



ANNUAL REPORT

2022



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

Letter of Transmittal

CHAIRPERSON OF THE ZAMBIA REVENUE AUTHORITY GOVERNING BOARD

21st April, 2023

Honourable Dr. Situmbeko Musokotwane, MP
Minister of Finance and National Planning
Ministry of Finance and National Planning
P.O. Box 50062
LUSAKA

Honourable Minister,

RE: TRANSMITTAL OF THE 2022 ZAMBIA REVENUE AUTHORITY ANNUAL REPORT

On behalf of the Governing Board, I have the pleasure of presenting to you, the 28th Annual Report of the Zambia Revenue Authority, covering the Financial Year 1st January, 2022 to 31st December, 2022.

This report has been prepared pursuant to the requirements of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia and the Public Finance Management Act No. 1 of 2018.

Yours sincerely,



Dr. Caleb Fundanga
Chairperson - ZRA Governing Board

OUR VISION

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

OUR MISSION STATEMENT

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

OUR 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 do what we say we will do. We will uphold professional and ethical business practices. The authority'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 organisation;
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 organisations, and always embrace diversity and inclusiveness.

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ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
BIDA	Bulk Intelligence and Data Analysis
BMS	Block Management System
BoZ	Bank of Zambia
CBM	Coordinated Border Management
CSP	Corporate Strategic Plan
DT	Direct Taxes
EFD	Electronic Fiscal Device
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSB	Government Service Bus
ICT	Information and Communication Technology
ITE	Indirect Taxes and Excise
IMF	International Monetary Fund
KPI	Key Performance Indicator
KRA	Key Result Area
LME	London Metal Exchange
OECD	Organisation for Economic Co-operation and Development
OSBP	One Stop Border Post
PAYE	Pay-As-You-Earn
PMDC	Performance Management and Development Contract
RTGS	Real Time Gross Settlement
RTSA	Road Transport and Safety Agency
TADAT	Tax Administration Diagnostic Assessment Tool
TAP	Tax Amnesty Programme
TPIN	Tax Payer Identification Number
USAID	United States Agency for International Development
USSD	Unstructured Supplementary Service Data
UNU-WIDER	United Nations University World Institute for Development Economics Research
VAT	Value Added Tax
VDP	Value for Duty Purposes
ZANIS	Zambia News and Information Services
ZESW	Zambia Electronic Single Window
ZICA	Zambia Institute of Chartered Accountants
ZRA	Zambia Revenue Authority
ZRAIC	Zambia Revenue Authority Integrity Committee

Corporate Profile

The Zambia Revenue Authority is a corporate body established by the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia. It was established on 1st April, 1994 with the core mandate to timely collect revenue on behalf of the Government of the Republic of Zambia under the supervision of the Minister of Finance and National Planning.

The specific functions of the Authority are to:

1. properly assess and collect taxes, duties, levies and fees at the right time;
2. ensure that all monies collected are properly accounted for and banked;
3. properly enforce all relevant legislation and administrative provisions;
4. provide revenue and trade statistics to the Government;
5. give advice on tax policy to Government; and
6. facilitate international trade.

