinsic value of the options as the hedging instrument. Under IAS 39 the changes in the fair value of time value of option (i.e. non-designated component) were recognised immediately in profit or loss. Under IFRS 9, the changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised in other comprehensive income and accumulated in the cost of hedging reserve within equity. The amounts accumulated in equity are either reclassified to profit or loss when the hedged item affects profit or loss or removed directly from equity and included in the carrying amount of non-financial item. IFRS 9 requires that the accounting for non-designated time value of option should be applied retrospectively. This only applies to hedging relationships that existed at 1 January 2017 or were designated thereafter.

(e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Authority had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Authority has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Authority has elected to designate as at FVTPL at the date of initial application of IFRS 9.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Authority has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Authority's financial statements are described below.

The Authority has adopted IFRS 15, 'Revenue from Contracts with Customers' applying the cumulative effect method applied retrospectively to the contracts that are not completed as of 1 January 2018 (being the date of initial application). Accordingly, the comparative information has not been restated. The effect on adoption of the said standard is insignificant on these financial statements.

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Authority has received or expects to receive in exchange of those products or services, net of any taxes /duties, discounts and process waivers. In order to determine if it is acting as a principal or as an agent, the Authority assesses whether it is primarily responsible for fulfilling the performance obligation.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit the Authority from using alternative descriptions in the statement of financial position. The Authority has adopted the terminology used in IFRS 15 to describe such balances.

2.2 New and revised Standards in issue but not yet effective

The Authority's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Authority's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Authority.

In the current year, the Authority has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 New and revised Standards in issue but not yet effective

IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

At the date of authorisation of these financial statements, the Authority has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19 Employee	Plan Amendment, Curtailment or Settlement

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Governing Board of the Authority do not anticipate that the application of the amendments in the future will have an impact on the Authority's financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so. The Governing Board of the Authority do not anticipate that the application of the amendments in the future will have an impact on the Authority's financial statements.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

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

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

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

In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of assets.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in units of Zambia Kwacha.

The Authority had a capital deficiency of **K212,817,465** (2017: K218,035,011) as at the reporting date, and as of that date its current assets exceeded its current liabilities by **K66,405,139** (2017: K49,547,064 deficit). On the basis that the Authority is Grant aided and funding by the Government has continued in the subsequent period, the Governing Board are of the opinion that the preparation of these financial statements on the going concern basis remains appropriate.

(b) Foreign currency translation

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

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

(c) Revenue recognition

Government revenue grants

Income represents the revenue grants receivable from the Government and other co-operating partners during the year and is accounted for on an accruals basis. Government grants are recognised when there is reasonable assurance that they will be received and the Authority will comply with the conditions associated with the grant.

Grants that compensate the Authority for expenses incurred are recognised in income and expenditure as other income on a systematic basis in the periods in which the expenses are recognised.

Rental income

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

Sale of cigarette stamps

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

(d) Capital grants

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

(e) Other income

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

(f) Interest income

Interest income is recognised using the effective interest rate method.

(g) Property and equipment

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

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

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

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

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

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

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

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property and equipment (continued)

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

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

(h) 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.

(i) Inventories

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

(j) Impairment of intangible assets

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

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

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

(k) Provisions

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

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

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

(l) Financial instruments

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

(i) *Financial assets*

Financial assets are classified as employee loans and advances and other receivables.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

(a) Effective interest rate method

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

(b) Receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

(ii) De-recognition of financial assets

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

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

(iii) Financial liabilities

Financial liabilities are classified as payables, other liabilities and borrowings.

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

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

(m) Deferred income

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

(n) 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.

(o) Borrowing costs

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

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

(p) Employee benefits

i) Retirement benefit obligations

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

(a) Pension obligations

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

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

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

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

Past-service costs are recognised immediately in income.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits at the earlier of the following dates: (a) when the Authority can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

Retirement benefit obligations

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

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

Other key assumptions for pension obligations are based in part on current market conditions.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

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

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

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

	Less than 1 year K	Between 1 and 5 years K	Over 5 years K
At 31 December 2018:			
- borrowings	**31,589,142**	**253,417,675**	**125,945,885**
- payables	**101,065,871**	**-**	**-**
- employee benefits	**78,726,300**	**281,258,901**	**164,856,798**
	211,381,313	**534,676,576**	**290,802,683**
At 31 December 2017:			
- borrowings	58,134,326	282,540,956	82,119,818
- payables	77,525,483	-	-
- employee benefits	65,891,389	293,042,647	36,720,938
	201,551,199	575,583,603	118,840,756

