



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

Minimum Taxable Values



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#Tax 2022

1. INTRODUCTION

This scheme prescribes a minimum value for Value Added Tax (VAT) purposes on sales or importations of specified goods. Under the scheme, all VAT registered businesses making sales or importations of the specified goods are required to charge VAT on them on the higher of the value ascertained in accordance with the VAT Act or the recommended retail selling price of the goods.

Taxable suppliers of Minimum Taxable Value (MTV) goods are required to submit to the Commissioner-General, in a stipulated format, a schedule of Recommended Retail Prices (RRP) of the goods by product category: -

- (i) Once by the 18th of January of each calendar year;
- (ii) within one month of being registered in the first year of that registration; or
- (iii) whenever changes occur in the selling prices; or
- (iv) any other time as the Commissioner-General may determine in particular circumstances.

2. VAT CHARGEABLE ON MINIMUM TAXABLE VALUES OF SPECIFIED SUPPLIES

The scheme is intended to simplify the collection of VAT on the specified goods. The minimum taxable value applies to sales between wholesalers or from importers to distributors as well as by manufacturers or distributors to retail outlets (including bars, taverns etc.).

3. THE SPECIFIED SUPPLIES

The list of current specified supplies is as follows:

1. Bulk and bagged cement (local and imported)
2. Carbonated drinks (local and imported)

3. Non-carbonated drinks (local and imported)
4. Clear beer (local and imported, bottled and canned)
5. Opaque beer (bulk and packed)
6. Cigarettes (local and imported)
7. Air time
8. Mineral water (local and imported)
9. Sugar

- a. VAT is chargeable on sales and imports of the specified supplies on the greater of:
 - The actual price charged (or for imports the value for VAT purposes) or;
 - The minimum value based on recommended retail prices of the specified supplies

b. Examples

j) Wholesale Price at the Prescribed Minimum Taxable Value

A bottle of Mosi beer (375 ml) has a wholesale price of K3.5 (K3.02 +K0.48) and a recommended retail price of K4.50 (K3.88 + K0.62 VAT). Under this regulation, the VAT on the minimum prescribed taxable value of Mosi beer has to be charged at all the stages in the supply chain unless the selling price is more than the recommended price of K4.50:

Wholesale price (excluding VAT) - K3.02
VAT calculated on prescribed minimum
Taxable Value for Mosi beer (375ml) - K0.62
Selling Price by the manufacturer - K3.62

ii) Retail Price Above The Recommended Price

If the next VAT Registered supplier in the chain supplies the goods at a price exceeding the minimum taxable value, then VAT must be applied on the actual price charged, and the input tax/output tax credit mechanism would take care of the additional tax e.g.

- a. The selling price for distributor A who is VAT registered is K5.00, the VAT would be calculated

as follows:

Selling Price (Inclusive of VAT) - K5.00
VAT (K5.00 x 4\29) - K0.69

Distributor A will claim K 0.62 as input tax and declare K0.69 as output tax.

- b. Hotel B, which is also VAT registered, bought Mosi from distributor A and sold the beer for K6.00 and thus, his output VAT will be K0.83 and input VAT will be K0.69

4. MINIMUM TAXABLE VALUES

The minimum taxable values of specified goods must be revised from time to time to reflect price changes on the market.

Registered suppliers are advised to adjust their Recommended Retail Prices every time there is an adjustment in the prices of the specified supplies.

