



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



VAT LIABILITY GUIDE

INTRODUCTION

The way VAT operates is that all goods and services supplied by a taxable supplier are standard rated unless expressly exempted or zero rated. The goods and services, which are exempt, are shown in The Value Added Tax (Exemption) Order while those that qualify for zero rating are shown in The Value Added Tax (Zero-Rating) Order. This booklet shows categories of goods and services, which qualify for VAT relief as either exempt or zero-rated. Businesses supplying goods or services in the “zero-rate” category can claim input tax on business expenses, while those in the “exempt” category cannot claim any input tax on business expenses.

In addition to reproducing the law with regards to The Value Added Tax (Exemption) and The Value Added Tax (Zero-Rating) Orders, this booklet gives examples of the types of goods and/or services that are considered either standard rated, exempt or zero rated. This advice is given as guidance only; suppliers are urged to base their judgment on whether or not to charge tax, on the text of the law. In cases of particular doubt or difficulty, the ZRA Call Centre, Taxpayer Service Centre or your nearest ZRA Office can be consulted.



KINGSLEY CHANDA
COMMISSIONER-GENERAL

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PART 1

The Value Added Tax (Exemption) Order

EXEMPTIONS FROM VAT

GROUP 1 - Water Supply Services

The Law

The supply of mains water and sewerage services, excluding sewerage pump out services.

Explanatory notes

The supply of water and sewerage services from a water or sewer mains to a community is exempt provided it is supplied by a local authority or a water utility company, e.g. Lusaka Water and Sewerage Company. This exemption also includes disconnection and reconnection fees arising as a result of the non-payment of water or sewerage bills, and other services directly linked to the mains supply of water or sewerage services.

The exemption under this group does not extend to the following supplies which are standard rated:

- the supply of water or sewer pumps, pipes, taps, tanks etc.;
- civil engineering work in connection with the supply of water and sewerage;
- drilling of boreholes;
- supply of electric or movable toilets;
- supply of sewerage pump out services;
- supply of distilled water, ice, and de-ionised mineral water; and
- bottled water.

GROUP 2 - HEALTH SERVICES

The Law

- (a) The supply of health and medical services by a medical doctor, optician, dentist, hospital or clinic registered under the Health Professions Act, 2009; and**
- (b) The supply of articles designed for use by persons with disabilities.**

Explanatory notes

This group exempts all health and medical services supplied by registered hospitals, clinics, doctors, opticians and dentists. It also exempts the supply of equipment solely designed for use by the blind and handicapped persons.

For medicines and drugs, refer to Group 6 of The Value Added Tax (Zero-Rating) Order.

GROUP 3 – EDUCATIONAL SERVICES

The Law

- (a) Educational services provided to primary or secondary learners;**
- (b) Educational services provided to post – secondary learners; and**
- (c) Educational services provided to nursery or pre- school children.**

Explanatory notes

This group exempts all educational services supplied to nursery or pre-school children, primary and secondary school students. For other students, i.e. post-secondary students, the exemption only applies when it is not carried out for profit. Thus a computer course (for adults) would be exempt when provided by a charity on a non-profit making basis but taxable when supplied by a computer consultancy as part of its business activities.

Educational supplies are taxable, for example writing paper, pens, pencils, school uniforms, school sports equipment, desks and chairs, etc.

GROUP 4 - BOOKLETS AND NEWSPAPERS

The Law

- (a) Booklets, maps, and charts; and**
- (b) Newspapers and journals**

Explanatory notes

Whether or not books and newspapers are exempt depends mainly on their physical characteristics, and also to a lesser extent, on their content.

School workbooks and other educational text books in question and answer format with spaces for insertion of answers are taxable, unless the provision of the spaces is purely incidental to the essential character of the publication.

The exemption covers all printed maps and charts designed to represent the natural or artificial features of countries, towns, seas, the heavens, etc.

The exemption also covers newspapers and journals. These are issued in a continuous series under the same title with each issue dated and/or serially numbered.

This exemption does not include:

- pamphlets, brochures, forms, examination papers, and other similar commercial printed matter;

- advertisements e.g. in newspapers, journals, periodicals etc.; and
- printing of books, booklets, newspapers etc.

The following are examples of the liability of some common items of printed matter:

Exempt

Antique books
Antique maps
Atlases

Booklets
Charts

Comics
Diaries (completed)
Dictionaries
Encyclopedias

Geological maps
Hymn Books
Journals

Manuals
Maps

Newspapers
Picture books
Prayer books
Recipe books
Staff journals

Topographical plans

Standard Rated

Magazines
Address books
Albums
Appointment Cards
Ballot Papers
Bankers draft stationery
Business cards
Calendars
Color cards
Compliment slips
Copy Books
Correspondence cards

Delivery notes
Diaries (unused)
Dress making patterns
Envelopes
Hard covered notebooks
Fashion drawings

Globes
Games
Greeting cards
Invitation cards
Invoices
Lottery tickets
Manuscript paper
Manuscripts
Medical record stationery
Memo pads
Order books
Photographs
Photograph albums
Playing Cards
Receipt books
Record books
Registers

GROUP 5 – TRANSPORTATION SERVICES

The Law

Transportation of persons, except when provided by a taxable supplier to a client as a leisure activity or for hire, by -

- (a) air;**
- (b) rail;**
- (c) road on a bus or coach licensed under the Road Traffic Act, 2002, with a seating capacity of fourteen or more persons; and**
- (d) water.**

5A Aircraft

Purchase of aircraft licenced to carry passengers;

Explanatory Notes

This group exempts the transportation of persons in licensed buses or coaches having a seating capacity (including the driver) of 14 or more passengers excluding occasional folding seats. Where there is doubt over the seating capacity, the Zambia Revenue Authority will be guided by the seating capacities outlined in manufacturers' literature. Transportation by taxis is taxable.