Capital management

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

Fair value measurements

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

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

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	Carrying value 2018	Fair value 2018	Carrying value 2017	Fair value 2017
Financial assets				
Employee loans and advances	**41,075,052**	**41,075,052**	42,635,484	42,635,484
Other assets	**28,014,837**	**28,014,837**	16,831,087	16,831,087
Customs deposit bank account	**4,689,653**	**4,689,653**	5,417,837	5,417,837
Tax refunds bank accounts	**19,037,012**	**19,037,012**	4,271,699	4,271,699
Financial liabilities				
Borrowings	**410,952,702**	**410,952,702**	422,795,100	364,660,774
Trade and other payables	**101,065,871**	**101,065,871**	77,525,483	77,525,483
Customs deposit bank accounts	**4,689,653**	**4,689,653**	5,417,837	5,417,837
Tax refund bank accounts	**19,037,012**	**19,037,012**	4,271,699	4,271,699

Fair value Hierarchy as at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Employee loans and advances	-	-	41,075,052	**41,075,052**
Other assets	-	-	28,014,837	**28,014,837**
Customs deposit bank account	-	-	4,689,653	**4,689,653**
Tax refunds bank accounts	-	-	19,037,012	**19,037,012**
Financial liabilities				
Borrowings	-	-	410,952,702	**410,952,702**
Trade and other payables	-	-	101,065,871	**101,065,871**
Customs deposit bank accounts	-	-	4,689,653	**4,689,653**
Tax refund bank accounts	-	-	19,037,012	**19,037,012**

6. GOVERNMENT GRANTS

	2018 K	2017 K
Annual budgetary allocation	**822,490,000**	768,664,000
Supplementary funding	**156,863,283**	51,472,413
	979,353,283	820,136,413

Supplementary funding mainly comprises K63 million for the Electronic Fiscal Devices Project, K86 million supplementary funding for modernisation and K8 million for border management expenses

7. ASYCUDA PROCESSING FEES

Asycuda processing fees are derived from the charge of K324.50 per transaction for the processing of imported goods at the borders. This income is partly used to maintain the scanners that process imported goods.

8. OTHER INCOME

	2018	2017
Rental income	**2,546,411**	1,955,950
Sundry income	**1,980,958**	1,118,723
Gain on disposal of property and equipment	**1,946,502**	657,835
Cigarette stamps sales proceeds	**1,544,818**	1,870,503
	8,018,689	5,603,011

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

	2018 K	2017 K
9. MINERAL VALUE CHAIN AND NORWEGIAN TAX ADMINISTRATION GRANTS		
Tax Administration grants		
At beginning of the year	**8,234,439**	8,962,509
Receipts during the year	**2,661,319**	8,903,640
Refunds	**-**	(220,196)
Recognised in statement of comprehensive income	**(10,894,383)**	(9,411,514)
At end of the year	**1,375**	8,234,439
Broken down as follows:		
Mineral Value Chain Monitoring project (MVCMP)	**1,375**	6,715,830
Norwegian Tax Administration (NTA)	**-**	1,518,609
	1,375	8,234,439

The Authority had 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 also existed 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)/ZRA bilateral agreement, the former made part contribution to the software for the Tax Online which was mainly financed by Government, in particular phase 1 dealing with e- services and change management activities. The ICF project came to a close in December 2016 while the NTA and MVCMP both came to an end in 2018.

	2018 K	2017 K
10. DEFERRED INCOME		
At beginning of the year	**3,709,577**	6,707,855
Receipts during the year	**310,089**	127,799
Recognised in statement of comprehensive income	**(1,814,779)**	(3,126,077)
At end of the year	**2,204,887**	3,709,577
Amounts falling due within one year	**1,569,154**	2,892,265
Amounts falling due after one year	**635,733**	817,312
	2,204,887	3,709,577

In December 2007, the Authority received a capital grant from the Government 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 Public Expenditure Management and Financial Accountability (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 in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. 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.