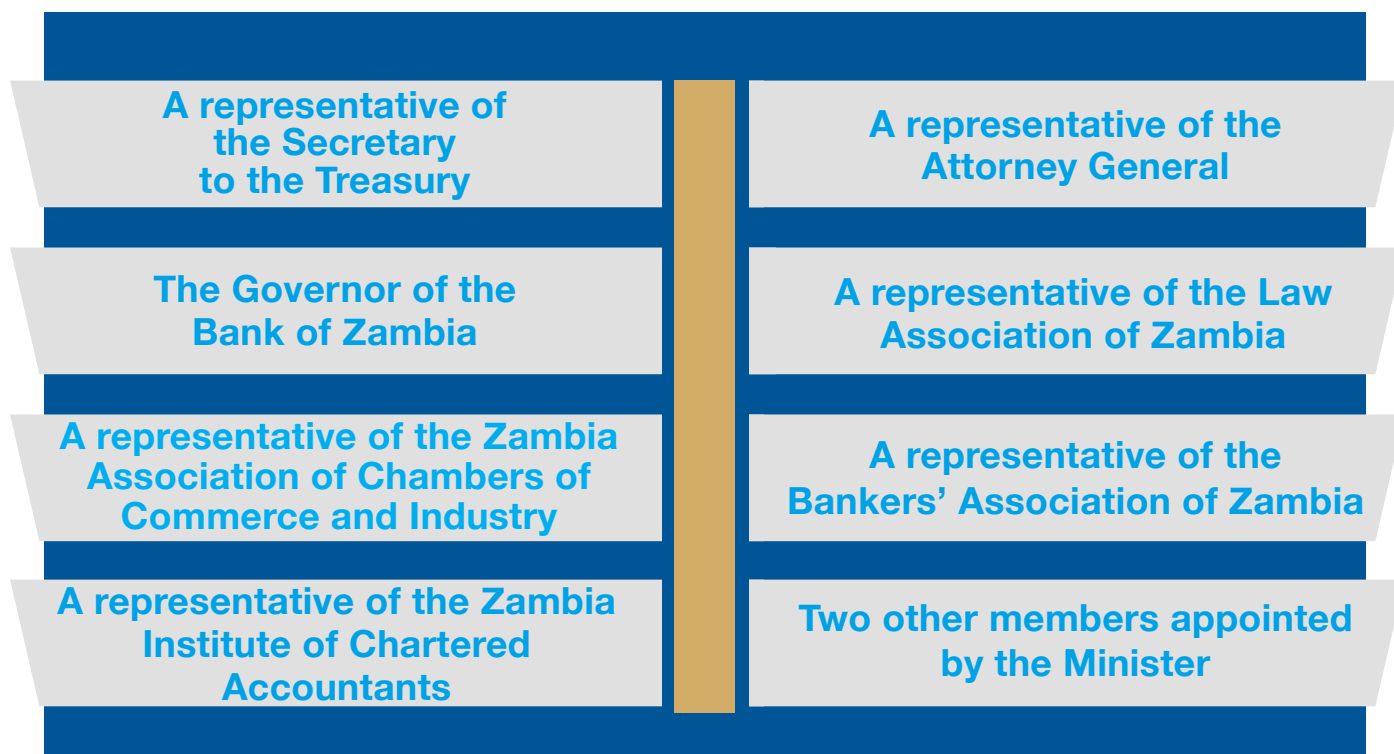
Corporate Governance

In ensuring high standards of corporate governance and compliance, the Authority is guided by the code of Corporate Governance and the Board Charter.

The Zambia Revenue Authority Governing Board provides strategic oversight over the operations of the Authority. It also approves and monitors the implementation of the Corporate Strategic Plan.

In executing its oversight responsibility, the Governing Board constitutes itself into sub- committees with specific functions delegated to each sub-committee. The mandate of the committees is as contained in the terms of reference. In addition, the Board promotes the core values of the Authority to ensure it discharges its mandate ethically and in compliance with good practice.

The Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia, provides for the composition of the Governing Board and prescribes how the members are appointed. The ZRA Governing Board consists of:



The members of the Board elect the Chairperson and the Vice-Chairperson from amongst themselves.

The President of the Republic of Zambia appoints the Commissioner General of the Authority who is the Chief Executive Officer.