Rail passenger transport is also exempted (but the carriage of freight or unaccompanied luggage within Zambia is taxable).

The exemption of transportation of persons by water only covers the ferry charges. It does not extend to trips on, or hiring of pleasure boats, rafting or the like.

Air travel is also exempted whether on international or domestic, scheduled or charter flights.

However, aircraft hire within Zambia is taxable.

Transportation of freight within Zambia by air, including unaccompanied baggage is taxable at standard rate (check Group 2 Item [c] of The Value Added Tax (Zero-Rating) Order for transportation services directly linked to exports).

The exemption also covers the purchase and importation of all aircraft licensed to carry passengers.

GROUP 6 - CONVEYANCE, SALE OR LEASE OF REAL PROPERTY

The Law

- (a) The sale or lease of an interest in land, other than-**
 - (i) the sale, lease or rental of commercial property; and**

(ii) the sale of a dwelling house by a person carrying on the business of constructing dwelling houses for sale;

(b) Any fee, royalty or similar right to exploit or remove any natural resource.

Explanatory notes

The definition of commercial property is provided for in Section 2 of the VAT Act. It means a building that is used for commercial purposes, and includes an office building, an industrial building, a health facility, hotel, shopping mall, retail shop, shopping centre, warehouse, garage, recreation centre, dwelling house used for commercial purposes and multifacility building. Consequently, the sale or lease of an office building, an industrial building, a health facility, hotel, shopping mall, retail store, shopping centre, warehouse, garage, recreation centre, dwelling house used for commercial purposes and multi-facility building is standard rated.

Examples:

- (i) Sale of dwelling houses developed specifically for sale is standard rated.
- (ii) Sale or lease of a dwelling house to be used for commercial purposes is exempt.
- (iii) Sale or lease of a dwelling house that is being used for commercial purposes is standard rated.
- (iv) A multi-facility building is a building used for multi- purposes. For example, a building complex comprising residential premises, shops, offices and other commercial enterprises constitutes a multi-facility building.

This exemption also covers the royalties or any other fees charged to explore or remove natural resources (not intellectual rights); and these include:

- the supply of exploration rights for minerals including natural gases and petroleum oils,
- the supply of royalties and rights to mine minerals, natural gases or petroleum products
- the supply of felling rights to cut natural trees for timber logs, charcoal and other products; and
- the supply of park entry fees to national parks and game reserves but does not include
- entry fees to Zoos and like establishments

GROUP 7 - FINANCIAL AND INSURANCE SERVICES

The Law

- (a) The arrangement, provision, or transfer of insurance services;**
- (b) The provision of the following charges and fees in the provision of financial services:**
 - (i) Interest on credit, lending and deposits;**
 - (ii) Commitment and arrangement fees in the provision of credit;**
 - (iii) Charges on cheques and cheque books;**

- (iv) Charges on buying and selling of foreign currency;
- (v) Charges on negotiable bills;
- (vi) Charges on special clearance;
- (vii) Charges on letters of credit;
- (viii) Commission on drafts and transfers;
- (ix) Charges on savings accounts;
- (x) Charges for any account maintenance activity or ledger fees;
- (xi) Charges for closure of accounts;
- (xii) Commission and any charge on internet banking including electronic transfers, online, mobile banking and Telegraphic Transfer transactions;
- (xiii) Bank of Zambia treasury bills handling charges; and
- (xiv) Commission on postage

(c) The provision of credit and the interest component of finance leases excluding the-

- (i) principal and other finance charges on finance leases;
- (ii) principal, interest and other finance charges charged on operating leases; and
- (iii) principal, interest and other finance charges charged by institutions engaged in hire purchase

(d) The issue, allotment or transfer of ownership of shares in a company registered or incorporated under the Companies Act,

(e) Uncirculated new currency of the Republic in notes and coins.

Explanatory notes

(a) Paragraph (a) exempts from VAT the provision of insurance services. It further extends the exemption from VAT to all types of commissions earned by Insurance Brokers and Insurance Agents in the course of arranging insurance services (brokerage services). Prior to this amendment, only life insurance services and re-insurance services were exempt from VAT. Insurance premiums received by any person carrying on insurance business will now be subject to an insurance premium levy at the rate of 3%.

However, commission earned by Insurance Brokers from the arrangement of insurance services (brokerage services) will not be subject to an insurance premium levy in addition to being exempt from VAT.

(b) Paragraph (b) provides clarity on the type of supply that is exempt from VAT.

(c) The making of loans, interest charges on loans and finance leases and granting of credit are exempt except the principal on finance and operating leases, interest on operating leases and hire purchase transactions.

(d) The exemption includes any income earned or payment made for providing auxiliary services for the supply of shares in a company registered under the Securities Act, such as commissions, brokerage fees, etc.

(e) Importation of uncirculated currency in notes and coins, though treated as an importation of a physical item 'cash' and not as a transfer of money, is exempt.