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

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

11. AGENCY FEES

(a) Kasumbalesa Agency Fees

In March 2017, the Authority was appointed by the Government of the Republic of Zambia (GRZ) as a Profit Collection Agent in respect of the Concession Agreement between the GRZ and the Zambian Intellectual Property Border Crossing Company Limited (ZipBCC) for collection of profits on its behalf. The income of **K5,070,146** (2017: K4,601,505) reported in the statement of comprehensive income represents 10% agency fees on the government share of profits collected on its behalf by the Authority during the year.

(b) Kariba Dam Agency Fees

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 **K24,677** (2017: K9,568) reported in the statement of comprehensive income represents 10% agency fees on the toll fees collected on behalf of Zambezi River Authority during the year.

12. PERSONNEL EXPENSES

	2018	2017
	K	K
Basic pay	336,244,874	276,217,825
Retirement benefit expense	196,678,825	164,801,587
Housing allowance	97,603,969	83,208,530
Leave pay	68,523,353	94,334,761
Bonus	36,264,334	26,669,410
Other allowances	35,653,427	32,054,432
Overtime	27,907,095	24,729,973
NAPSA contributions	18,439,377	15,212,503
Medical expenses	10,971,743	9,621,353
Training	7,239,184	6,257,435
Staff welfare and professional subscriptions	4,383,980	3,530,907
Insurance	2,914,592	3,229,579
ART contribution	972,813	962,336
	843,797,566	740,830,631

13. ADMINISTRATIVE EXPENSES

Repairs and maintenance - buildings	15,078,294	12,178,995
Travel expenses	11,585,010	8,111,399
Advertising and public relations	7,341,504	6,912,733
Office rentals	6,777,602	3,163,397
Subscriptions and publications	6,565,753	4,553,334
Electricity, water and rates	4,982,556	2,612,529
Printing and stationery	4,911,606	8,062,079
Staff uniforms	3,885,560	335,157
Motor vehicle repairs	3,834,673	3,661,245
Postage and telephones	2,930,239	3,123,855
Corporate social responsibility	2,598,492	3,020,391
Fuel	2,251,474	2,128,198
Board expenses	1,852,604	1,721,614
Motor vehicle insurance and licence	1,727,670	2,025,508
Audit expenses	618,910	620,802
Conferences and Seminars	525,488	-
Insurance	479,543	874,897
Bank charges	463,564	645,205
	78,410,542	63,751,338

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

14. OTHER OPERATING EXPENSES

	2018	2017
	K	K
Repairs and maintenance - IT	73,276,435	48,732,596
Travel/relocation	24,156,903	20,468,970
Security	18,151,580	15,283,677
Advertising/promotional material and conferences	8,394,040	5,614,645
Field work - fuel	3,067,871	2,837,301
Other professional fees	3,034,479	1,808,687
Cigarette stamps	2,239,237	1,677,160
Scanner operations	2,120,327	1,436,161
Printing and stationery	1,864,909	1,399,538
Legal and professional expenses	1,081,114	1,827,306
Tender Expenses	779,502	-
Exchange Program	412,572	-
	138,578,969	101,086,041

15. FINANCE INCOME

Relates to interest income on short term bank deposits.

16. NET EXCHANGE LOSSES

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

	2018	2017
Mid market exchange rate at 1 January	10.0	9.9
Mid market exchange rate at 31 December	11.9	10.1
Average depreciation	(19%)	(2%)

The Zambian Kwacha marginary depreciated against the US Dollar and other major convertible foreign currencies during the year. The impact of the depreciation of the Zambian Kwacha during the year is that the Authority earned net unrealised exchange loss on its foreign currency denominated monetary liabilities.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