Taxes, Duties, Levies and Fees Administered by ZRA

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

**Taxes and
Royalties**

- Income Taxes
- Value Added Tax
- Mineral Royalty
- Property Transfer Tax

Duties

- Excise Duties
- Customs Duties
- Export Duty
- Carbon Emission Surtax
- Selected Goods Surtax

Levies

- Skills Development Levy
- Rural Electrification Levy
- Insurance Premium Levy
- Tourism Levy

Fees

- Motor Vehicle Fees

STAKEHOLDERS

The stakeholders¹ in the operations of the Authority include:



The people
of Zambia



The Government
of the Republic of
Zambia and its
agencies



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



Members of regional
and other multilateral
groupings;



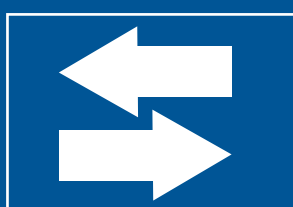
Cooperating Partners;



Research and academic
institutions



Non-governmental
organisations and
other interest groups



Tourists, travellers
and traders crossing
Zambia's borders;



The media



The Governing
Board, Management
and Staff of ZRA.

¹ See Annex for a comprehensive list of stakeholders that collaborated with ZRA in 2022

PERFORMANCE HIGHLIGHTS - 2022

Collected **K106.6 billion** in gross revenue and paid refunds of **K16.3 billion**, representing respective growth of 10.7 percent and 31.6 percent compared to 2021

Operationalised the **Mwami-Mchinji One-Stop-Border-Post**

Established **data analytics units** in all divisions to **promote evidence-based tax compliance management**

Registered **1,297,642 TPINs**, compared to **329,190** in 2021

Bestowed with **2 integrity awards** for comprehensive integrity promotion activities at awards organised by the **Anti-Corruption Commission**

Processed **7,127** applications and collected **K1,565.2 million** under the **Tax Amnesty Programme**.

MEMBERS OF THE ZRA GOVERNING BOARD IN 2022

**Dr. Caleb Fundanga**

Chairperson

**Ms. Venus Hampinda**

Chairperson of the Audit and Risk Committee

**Ms. Nana M. Mudenda**

Vice Chairperson and Chairperson of the Legal, Staff and Disciplinary Committee

**Ms. Valerie Nambeye**

Chairperson of the Finance Committee

**Mr. Allan Nyirenda**

Chairperson of the Innovation and Project Management Committee

**Mr. Willis Chipango****Dr. Denny H. Kalyalya****Ms. Grace N. Likando****Mrs. Mutinta M. Pensulo**

MEMBERS OF THE ZRA SENIOR MANAGEMENT AS AT 31ST DECEMBER, 2022



Mr. Kwegyer Msimuko

Acting Commissioner
Customs Services



Mr. Moses Shuko

Commissioner Indirect
Taxes & Excise



Mr. Dingani Banda

Commissioner General



Mr. Joseph Nonde

Commissioner
Direct Taxes



Mr. Timothy Milambo

Acting
Commissioner Finance



Mr. Ronald Chalwe

Director Informal Sector &
Medium Taxpayer Office



Ms. Catherine Chilambe

Director Design,
Monitoring & International
Relations (Indirect Taxes
& Excise)



Mr. Shadreck Kachusha

Director
VAT Operations (North)



Mr. Richard Kapasa

Director Design,
Monitoring & International
Relations (Direct Taxes)



Mrs. Patricia B. Lungu

Deputy Commissioner
Operations - South
(Customs Services)



Mr. Moonga Mumba

Director Internal
Audit & Risk



Mr. Ignatius Mvula

Director Excise



Mrs. Suzyo M. Ng'andu

Board Secretary



Mr. Ezekiel Phiri

Director Research &
Corporate Strategy



Mrs. Mirriam Sabi

Director VAT Operations
(South)



Mr. Benjamin Simpungwe

Director Finance



Ms. Deborah S. Bwembya

Acting Director
Innovations & Project
Management



Mr. Katwishi Chama

Acting Director Treasury
Management



Mr. Martin Chileshe

Acting Director Large
& Specialised Taxpayer
Office



Mr. Patrick Chupa

Acting Director Human
Resource



Mrs. Beatrice Kachinda

Acting Deputy
Commissioner Support
(Customs Services)



Mr. Daniel Kalunga

Acting Director Information
and Communication
Technology



Mr. Chisala Kapumpu

Acting Director
Administration



Mrs. Nsamba K. Kantumoya

Acting Director
Legal Services



Mrs. Idah C. Njovu

Acting Deputy
Commissioner Operations
North (Customs Services)



Mrs. Patience M. Siame

Acting Director
Investigations

CHAIRPERSON'S STATEMENT

I am proud to report that the Zambia Revenue Authority (ZRA), in 2022, achieved significant milestones in our vision to be a world class model of excellence in revenue administration and trade facilitation.