The following are some examples of supplies linked with financial services:

Taxable Supplies (not exhaustive)

- Debt collection, credit control and sales ledger accounting services
- Equipment leasing
- Executor and trustee services and the administration of estates
- Investment, finance and taxation advice
- Management Consultancy
- Management of trust funds
- Merger of trust funds
- Portfolio management
- Registrar services
- Safe custody and transportation services
- Disposal of fixed assets
- Rent of office accommodation (rent of residential accommodation is exempt)
- Commission on guarantees negotiable
- Commission on road traffic license fees
- Fees for authentication of documents
- Auxiliary/Other services
- Commission on reports to parties
- Agency Fees
- Commission on Scratch Cards
- Commission on EXD forms issued
- State Lottery handling fees
- Commission on certified vouchers
- Arrangement fees (Charged on customers to cover such costs or arranging various facilities as physical inspection of property, consultations with various experts, etc.
- Manager's or banker's cheque
- Commission on discounted invoices
- Own acceptances
- Cable Charges
- Administrative charges imposed on a customer who exceeds overdraft limit
- Stop payments
- Standing orders
- Commission on lost connect cards
- Excess withdrawal fees
- Commission on status enquiry

Note: all other financial services not listed in the exemption schedule are standard rated.

GROUP 8 - METALS

The Law

The supply to a bank of gold in bullion form

Explanatory Notes

This exemption only applies to gold when in gold bullion form, when supplied to a bank, including when one bank sells gold bullion to another bank. It does not apply to gold coins, fine gold, gold jewellery or to gold in any other form, and all aspects of VAT apply whether the payment for the sale is in Kwacha or foreign exchange and whether actually paid in Zambia or abroad.

GROUP 9 - FUNERAL SERVICES

The Law

- (a) caskets and coffins;**
- (b) tomb stones;**
- (c) embalming of dead persons; and**
- (d) services provided at the burial of a person by a funeral home, including the hire of a hearse, provision of furniture, tents and other funeral accessories, but excluding meals, beverages and other hospitality services.**

Explanatory notes

This exemption covers the supply of specified goods or services in the course of a person's burial or cremation, including the provision of any license or certificate.

GROUP 10 - RELIEF AT IMPORTATION

The Law

- (a) goods in respect of which a rebate, refund or remission of duty is available under regulations 74, 75, 78, 79, 80, 82, 83, 84, 85A, 86, 87, 87A, 94 and 95 of the Customs and Excise (General) Regulations, 2000, subject to the same limitations and conditions as pertain to the rebate, refund or remission and to such modification as may be specified therein.**
- (b) Manufacturing inputs where duty is suspended under the Customs and Excise (Suspension) (Manufacturing Inputs) Regulations, 2009, subject to the same limitations and conditions as pertain to the suspension of the duty and to such modification as may be specified therein; and**
- (c) Imported goods in respect of which a rebate, refund or remission of duty is available under the Customs and Excise (Public Benefit Organization) (Rebate, Refund, or Remission) Regulations, 2009, subject to the same limitations and to such modification as may be specified therein.**

Explanatory notes

Item (a)

Imports exempted from VAT in this group are only those which are entitled to a rebate, refund, or a remission of duty and these include: -

- i. Goods which are accidentally destroyed or lost while in custody of ZRA subject to conditions and limitations under Customs Regulation 74.
- ii. Warehoused goods not worth the duty subject to conditions and limitations under Customs Regulation 75
- iii. Goods, which are temporarily imported into Zambia, may be relieved from VAT subject to conditions and limitations under Customs Regulation 78.
- iii. Goods re-imported into Zambia subject to conditions and limitations under Customs Regulation 79.
- v. Goods imported in petty consignments subject to conditions and limitations under Customs Regulation 80.
- vi. Goods imported by visitors and foreign tourists for use while in Zambia subject to conditions and limitations under Customs Regulations 82 and 83.
- vii. Goods and personal effects of a deceased person imported by a duly appointed administrator of such estate of a deceased person subject to limitations and conditions provided under Customs Regulation 85A
- viii. Goods imported by a returning traveler for personal use of a value not exceeding US\$ 1000.00. The exemption is subject to the limitations and conditions under the Customs Regulation 86.
- ix Goods used in occupational therapy or training subject to the limitations and conditions under Customs Regulations 87 and 87A.
- x. Goods supplied as aircraft stores and equipment for aircrafts engaged in international air navigation, search or rescue subject to limitations and conditions under Customs Regulation 94.
- xi. Imported airline and airline operator's documents subject to limitations and conditions under Customs Regulation 95.

Item (b)

This group introduces exemption on manufacturing inputs where duty is suspended under the Customs and Excise Statutory Instrument No. 6 of 2009

Item (c)

This group also exempts goods imported by Public Benefit Organisations such as churches, charities, and NGOs which provide education, health, poverty alleviation, general welfare programmes, emergency relief and other similar humanitarian programmes for the benefit of the Zambian community.

This special exemption is provided in line with the Customs and Excise (Public Benefit Organisations) (Funding) Regulations of 2009, and it operates as follows:

- i. Public Benefit Organisations concerned are required to apply for approval for funding/refunding to the Permanent Secretary, Ministry of Finance; a single application by the head office of the organisation for the various branches or divisions, but the applicant must indicate the branches or divisions in the application letter.
- ii. In cases where VAT is paid at importation a refund is made to the approved organisation by the Ministry of Finance.
- iii. The goods eligible for this funding are those utilised in activities like education, health, poverty alleviation, emergency relief, and other humanitarian activities. The following goods are not eligible for this special exemption:
 - saloon cars, station wagons, and twin-cabs;
 - all electrical appliances of household type or consumer design TVs, VCRs, radios, CD and radio players, tape recorders, hair dryers, curling irons, and domestic washing machines except kitchen equipment;
 - beer, liquor, and wine;
 - all non-electrical household goods except beds, mattresses, and linen;
 - tobacco products;
 - goods, which are imported but are intended for sale such as second hand clothes;
 - a printing press for printing church notices, bulletins, magazines etc;
 - church pews;
 - a church pulpit;
 - a public address system or a church organ; and
 - items of personal nature such as musical instruments, watches, jewellery and clothing.