17. PROPERTY AND EQUIPMENT

	Leasehold land	Leasehold 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 2017	32,881,900	182,794,759	242,092,317	21,914,645	11,131,006	4,292,565	63,540,801	558,647,993
Additions	-	-	559,360	11,687,256	18,629,083	6,174,272	70,804,111	107,854,082
Disposals	-	-	-	(10,847,835)	(4,769,122)	(1,184,820)	-	(16,801,777)
Transfers	-	25,188,425	48,425,579	-	-	-	(73,614,003)	-
Depreciation charge	-	(3,232,490)	(36,479,722)	(9,638,863)	(6,055,872)	(2,164,458)	-	(57,571,405)
Eliminated on disposal	-	-	-	10,410,859	2,063,414	764,257	-	13,238,530
Expensed	-	-	-	-	-	-	(529,212)	(529,212)
At 31 December 2017	32,881,900	204,750,694	254,597,534	23,526,062	20,998,509	7,881,816	60,201,697	604,838,212
At 31 December 2017								
Cost or valuation	32,881,900	219,462,518	417,080,297	73,062,728	57,431,654	19,010,529	60,201,697	879,131,323
Accumulated depreciation	-	(14,711,824)	(162,482,763)	(49,536,666)	(36,433,145)	(11,128,713)	-	(274,293,111)
Carrying amount	**32,881,900**	**204,750,694**	**254,597,534**	**23,526,062**	**20,998,509**	**7,881,816**	**60,201,697**	**604,838,212**
At 1 January 2018	32,881,900	204,750,694	254,597,534	23,526,062	20,998,509	7,881,816	60,201,697	604,838,212
Additions	-	1,740,000	21,636,531	14,300,347	9,287,888	5,501,061	51,385,496	103,851,323
Disposals	-	-	(1,430,430)	(5,202,587)	(5,064,419)	(2,225,327)	-	(13,922,763)
Transfers	1,573,400	7,136,753	-	21,870,666	-	-	(30,580,818)	-
Transfer to intangible	-	-	-	-	-	-	(48,749,901)	(48,749,901)
Revaluation Surplus	5,115,102	259,608,890	-	-	-	-	-	264,723,992
Depreciation charge	-	(4,836,121)	(40,058,663)	(11,174,160)	(8,020,392)	(2,895,914)	-	(66,985,250)
Eliminated on disposal	-	-	1,430,430	5,186,938	3,703,199	2,223,488	-	12,544,055
Expensed*	-	-	-	-	-	-	(15,452,515)	(15,452,515)
At 31 December 2018	**39,570,402**	**468,400,216**	**236,175,402**	**48,507,266**	**20,904,785**	**10,485,124**	**16,803,959**	**840,847,153**
At 31 December 2018								
Cost or valuation	39,570,402	487,948,161	437,286,397	104,031,153	61,655,123	22,286,263	16,803,960	1,169,581,459
Accumulated depreciation	-	(19,547,945)	(201,110,996)	(55,523,888)	(40,750,338)	(11,801,139)	-	(328,734,306)
Carrying amount	**39,570,402**	**468,400,216**	**236,175,401**	**48,507,265**	**20,904,785**	**10,485,124**	**16,803,960**	**840,847,153**

* The capital work in progress expense assets relate to the costs incurred by the Authority in the acquisition of Electronic Fiscal Devices (EFDs), repairs and maintenance of Asycuda World and reconstruction of the roof to the flats at Kenneth Kaunda International airport.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

17. PROPERTY AND EQUIPMENT (CONTINUED)

Fair values of buildings

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

The different levels have been defined as follows:

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

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

Valuation techniques to derive Level 2 fair values

Level 2 fair values were derived using comparable value of similar buildings adjusted for differences in key attributes such as property size and condition. The most significant input into this valuation is the price per square metre.

If buildings were stated on the historical cost basis, the amounts would be as follows:

	2018	2017
	K	K
Cost	**164,356,301**	139,167,876
Accumulated depreciation	**(33,656,901)**	(22,523,471)
Carrying amount	**130,699,400**	116,644,405

The Authority holds title to the Revenue House and an institutional house. However, the Government holds title to all other properties transferred to the Authority in 1994.

18. INTANGIBLE ASSETS

	Software	**Capital works in progress**	**Total**
COST	**K**	**K**	**K**
At 1 January 2017	45,766,894	9,467,185	55,234,079
Additions for the year	-	5,925,380	5,925,380
Transfers	15,392,565	(15,392,565)	-
At 1 January 2018	61,159,459	-	61,159,459
Additions	48,749,900	-	48,749,900
At 31 December 2017	**109,909,359**	**-**	**109,909,359**
Amortisation			
At 1 January 2017	(11,097,331)	-	(11,097,331)
Amortisation charge for the year	(4,833,232)	-	(4,833,232)
At 1 January 2018	(15,930,563)	-	(15,930,563)
Amortisation charge for the year	(8,467,700)	-	(8,467,700)
At 31 December 2018	**(24,398,263)**	**-**	**(24,398,263)**
CARRYING AMOUNT			
At 31 December 2018	**85,511,096**	**-**	**85,511,096**
At 31 December 2017	45,228,896	-	45,228,896

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

19. INVENTORIES

	2018 K	2017 K
Cigarette stamps	**1,411,697**	1,838,333
Uniforms	**1,175,981**	140,103
Stationery	**624,316**	758,049
Other consumables	**353,596**	280,031
	3,565,590	3,016,516

No allowance has been made for obsolescence and slow moving inventory (2017: Nil).