During the year, the Governing Board approved the 2022-2024 Corporate Strategic Plan (CSP) and the strategic management cycle for the implementation of the CSP in 2022. The Plan provides the strategic direction for the Authority over the next three years. The Board also approved the Data Governance Policy, which outlines the necessary elements for effective data governance in ZRA, and the Information and Communication Technology (ICT) Strategy, which aims to align ICT plans with corporate objectives.

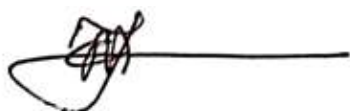
The Authority made considerable progress in modernising tax systems and processes, making it easier for taxpayers to comply with their obligations. The Authority also continued enhancing its effort to promote compliance through provision of taxpayer education to help taxpayers understand their rights and obligations, and provide support to those who need it. These initiatives, together with others, resulted in a 7.7 percent increase in revenue collection to K90,345.9 million from K83,915.2 million in 2021.

The Authority made substantial investments in ICT infrastructure to align with the Government's vision of automation across the provision of public services through the Government Service Bus (GSB). This drive by Government is well aligned with the vision of the Authority to be a data driven revenue administration that rides on automation for effective and improved processing efficiency and tax compliance. With regard to trade facilitation, the Board undertook visits to selected border posts to appreciate the state of infrastructure with a view of modernising them to cope with increased cross border trade. The Governments of Zambia and Malawi launched the Mwami-Mchinji One-Stop-Border-Post (OSBP) on 7th December, 2022 to enhance efficiency in international trade facilitation through the Nacala corridor. These investments, to name but a few, have enabled us to position ourselves for long- term service to the people of Zambia and other stakeholders.

As we look to the future, we remain committed to staying at the forefront of innovation and technology, utilising data and analytics to drive better results and more efficient operations.

I wish to thank the Ministry of Finance and National Planning for supporting our agenda in 2022. I would also like to thank our management and staff for their hard work and commitment to serving the nation. Their efforts are what make our mission a reality. To our taxpayers, thank you for your continued support and trust in the Zambia Revenue Authority.

I now have the honour of presenting to you the 28th Annual Report of the Zambia Revenue Authority for the financial year 1st January, 2022 to 31st December, 2022.



Dr. Caleb Fundanga
Chairperson of the Governing Board



COMMISSIONER GENERAL'S REPORT

I have the pleasure to report on the revenue and operational performance of the Zambia Revenue Authority for the financial year 1st January, 2022 to 31st December, 2022. The report also contains the attendant audited financial statements.

In 2022, the Authority posted gross revenue collection of K106,623.9 million and refunded K16,278.0 million, resulting in a net collection of K90,345.9 million or 17.8 percent of the Gross Domestic Product (GDP). This collection was K689.1 million or 0.8 percent below the target of K91,035.0 million.

In comparison to the previous year, there was a 10.7 percent, 31.6 percent and 7.7 percent increase against the gross revenue, refunds and net revenue which stood at K96,283.6 million, K12,368.9 million and K83,915.6 million in 2021, respectively. On the other hand, the tax to GDP ratio declined by 1.0 percentage point in 2022 from the 18.8 percent posted in 2021. Similar to the past five years, revenue was predominantly driven by five economic sectors namely: mining and quarrying; wholesale and retail trade; manufacturing; financial and insurance activities; and the public administration and defence; compulsory social security. These sectors contributed 74.5 percent of gross revenue in 2022 compared to 76.0 percent in 2021.