For further information or inquiries on this funding scheme contact the Ministry of Finance on telephone number +260 211 250544 ext. 402 /260 /268.

GROUP 11 - DOMESTIC KEROSENE

The Law

The supply of domestic kerosene (paraffin).

Explanatory notes

This group exempts from VAT the supply of kerosene (paraffin) for domestic use. The supply of kerosene for other uses such as in industry or other commercial purposes is taxable.

GROUP 12 – TRADE UNION SUBSCRIPTIONS

The Law

Trade union subscriptions

Explanatory notes

This relief applies to labour union subscriptions only. The supply of goods and services by a labour union to its members is standard rated.

This exemption also does not extend to subscriptions to professional bodies, sports clubs and other like establishments.

GROUP 13 – TREATED AND UNTREATED MOSQUITO NETS

The Law

- (a) Finished mosquito nets (treated and untreated);**
- (b) Insecticide kits used to treat mosquito nets; and**
- (c) Insecticides of public health used for the treatment of mosquito nets.**

Explanatory notes

The group exempts both treated and untreated mosquito nets. It also exempts insecticides used for treating mosquito nets. However, agricultural insecticides will remain zero-rated while the rest will remain standard rated.

GROUP 14 – ROAD CONSTRUCTION AGREEMENTS

The Law

Road construction agreements entered into with the Government of the Republic of Zambia prior to 1st July, 1995.

Explanatory notes

Road construction agreements entered into with the Government of the Republic of Zambia prior to 1st July, 1995 are exempt from Value Added Tax (VAT).

GROUP 15 – STATUTORY FEES

The Law

Statutory fees which are prescribed and regulated by an Act of Parliament or Statutory Instrument except when paid as a consideration for a supply or when payment is not for the execution of statutory responsibilities;

Explanatory notes

This group exempts fees charged mainly by public institutions only to the extent that the fees are covered by an Act of Parliament or Statutory Instrument with the above exception. Any other fees are subject to normal VAT treatment.

GROUP 16 – FOOD AND AGRICULTURE

The Law

- (a) **Agricultural products – Fresh edible vegetables and fruits, maize, nuts, Soya beans, millet, cassava, sorghum and other cereals, including flours produced from the cereals, nuts, beans and tubers except where any of the products is-**
 - (i) **canned, frozen or freeze dried;**
 - (ii) **supplied by a restaurant, cafeteria, canteen or like establishment;**
 - (iii) **cotton seed, seed cotton, lint, baby corn, sweet corn, mange-tout peas (snow peas), sugar snaps, fresh or chilled beans (not dried), carrots, courgettes, patty pans, gem squash, butternut, peppers, leeks, chillies, asparagus, okra, spring onion, peas, tenderstem broccoli, purple sprouting broccoli, mini-savoy cabbage, mixed and sliced vegetables or paprika; or**
 - (iv) **Gooseberries, passion fruit, and melons;**
- (b) **Animal products - meat and offal of cattle, swine, sheep, goats, game ranch animals and poultry, including eggs, except-**
 - (i) **any of the above products where supplied by a restaurant, cafeteria, canteen or like establishment; and**
 - (ii) **cooked or smoked meat, meat processed beyond cutting, grinding or mincing, including sausages, pate and the fatty livers of geese or ducks or crocodile products;**
- (c) **Milk, except powdered milk and any milk in cans or tins or when supplied by a restaurant, cafeteria, canteen or like establishment;**
- (d) **Fish - uncooked, frozen or dried except shellfish, ornamental fish or any fish supplied by a restaurant, cafeteria, canteen or like establishment.**
- (e) **Agricultural supplies -**
 - (i) **bulbs, seeds and plants for producing agricultural products referred to in paragraph (a);**
 - (ii) **fish seed**
 - (iii) **fertilizers, insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant growth regulators and similar products for agricultural use;**
 - (iv) **cattle, swine, sheep, goats, game farm animals, poultry and fish; and**
 - (v) **animal feed for cattle, swine, sheep, goats, game farm animals, poultry and fish; and**
- (f) **Infant cereals and Infant Formula when prepared and labelled as such.**
- (g) **Unprocessed and semi-processed tobacco.**

Explanatory notes

The exemption in this group generally covers basic foodstuffs and certain agricultural outputs. This primarily centers on unprocessed basic foodstuffs and agricultural outputs

but does not include export-oriented vegetables, fruits, nuts and basic foods that are either frozen, canned, or freeze dried. In this group poultry means chickens, ducks, geese, and turkeys but does not cover ostriches.

The exemption of insecticides and pesticides does not extend to household products e.g. spray cans or fly killers. Additionally, spraying services are standard rated notwithstanding the fact that the chemicals used are exempt.

Semi-processed tobacco is tobacco that has been cured, graded and crushed to any extent before reaching the cut rag form.

This means that farmer's exclusively growing tobacco will not be eligible for VAT registration.

The exemption of agricultural supplies includes: fish seed, live fish, feed for game farm animals; and feed for fish.

