

What is meant by “technical aid programme or project”?

This means the provision of goods or services under a technical aid agreement or project with the Government of the Republic of Zambia which are solely for the purpose of the programme or project, but excludes the provision of goods or services to a sub-contractor or third party.

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Zero-Rating on Local Purchase Order

Introduction

The issuance and use of the Value Added Tax (VAT) Zero rating Local Purchase Orders (LPOs) for purposes of Zero-rating VAT and or Duties, is restricted to organisations, agencies and missions either classified as privileged persons or recognised as donor or donor agencies under a written agreement with the Zambian government or to a holder of a large-scale mining licence who procures equipment and machinery listed in the Second Schedule to the zero-rating Order.

Who is eligible to use LPOs?

- a) All diplomatic, UN and other privileged foreign agencies or missions accredited to Zambia and recognized as such by the Government of Zambia.
- b) Donor or donor agencies with or without permanent representation in Zambia and recognized as such by the Government through a Technical Aid Agreement.
- c) Public Benefit Organisations (PBOs) that are approved by the Minister. These Organisations are issued with LPOs that are restricted to the supply of cement, roofing sheets, bricks and blocks.
- d) Holders of a large-scale mining licence who procures equipment and machinery listed in the Second Schedule to the zero-rating Order

Conditions applicable to Local Purchase Orders

- a) LPOs are not transferable.
- b) The Commissioner General is the sole issuer of LPOs. All persons eligible to apply for LPOs as indicated above are expected to apply for the

LPOs online using the Zambia Revenue Authority (ZRA) TaxOnline system.

- c) The LPOs do not cover and cannot be extended to sub-contractors.
- d) The contractor may be requested to submit to ZRA a progress report for the project(s).
- e) The contractor is required to notify ZRA of any change in the status of the project such as alteration of any kind including value, suspension, completion or cancellation
- f) This relief will be forfeited if the supplies so zero-rated are not used for the intended purpose and the corresponding tax will be due from the signatories of the project and their collaborating parties.

Who is a diplomat?

The head of a mission or a member of the diplomatic staff of a mission of a country accredited to the Republic of Zambia, who is entitled to diplomatic rights and privileges under an international agreement or the Diplomatic Immunities and Privileges Act.

Who is a “designated official”?

A person confirmed by the Ministry responsible for Foreign Affairs as being accorded rights and privileges under an international agreement.

Who is a donor?

This is an accredited diplomatic mission or aid agency approved by the Government of the Republic of Zambia.

What is meant by “donor funding”?

This is funding provided by a donor under a written agreement between Government of the Republic of Zambia and the donor, but does not include funding provided in the form of a loan to the Government of the Republic of Zambia.

Who is a “holder of a large-scale mining Licence”?

A holder of a large-scale mining licence is a miner who undertakes mining activities over an area of a minimum of one hundred and twenty-one cadastre units and not exceeding seven thousand four hundred and eighty-five cadastre units.

What are “eligible goods or services”?

a) For a diplomat

These are goods or services acquired by a diplomat in the performance of their official duties for their personal use or enjoyment to the extent that the foreign country grants reciprocal privileges to the Zambian diplomats accredited to that country from Zambia.

b) For a designated official

These are goods or services acquired by a designated official in the performance of their official duties for their personal use or enjoyment to the extent allowed by the Ministry responsible for Foreign Affairs.

c) For a holder of a large-scale mining licence

This is machinery listed in the Second Schedule to the Value Added Tax (VAT) zero-rating Order.

Diplomats and designated officials are required to pay VAT at the point of sale and claim from ZRA the VAT paid on goods and services which qualify for exemption from local taxes and the diplomatic conventions. Diplomats and designated officials may also import certain goods without paying VAT.