The below target outturn was largely driven by the fall in the copper price on the London Metal Exchange (LME), which declined by 5.2 percent on an annual basis to an average of US\$8,813.0 per metric tonne from US\$9,301.2 per metric tonne and a 4.7 percent drop in domestic copper production to 763,287 metric tonnes from 800,696 metric tonnes in 2021. This had a negative impact on Mineral Royalty collections which recorded an 18.6 percent below target performance. The deficits of 31.9 percent and 18.8 percent in domestic Value Added Tax (VAT) and Import Excise Duty, respectively, also negatively affected revenue outturn in 2022. VAT was adversely affected by low payment compliance and zero rating of VAT on fuel, while Import Excise Duty was affected by the suspension of duty on fuel for the larger part of the year.

The year marked the start of the implementation of the ZRA 2022-2024 Corporate Strategic Plan (CSP) which programmed a number of initiatives aimed at curtailing low tax compliance levels, tax evasion, inadequate knowledge among taxpayers as well as sustainably improving tax systems in an automated environment. In line with the Government's objectives outlined in the Eight National Development Plan (8NDP) and the aspirations of the Governing Board, the 2022-2024 CSP put improved service delivery and customer care at the centre of its strategic goals.

In order to assess weaknesses and strengths in the Zambian tax system and benchmark against international good practice in tax administration, the Authority undertook its third assessment under the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT is a globally accepted 'health check' for tax administrations conducted by the International Monetary Fund (IMF). The results of the assessment assisted the Authority to re-align its priorities, complementary to the 2022-2024 CSP.

To strengthen mining taxation, the Authority established the Mineral Value Chain Data Analytics Unit. The Unit is responsible for analysing internally and externally sourced data on the mineral value chain from extraction to exportation in order to complement mining tax audits. Further, to improve compliance and boost revenue collections amongst artisanal and small-scale mining licence holders, the Authority appointed 18 withholding Mineral Royalty agents during the year.

As announced in the 2023 National Budget, the Authority launched the implementation of the Tax Amnesty Programme (TAP) on 1st October, 2022. The TAP is primarily aimed at giving relief to taxpayers on interest and penalties on tax obligations accrued up to 30th September, 2022. As at 31st December, 2022, the Authority had received 7,127 valid applications for Amnesty, while collections from the programme stood at K1,565.2 million.

To address systemic challenges in the VAT system, the Authority implemented the Import VAT validation interface between ASYCUDAWorld and TaxOnline II and commenced works on the interface for export validation. These measures were aimed at curbing fraudulent VAT refund claims and falsification of invoices, which resulted in the prosecution of seven VAT registered suppliers in 2022. To improve transparency and objectivity in the VAT refund process, the Authority adopted the First-In, First-Out (FIFO) method for payment of refunds, and also increased the allocation of tax refunds to Small and Medium-sized Enterprises (SMEs).

Following the signing of a Memorandum of Understanding between the Zambia Revenue Authority and the Rwanda Revenue Authority regarding Mutual Administrative Assistance, a benchmarking visit was undertaken to the Rwanda Revenue Authority (RRA). The focus of the visit was to appreciate the fiscalisation systems in place for the management of VAT and related tax types. Based on this experience, the Authority commenced the conceptualisation of a software-based fiscalisation system which will be an upgrade from the current hardware-based system.

In its quest to be a data driven tax administration, the Authority established data analytics units in all divisions to promote evidence-based tax compliance management at all levels leveraging on the Bulk Intelligence and Data Analytics (BIDA) platform. In 2022, the Authority expanded the scope of the BIDA system by including analytics for customs and Pay-As-You-Earn, with the support of GIZ. With these enhancements, capacity building programmes in data analytics were delivered to staff so as to impart the requisite skills.

In order to stabilise the core ICT systems for tax administration, the Authority completed Phase 1 of the stabilisation programme for TaxOnline II, which included deployment of the Accounting Module, a core component of the system. Further, with the support of UNCTAD and EU/COMESA, the ASYCUDAWorld was upgraded which had not been done since 2015. This improved the functionality of the system.