The list below gives examples of exempt foodstuffs to show the extent of the relief:

EXEMPT

Cut portions of meat
Offal
Minced meat

Uncooked Gammon

Chicken portions
Game Farm Meat

Whole uncooked fish (fresh or dried)
Fish Fillets
Portions or pieces of fish

Milk except when powdered or canned

STANDARD RATED

Sausages

Smoked or cooked bacon
Polony
Cooked Ham
Pate
Game Meat
Crocodile products

Tinned Fish
Cooked fish, e.g. trout, salmon, etc
Lobster
Oysters
Other shellfish, e.g. mussels, ornamental fish
Potato crisps
Herbs
Packets of tea and teabags
Mushroom
Tinned fruit and jams
Currants, sultanas, etc.
Fruit juices
Roasted nuts
Coffee including roasted coffee beans and
Coffee substitutes
Cornflakes
Powdered milk (except Infant formula)
whether canned, in sachets, plastics, or
sacks
Ice cream and yoghurts

Condensed milk, canned milk, cheese, butter and like products
Cooking oils, margarine, and fats
Golden syrup treacle

Infant cereals

White sugar, brown sugar, icing sugar and any other forms of sugar, sugar cane.

Infant Formula

Pet foods (canned, packed or prepared)

Popcorns

Timber
Cotton
Tobacco
Popped corn (Popcorns)
Beverages such as soft drinks, spirits, beer, wine (chargeable with any excise duty)

Other cereals and flours
Produced from them

Scones
Cakes and other bakers ware

Live cattle, swine, sheep, goats chickens, ducks, geese, turkey game farm animals and game animals

Donkeys, horses, dogs, crocodiles and pets

Potatoes, cassava, and cassava meal

Soya beans
Dried beans

The exemption does not apply to food supplied in, or provided by any restaurant, hotel, cafe, bar, or similar establishment. It also excludes canned; frozen or freezers dried foods.

Listed below are agricultural inputs that are exempt

- a) fertilisers;
- b) insecticides;
- c) fungicides
- d) rodenticides;
- e) herbicides;
- f) anti-sprouting products and plant growth regulators; and
- g) animal feed for cattle, swine, sheep, goats, game farm animals, and poultry.

Note:

Spraying services are standard rated notwithstanding the fact that the chemicals used are exempt.

Where a trader has difficulty in categorizing any agricultural outputs, agricultural inputs, and foods into their respective tax liability, please consult the ZRA Advice Centre (Address on the cover or phone 381111/ 0971281111 or fax 222717).

PART 2

The Value Added Tax (Zero-Rating) Order

ZERO-RATED SUPPLIES

GROUP 1 - EXPORT OF GOODS

The Law

- (a) Export of goods from Zambia by, or on behalf of a taxable supplier, where such evidence of exportation is produced as the Commissioner General may require;**
- (b) The supply of freight transport services-**
 - (i) from or to the Republic; and**
 - (ii) from outside the Republic to other places outside the Republic transiting through the Republic including transshipment.**
- (c) The supply of goods by a duty-free shop, approved under regulation 51 of the Customs and Excise (General) Regulations, 2000, for export by passengers on flights to destinations outside Zambia;**
- (d) The supply of goods, including meals, beverages, and duty-free goods, for use in aircraft stores on flights to destinations outside Zambia;**
- (e) The supply of aviation fuel;**
- (f) The supply of services which are physically rendered outside Zambia;**
- (g) Repealed by Statutory Instrument No. 88 of 2019**
- (h) Exportation of goods by a tourist, subject to such evidence and conditions as the Commissioner-General may require; and**
- (i) International interconnection services**

Explanatory notes

Item (a)

This relief permits an exporter to zero-rate any exports of otherwise standard rated goods that he arranges himself or have been arranged on his behalf. This relief does not apply to goods sold in Zambia to a customer who plans to export the goods independently. The documentary evidence required to support exportation includes:

- (i) Copies of export documents for the goods, bearing a certificate of shipment provided by the Authority;**

- (ii) Copies of import documents for the goods, bearing a certificate of importation into the country of destination provided by the customs authority of that;
- (iii) Tax invoices for the goods exported;
- (iv) Proof of payment, made by the Customer, for the goods:
- (v) Documentary evidence, proving that payment for the goods has been made by the customer into the exporter's bank account in Zambia; and
- (vi) Such other documentary evidence as the authorized officer may reasonably require.

Item (b)

This relief covers international road or airfreight transport services, i.e. freight transport services from Zambia to destinations outside Zambia or from outside Zambia into Zambia; and from outside Zambia in transit through Zambia to destinations outside Zambia. The relief also covers transshipment services and pipeline services.

Effective 1st January 2020, ancillary services provided in relation to transit of goods through Zambia from outside the Republic to destinations outside the Republic are standard rated with the exception of transshipment.

Therefore, services such as escort security services, clearing services and storage services are standard rated.

Note:

Transshipment is the moving of cargo that is in transit from one vessel of transportation to another under customs control.

In light of the definition above, it means that the services that are zero-rated under transshipment are charges for cranes, folk lifts and other services utilised in moving cargo from one vessel of transportation to another under customs control.

Item (c)

This zero rating covers the sale of goods by duty free shops approved as such by the Commissioner of Customs and Excise at International Airports within Zambia.

Item (d)

This zero rating covers goods supplied for use in aircraft stores on flights to destinations outside Zambia. The airlines are expected to keep records to demonstrate that the goods have been used on international rather than domestic flights.

Item (e)

This is zero rated whether supplied to airlines for use on domestic or international flights.