The cost of inventories recognised in operating expenditure during the year was K2.7 million (2017 K1.1 million).

20. EMPLOYEE LOANS AND ADVANCES

	2018	2017
Advances against gratuity	**12,421,848**	12,109,006
Other loans	**11,564,015**	10,828,933
Personal loans	**10,040,063**	9,340,412
Vehicle ownership loans	**6,703,141**	10,133,175
Home ownership loans	**412,820**	733,970
	41,141,887	43,145,496
Impairment allowance	**(66,835)**	(510,012)
	41,075,052	42,635,484
Amounts falling due within one year	**30,806,289**	31,976,613
Amounts falling due after one year	**10,268,763**	10,658,871
Total employee loans and advances	**41,075,052**	42,635,484

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

Staff loans marked to market

	2018	2017
At beginning of year	**42,635,484**	33,845,421
Current year fair value	**11,083,484**	12,976,817
Amortisation to profit or loss	**(12,643,916)**	(4,186,754)
	41,075,052	42,635,484

Employee loans and advances are offered on concessionary rates. House, Car and personal development loans are enhanced by collateral of landed property and in the case of car loans, the vehicle registration certificate is endorsed with the Authority as absolute owner.

Where staff loans are issued to members of staff at concessionary rates, fair value is calculated based on market rates. This will result in the long term staff loans benefit as shown above.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

20. EMPLOYEE LOANS AND ADVANCES (CONTINUED)

	2018	2017
The prevailing interest rates on staff loans were as follows:		
	%	%
Personal loan	**5**	5
Personal Development loan	**5**	5
House	**5**	5
Car loan	**5**	5

Movement in the impairment allowance	**2018**	2017
	K	K
At beginning of year	**510,012**	500,000
Amounts written off	**(443,177)**	-
Impairment in the current year	**-**	10,012
Balance at end of the year	**66,835**	510,012

21. OTHER ASSETS

Funds receivable from Kasumbalesa Concession	**17,420,690**	8,193,253
Prepayments	**7,064,080**	706,067
Other receivables	**3,530,067**	7,961,245
Impairment allowance	**-**	(29,478)
	28,014,837	16,831,087

The carrying amounts of the other receivables approximate to their fair values. None of the above assets are past due or impaired.

The maximumexposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

22. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**216,970,265**	104,763,479
Held as follows:		
Zambia National Commercial Bank	**178,571,324**	80,927,997
Indo Zambia Bank Limited	**24,068,499**	12,606,454
Atlas Mara Bank Limited	**7,593,270**	5,639,466
Bank of Zambia (Asycuda Fees)	**5,922,076**	4,793,027
Cash on hand	**691,655**	661,636
Bank ABC Limited	**51,029**	8,460
Citi Bank Limited	**10,000**	10,000
Investrust Bank PLC	**10,000**	3,246
First Capital Bank Limited	**10,000**	-
First Alliance Bank Limited	**10,000**	-
Cavmont Bank Limited	**10,000**	-
Stanbic Bank Limited	**8,972**	93,901
First National Bank Limited	**5,890**	7,992
Standard Chartered Bank Limited	**5,850**	7,200
Eco Bank Limited	**1,700**	4,100
Total cash and cash equivalents	**216,970,265**	104,763,479

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

23. EMPLOYEE BENEFITS

	2018 K	2017 K
Retirement benefits	**354,036,665**	264,004,767
End of contract gratuity	**170,805,334**	131,650,207
	524,841,999	395,654,974
Amounts falling due within one year	**78,726,300**	59,348,246
Amounts falling due after one year	**446,115,699**	336,306,728
	524,841,999	395,654,974
Movement in the present value of the defined benefit obligations:		
Defined benefit obligations at 1 January	**395,654,974**	397,860,974
Benefits paid by the plan	**(99,521,000)**	(126,399,000)
Service costs	**90,555,000**	68,482,000
Interest cost	**63,885,000**	91,059,000
Actuarial loss (gains)	**74,268,000**	(35,348,000)
Defined benefit obligation at end of year	**524,841,974**	395,654,974
Expense recognised in deficit or surplus		
Service costs	**90,555,000**	68,482,000
Interest costs	**63,885,000**	91,059,000
	154,440,000	159,541,000