To facilitate international trade, the Mwami-Mchinji One-Stop-Border-Post (OSBP) was operationalised, while the automated Customs-to-Customs data exchange with Botswana was implemented. The Government has committed to implement the Co-ordinated Border Management (CBM) strategy in order to reduce the number of Government Ministries and Agencies that are physically present at the borders in order to reduce dwelling time, thereby, improving border efficiency. In readiness for the implementation of the CBM strategy, the number of Government agencies connected to the Zambia Electronic Single Window was increased to 65 in 2022 from 45 in 2021. The implementation of CBM is earmarked for commencement in 2023, starting with the Kazungula OSBP.

Another initiative was the enhancement of system-based controls in the management process for inward transits to mitigate fraud. Further, in conjunction with the Smart Zambia Institute, the Road Transport and Safety Agency and the Zambia Police (Interpol), the Authority implemented a system interface to facilitate real-time sharing of data on imported motor vehicles through the Government Service Bus.

The Authority prioritises staff integrity in its operations. In recognition of its integrity promotion efforts, the Authority was in 2022 bestowed with two integrity awards, namely: *Overall 2022 Integrity Champion Award and First Prize – Parastatals and Quasi Government* at the Integrity Committee Awards ceremony organised by the Anti-Corruption Commission. Further, according to the 2022 Zambia Bribe Payer's Index Report published by Transparency International Zambia and the Anti-Corruption Commission, the probability of a taxpayer paying a bribe when seeking a service from the Authority significantly reduced to 2.0 percent in 2022 from 8.3 percent in 2019.

To improve staff welfare and the work environment, the Authority finalised the procurement process for the construction of 142 new staff houses across the country. The Authority also renovated 53 staff houses and offices, and established a data centre. In addition, the Authority procured office furniture and equipment for various offices and 58 motor vehicles for operations.

I would like to thank the Minister of Finance and National Planning, his officials and the Governing Board for their support during the year. I also wish to thank our Co-operating Partners for supporting our operations. I further commend our compliant taxpayers for honouring their obligations.

Finally, I would like to express my sincere appreciation to management and staff for their dedication and commitment towards achieving our mandate.



Dingani Banda
Commissioner General



OVERVIEW OF THE AUTHORITY

Overview of the Authority

The Zambia Revenue Authority is a semi-autonomous statutory body responsible for collecting revenue on behalf of the Government of the Republic of Zambia. The organisational structure of the Authority is presented in this section.

The Governing Board

The Authority has a Governing Board established under the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia, comprising nine members drawn from both public and private sectors. The Governing Board oversees the organisation and administration of the Authority and the management of its resources. It also approves and monitors the implementation of the Corporate Strategic Plan and other administrative policies necessary for efficient operation of the Authority. The Minister responsible for finance appoints the members of the Governing Board while the Commissioner General, who is the Chief Executive Officer of the Authority, is appointed by the President of the Republic of Zambia.

In the year under review, the Governing Board performed its work through the following committees:

Audit and Risk Committee

The Audit and Risk Committee reviewed the Authority's reports on the integrity of financial statements, the effectiveness of internal controls and compliance with relevant statutory and regulatory obligations.

Finance Committee

The Finance Committee considered the Authority's reports on the utilisation of operational funds and assets as well as collection and remittance of revenue to ensure accountability and efficiency.

Innovation and Project Management Committee

The Innovation and Project Management Committee oversaw the governance, management and delivery of the Corporate Strategy, Information and Communication Technology (ICT), innovations and related organisational reform projects.

Legal, Staff and Disciplinary Committee

The Legal, Staff and Disciplinary Committee provided guidance on legal and human resource related matters.

Divisions and Departments

The organisational structure of the Authority comprises three operating divisions and one support division headed by Commissioners; these are Customs Services, Direct Taxes, Indirect Taxes and

Excise, and Finance Divisions. The Authority also has nine other support departments headed by Directors and two units headed by Assistant Directors. These Divisional, Departmental and Unit Heads report directly to the Commissioner General.