Item (f)

This relief only applies when services (other than those covered by Group 2) are rendered outside Zambia. Thus, if a vehicle is repaired in Lusaka for a transport operator from

Zimbabwe, tax is chargeable on the service. But if the repair is undertaken in Zimbabwe, there is no VAT liability in Zambia. But where the booking or payment for a service is made e.g. by an agent at Victoria falls in Zimbabwe for a service e.g. hiring a plane travelling in (or) from (or) to Zambia then that service is not zero rated by this provision but it is taxable (for more details on place of supply of services refer to paragraph 5.8 of the VAT Guide). The general rule is that services are regarded as supplied in Zambia if the supplier of the services:

- (i) Has a place of business in Zambia and no place of business elsewhere;
- (ii) Has a place of business elsewhere but his usual place of residence is in Zambia; or
- (iii) Has places of business in Zambia and elsewhere but the place of business most directly concerned with the supply of the services in question is the one in Zambia.

GROUP 2 - SUPPLIES TO PRIVILEGED PERSONS

The Law

- (a) Goods imported by the President;**
- (b) Goods imported by diplomats or a diplomatic mission accredited to the Republic of Zambia for the official purposes of that mission, to the extent that the foreign country grants reciprocal privileges to diplomats and to the diplomatic mission of Zambia in that country;**
- (c) The supply of goods or services to a donor in Zambia for the official purpose of that donor where evidence of purchase is produced by that donor or the Commissioner-General on behalf of the donor as the Commissioner-General may require;**
- (d) Goods and services supplied to, or imported under, a technical aid programme or project executed by a written agreement between the Government of the Republic of Zambia and the donor, which are paid for through donor funding or funding from the Government where the programme or project is co-financed by the donor and the Government and the donor or contractor of the donor provides evidence of purchase of the goods and services pursuant to the agreement, as the Commissioner-General may require;**
- (e) Supplies or imports under a technical aid agreement providing for exemption from taxation, under the laws of Zambia -**
 - (i) dated on or before 30th June, 1996; or**
 - (ii) approved by the Minister responsible for Finance; and**
- (f) Goods or services supplied to or imported by a developer for the purpose of developing infrastructure in a multi-facility economic zone or industrial park.**

Explanatory Notes

Item (a)

This item zero rates goods imported by the President of the Republic of Zambia. Goods purchased within Zambia by the President are taxable at standard rate.

Item (b)

This item zero-rates goods imported by individual diplomats and diplomatic missions accredited to the Republic of Zambia. This zero rating is only available to diplomats and diplomatic missions whose sending country provides reciprocal tax relief to Zambian diplomats and the diplomatic mission accredited to their country of origin. The Ministry of Foreign Affairs has the reserved right to withdraw the tax relief to any mission or diplomat.

Item (c)

- i. The zero-rating in this group applies to imported goods and services supplied from within Zambia for the official use of diplomatic missions, aid agencies and those under technical aid agreement;
- ii. The zero-rating in this group will only hold if the goods and services are supplied on a valid local purchase order issued by the Commissioner-General or by the respective entity with authority from the Commissioner-General.

Where permission is granted for a mission or aid agency to issue its own local purchase order, a valid local purchase order must: -

- have the name of the mission or aid agency pre-printed;
- be serially numbered;
- indicate the date the purchase order is issued;
- contain adequate description of the goods or services being procured including quantity;
- be signed by a responsible person approved for the purpose by the mission or aid agency;
- certified that the goods or services are for official use for the mission or aid agency;
- in the case of imported goods, by the completion of Customs Form CE 20 (import declaration form) and release order signed by a responsible person approved for the purpose by the mission or aid agency. The approving person should also certify on the Customs forms that the goods are imported for the official use of the mission or aid agency.

- iii. The zero-rating in item (c) of this group is only allowed to missions whose country of origin provides similar tax relief to the Zambian diplomat and diplomatic mission

accredited to their country. The Ministry of Foreign Affairs has powers to withdraw the tax relief entitlement accorded to a diplomatic mission.

Item (d)

“donor funding” means funding provided by a donor but does not include funding provided in the form of a loan to the Government of the Republic of Zambia.

The relief therefore excludes from Zero-rating, supplies procured using funds from loans contracted by the government for development purposes (developmental credit) but includes goods or services procured using funds from grants.

Supplies under technical aid agreements are zero-rated only when the technical aid agreement is signed between the Government of the Republic of Zambia and the donor. The zero-rating applies to the funds contributed to the project or programme by both the donor and the Government of the Republic of Zambia. Aid agencies or contractors of the donor should apply for the Local Purchase Order to the Commissioner General in order for the supplies made to them to be zero-rated (for details of a purchase order system refer to item c sub-item ii above). This enables the donor or aid agency to provide the supplier of the goods with a purchase order indicating the quantities, description and value of the goods and services. They should also indicate that the goods or services are paid for using donor or aid funds.

Note:

The Commissioner General is the sole issuer of LPOs for zero rating.

Item (e)

This item zero-rates goods imported by technical aid agencies to the extent that the technical aid agreement signed with the Republic of Zambia before or 30th June 1996 provides. It also extends to domestic purchases meant for the official use of the aid agency or for eligible employees of the aid agency if the technical aid agreement provides for total exemption from Zambian VAT.

Technical aid agencies eligible for this zero-rating should issue a purchase order to the supplier whenever they purchase taxable goods and services within Zambia (details of a valid purchase order are contained in item (c) sub-item (ii) above. (Where there is doubt on the validity of purchase order, please consult the ZRA Call Centre or nearest ZRA office).