The significant actuarial assumptions were as follows:

	31 December 2018		31 December 2017	
	Retirement benefits	**End of contract gratuities**	Retirement benefits	End of contract gratuities
Discount rate	**17.0%**	**17.0%**	18.5%	18.0%
Inflation	**11.0%**	**11.0%**	6.1%	6.1%
Future salary increases	**12.5%**	**12.5%**	12.0%	12.0%

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

The sensitivity 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	0.50%	Decrease by 3.2%	Increase by 2%
Salary growth rate	0.50%	Increase by 3.4%	Decrease by 3.3%

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

24. PAYABLES

	2018 K	2017 K
Accrued expenses	**51,538,235**	15,516,279
Accrued leave pay	**37,652,860**	50,674,777
Trade payables	**11,874,776**	11,334,427
	101,065,871	77,525,483

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

25. BORROWINGS

	2018	2017
Loan from Ministry of Finance	**410,952,702**	422,795,100
Amounts falling due within one year	**31,589,142**	58,134,326
Amounts falling due after one year	**379,363,560**	364,660,774
	410,952,702	422,795,100
At beginning of year	**422,795,100**	447,118,403
Loan repayments during the year	**(57,083,250)**	(49,456,750)
Loan interest paid during the year	**(4,128,556)**	(4,078,139)
Net exchange losses during the year	**49,369,408**	29,211,586
	410,952,702	422,795,100

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 1% per annum (revised). Under the terms of this loan, the Authority is to pay annual interest amounts in two instalments March and September starting 2013, while principal repayments commenced in 2015. As the loan is denominated in Chinese Yuan (CYN), the Authority is exposed to exchange rate risk.

26. CUSTOMS DEPOSITS BANK ACCOUNTS

Customs deposits bank accounts

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

	2018	2017
	4,689,653	5,417,837

27. TAX REFUNDS BANK ACCOUNTS

	2018	2017
Value Added Tax (VAT) refund	**16,716,393**	3,435,104
Income tax refund	**1,340,469**	678,149
Customs refund	**980,150**	158,446
	19,037,012	4,271,699

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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

28. CONTINGENT LIABILITIES

There were legal proceedings outstanding against the Authority, which were awaiting ruling/judgment by the courts of law as at 31 December 2018. 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.

29. COMMITMENTS

	2018 K	2017 K
Capital commitments		
Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements is as follows:		
Property, plant and equipment	**25,183,969**	28,000,000
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:		
Not later than 1 year	**7,574,114**	5,344,243
Later than 1 year and not later than 5 years	**15,148,229**	10,688,486
	22,722,343	16,032,729

30. RELATED PARTY TRANSACTIONS

	2018 K	2017 K
Transactions with Government		
Funding received from Government	**822,490,000**	768,664,000
Scanner loan repayments to Government	**61,211,806**	4,078,139
	883,701,806	772,742,139
Key management personnel compensation		
Key management includes Governing Board and members of senior management. The compensation paid or payable to key management for employee services is shown below:		
Salaries and other short-term employment benefits	**23,484,311**	20,221,176
Post-employment benefits	**9,506,963**	7,707,065
Directors Fees	**1,184,467**	751,667
	34,175,741	28,679,908
Loans to Commissioners		
Loans and advances	**2,817,885**	2,506,764

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

31. EVENTS AFTER THE REPORTING DATE

There were no material significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 December 2018.

ANNUAL REPORT 2018 EDITORIAL TEAM

NAME	POSITION
Ezekiel Phiri	Director- Research and Policy
Kelvin Mpembamoto	Assistant Director - Research and Policy
Laban Simbeye	Assistant Director – Statistics and Data Management
Yenda G. Shamabobo	Senior Economist – Revenue Policy and Coordination
Evaristo W. Mwale	Senior Economist – Revenue Forecasting and Monitoring
Mukuka S. Mulenga	Senior Economist - Statistics and Data Management
Monga Monze	Senior Economist - Data Matching
Kangwa Musole	Ag. Senior Economist – Compliance Management
Gregory Chileshe	Economist – Indirect Taxes
John Mulenga	Economist - Revenue Forecasting and Monitoring
Mutemwa Mebelo	Economist – Policy