GROUP 3 – BUILDING SUPPLIES

The Law

The supply of cement, roofing sheets, bricks and blocks to public benefit organisations approved by the Minister under the Income Tax Act, where evidence is provided that such building supplies will be used for construction of buildings for non - profit, humanitarian or poverty alleviation activities.

Explanatory notes

This zero rating relief is available to Public Benefit Organisations which are approved by the Ministry of Finance and is restricted to the listed items only.

GROUP 4 – MOSQUITO NETS

The Law

The following raw materials used for manufacturing mosquito nets:

- (a) Polyester textured yarn: HS Code 5402.33.00;**
- (b) Textile dyestuff; HS Code 3204.11.00 ; and**
- (c) Long lasting Insecticide treated curtains.**

Explanatory notes

These listed raw materials used in the manufacturing of mosquito nets are zero rated in order to encourage local production of mosquito nets in line with the Abuja declaration of the Roll Back Malaria programme.

GROUP 5 - MEDICAL SUPPLIES

The Law

- (a) Medical supplies and drugs; and**
- (b) The supply to, or importations by, a registered medical doctor, optician, dentist, hospital or clinic registered under the Health Professions Act, 2009, or to a patient, of equipment designed solely for medical or prosthetic use.**
- (c) The supply of the following full body sanitisation equipment to combat the spread of Coronavirus Disease 2019:**
 - (i) disinfection single entry chamber: HS Code 8424.89.00;**
 - (ii) self sanitising walk: HS Code 8424.89.00; and**
 - (iii) safe guard – disinfectant and sanitiser: HS Code 2828.90.10**
- (d) The following medical supplies:**
 - (i) Diagnostic Test Instruments and Apparatus;**
 - (ii) Textile Face mask without replaceable filter**
 - (iii) Gas masks with mechanical parts or replaceable filters;**
 - (iv) Plastic face shields;**
 - (v) Plastic gloves;**
 - (vi) Other Rubber Gloves;**
 - (vii) Knitted or Crocheted gloves which have been impregnated; or covered;**
 - (viii) Textile gloves that are not knitted or crocheted;**
 - (ix) Disposable Hair nets;**
 - (x) Protective garments for surgical/medical use;**
 - (xi) Other Protective Garments of textiles of rubberized textile;**

- (xii) Protective garments made from plastic sheeting;
- (xiii) Liquid Filled Thermometer for direct reading;
- (xiv) Other thermometers;
- (xv) Alcohol Solution undenatured 80% by volume;
- (xvi) Alcohol Solution Undenatured, 75% ethyl alcohol;
- (xvii) Hand Sanitizer;
- (xviii) Other disinfectant preparations;
- (xix) Medical, Surgical or laboratory sterilizers;
- (xx) Hydrogen peroxide in bulk;
- (xxi) Hydrogen peroxide presented as a medicament;
- (xxii) Hydrogen peroxide put up as a disinfectant preparation; for cleaning surfaces;
- (xxiii) Other chemical disinfectant;
- (xxiv) Extracorporeal membrane oxygenation (ECMO);
- (xxv) Patient Monitoring devices Electro diagnostic apparatus;
- (xxvi) Intubation kits; and
- (xxvii) Paper bed sheets.

Explanatory notes

“Medical Supplies and Drugs” are defined as “any substance or mixture of substances prepared, sold or represented for use in: -

- i. the diagnosis and treatment of disorder or abnormal physical state, or the symptoms thereof in man or animal; or
- ii. restoring, correcting or modifying organic functions in man or animal.

Item (a)

Zero-rated medical supplies for use in the treatment, diagnosis, mitigation or prevention of a disease, disorder or an abnormal physical state or the symptoms thereof in man or animal or for restoring, correcting or modifying organic functions in man or animal. The definition of medical supplies also includes bandages, cotton swabs and wadding, chemical contraceptives (including sheath contraceptives), medical reagents for diagnosis purposes, spectacles and spectacle lenses and contact lenses.

This relief does not however cover preparations commonly used for toilet purposes or in connection with the care of the human body, whether for cleansing, deodorising, beautifying, preserving or restoring whether or not possessing therapeutic or prophylactic properties; for example, medicated soaps and shampoos, dental creams and mouth washes, etc.

Examples of zero-rated and standard rated items:

ZERO-RATED

Human blood
Bull semen and animal embryos
Chemical contraceptives Sheath

STANDARD RATED

Medicated soaps and body and face
creams, and shampoos
Dental creams, tooth brushes & mouth
contraceptives washes

Human organs or tissue for diagnosis or therapeutic purposes, or medical research

Medicaments

Wadding, gauze, bandages, plasters, pharmaceutical goods such as sterile catguts, suture materials, sterile tissue adhesives, wound closures

Injections and syringes

Blood grouping reagents

Dental cements

First Aid Kits

Opacifying preparation for X-ray examinations

Spectacles, lenses, contact lenses

Hospital linen and articles of apparel such as face masks, caps, owns, boots, coats, and etc
Food and other supplies

Personal deodorants and anti-perspirants

Sanitary towels and tampons

Cotton wool

Disinfectants

Item (b)

Zero-rates medical equipment designed solely for medical or prosthetic use, but only when imported or supplied direct to a hospital, doctor, clinic, or patient. Equipment that has duo use (medical and non-medical) does not qualify. Supplies to or imports by other pharmaceutical companies will not qualify for the zero-rating.

This zero-rating excludes:

- Motor vehicles except vehicles designed and kitted out as ambulances
- Importation of medical or prosthetic equipment by any other person other than a registered medical practitioner, optician, dentist, hospital or clinic, or to a patient. Equipment that has duo use (medical and non-medical) does not qualify.

For health and medical services, refer to Group 2 of the Exemption Order.

Item (c)

This amendment zero-rates the specified full body sanitisation equipment for a specified period of one year with effect from 25th September 2020 to 24th September 2021.

Item (d)

The amendment zero-rates the listed medical supplies in order to minimise the costs of some products needed in the fight against the COVID 19.

Disinfectants preparations that are zero-rated include antiseptic liquids such as Dettol, Savlon, Boom and Hygienix.

On the other hand, products such as, hand washing liquids, bar soaps, washing soaps (liquid, solid or powder), bathing soaps, bleaching agents, toilet cleaners, scourers and other surface cleaners remain standard rated.

Note:

The listed items will cease to be zero-rated when supplied or imported after 30th September, 2021.

GROUP 6 – EDUCATIONAL MATERIALS

The Law

- (a) books including electronic learning material; and**
- (b) school exercise books**

The school exercise books covered by this zero rating are light covered exercise books, which are labeled by the manufacturers as School exercise books.

This zero rating includes electronic learning materials and applies to all books that normally consist of text or illustrations, bound in a stiffer cover than their pages. They may be printed in any language or characters, photocopied, typed or handwritten, so long as they are bound in book or booklet form.

GROUP 7 – ENERGY SAVING APPLIANCES, MACHINERY AND EQUIPMENT

The Law

- (a) Discharge Lamps, other than ultra violet lamps (energy efficient lighting lamps);**
- (b) Florescent lamps (tubes and bulbs) and Light Emitting Diode (LED) lights;**
- (c) Non – electric storage water heater (solar geysers);**
- (d) Solar panels;**
- (e) Solar batteries –**
 - (i) Lead acid, of kind used for starting piston engines;**
 - (ii) Other lead acid accumulators;**
 - (iii) Nickel cadmium;**
 - (iv) Nickel iron; and**
 - (v) Other accumulators.**
- (f) Static converters (inverters for solar power); and**
- (g) Electric Generating sets-**
 - (i) Generators with compression ignition internal combustion piston engines (Diesel or semi-diesel generators); and**
 - (ii) Generators with spark ignition internal combustion piston engines (Petrol Generators).**
- (h) Liquefied Petroleum Gas (LPG) of HS Codes:**
 - 2711.11.00: Natural gas, 2711.12.00: Propane, 2711.13.00: Butanes**
 - 2711.14.00: Ethylene, propylene, butylene and butadiene, and**
 - 2711.19.00: other similar products in gaseous state; and**
- (i) Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas-rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel for cooking and plate warmers that use Gas fuel or for both gas and other fuels;**

This zero-rating relief applies to the listed energy saving and energy efficient devices/ equipment as well as to alternative energy sources and the relevant appliances.

GROUP 8 – AGRICULTURAL EQUIPMENT AND ACCESSORIES

The Law

- (a) Windmills;**
- (b) Hammer mills: HS Code 8436.10.00;**
- (c) Maize dehullers;**
- (d) Two wheel tractors, including ploughs, harrows, disc harrows, planters, seeders, rippers or sub-soilers, and cultivators of such tractors;**
- (e) Tractors of HS codes 8701.91.10, 8701.92.10, 8701.93.10, 8701.94.10, 8701.95.10, including ploughs, harrows, disc harrows, planters, seeders, rippers or sub-soilers and cultivators of such tractors;**
- (f) Pump sets;**
- (g) Knapsack sprayers (agricultural sprayers)**
- (h) Principal on leasing finance for agricultural equipment and accessories listed in paragraph (a) to (g)**

Explanatory notes

Item (e)

The zero-rating relief extends to all agricultural tractors listed above. Prior to this change, only agricultural tractors of up to 90HP were zero-rated.

GROUP 9 – FOOD AND AGRICULTURE

The Law

- (a) wheat;**
- (b) flour produced from wheat; and**
- (c) bread, including bread rolls and buns.**

Explanatory notes

This zero-rating applies to wheat, flour produced from wheat, bread including bread rolls and buns.

Confectionaries, i.e. biscuits, fritters, cakes, doughnuts, scones etc, are standard rated.

GROUP 10 – MINERALS

Copper cathodes

Explanatory notes

This zero-rating relief applies only to the specified item above.

GROUP 11 – CAPITAL EQUIPMENT

The Law

The supply of capital equipment and machinery set out in the Second Schedule to a holder of a mining license for large-scale mining under the Mines and Minerals Development Act, 2015.

Explanatory notes

This group zero rates equipment and machinery listed in the Second Schedule to the zero-rating Order when supplied to a holder of a large scale mining license. However, the supply of equipment and machinery to a taxable supplier other than a holder of a large scale mining license will be standard rated. When equipment and machinery referred to in this Schedule is imported, VAT may be deferred.

Below is the mechanism for Zero rating the capital equipment in the following circumstances -

(a) At Importation

For all existing large scale mining license holders, the ASYCUDAWorld will be configured to Zero rate the qualifying capital equipment.

Therefore, new large scale mining license holders will be required to notify the Commissioner – Indirect Taxes & Excise of their registration for purposes of configuration.

(b) When purchased locally.

The large scale mining license holders will be required to apply online for a Local Purchase Order (LPO) attaching a valid mining license. Manual applications may be accepted in certain instances.

GROUP 12 – PETROLEUM PRODUCTS

- (a) Petrol
- (b) Diesel

Explanatory notes

This group zero-rates Petrol and Diesel supplies whether imported or locally sourced.

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