Customs Services Division

The Customs Services Division administers trade taxes, fees and charges in accordance with the Customs and Excise Act, Chapter 322 of the Laws of Zambia. As part of its mandate, the Division carries out enforcement of regulatory controls on imports, exports and goods in transit, which helps to secure the international supply chain. The Division also facilitates legitimate international trade, thereby supporting the country's economic growth.

Direct Taxes Division

The Direct Taxes Division is responsible for income taxes as provided for under the Income Tax Act, Chapter 323 of the Laws of Zambia, and Property Transfer Tax under the Property Transfer Tax Act, Chapter 340 of the Laws of Zambia. In addition, the Division collects Mineral Royalty under the Mines and Minerals Development Act No. 11 of 2015 and Skills Development Levy pursuant to the Skills Development Levy Act No. 46 of 2016.

Indirect Taxes and Excise Division

The Indirect Taxes and Excise Division is charged with administering inland consumption taxes in accordance with the Value Added Tax Act, Chapter 331 of the Laws of Zambia, the Tourism and Hospitality (Tourism Levy) Regulations, Statutory Instrument No. 56 of 2016 and the Insurance Premium Levy Act No. 21 of 2015. The Division also administers Local Excise Duty pursuant to the Customs and Excise Act, Chapter 322 of the Laws of Zambia.

Finance Division

The Finance Division is responsible for both treasury and accounting functions of the Authority. This involves facilitating efficient remittance of revenue to the Treasury and managing the funds appropriated for the operations of the Authority. The Division is also responsible for debt recovery.

Administration Department

The Administration Department is responsible for the acquisition, development and maintenance of physical assets of the Authority.

In addition, the Department is also responsible for occupational health and safety, physical security, transport, and purchasing and supplies management.

Human Resource Department

The Human Resource Department is responsible for all aspects of human resource management and development in the Authority. In line with this function, the Department ensures fair treatment of staff, open communication, integrity, trust and mutual respect; all aimed at maximising the value and productivity of the human capital.

Information and Communication Technology Department

The Information and Communication Technology Department ensures that the Authority has reliable and efficient ICT systems and services to support its mandate. This involves the maintenance of all ICT equipment and systems as well as ensuring cyber security in the Authority.

Innovation and Project Management Department

The Innovation and Project Management Department is responsible for translating innovative ideas into tangible ICT and customer-centric solutions using the project management framework in furtherance of the modernisation agenda of the Authority. The Department's mandate includes spearheading the delivery of holistic customer experience in the Authority for the benefit of all stakeholders.

Internal Audit and Risk Department

The Internal Audit and Risk Department is mandated to provide objective assurance and consultancy regarding internal controls, governance processes and risk management in the Authority. Functionally, the Department reports to the Audit and Risk Committee of the ZRA Governing Board and administratively to the Commissioner General.

Investigations Department

The mandate of the Investigations Department is to investigate suspected cases of tax offences committed under the various

laws administered by the Authority with a view to prosecuting offenders.

Legal Services Department

The Legal Services Department is responsible for legal representation of the Authority in all legal related matters and reviews appeals and objections from taxpayers aggrieved by the Authority's decisions on tax matters. The Department was also responsible for prosecuting tax offenders.

Office of the Board Secretary

The Office of the Board Secretary provides secretarial and related services to the Governing Board. The Board Secretary also oversees the Internal Affairs Unit, which is responsible for investigating cases of impropriety by officers of the Authority.

Research and Corporate Strategy Department

The Research and Corporate Strategy Department's mandate encompasses executive support and related functions. These include undertaking tax policy research and coordination, statistical analysis, bulk data analytics services, corporate planning and business process improvement through the KAIZEN framework. The Department is also responsible for implementing institutional data quality initiatives and taxpayer account reconciliations to improve the integrity and quality of data for compliance management and enforcement purposes.

Units under Commissioner General's Office

i. Corporate Communications Unit

The Corporate Communications Unit coordinates the Authority's corporate communications, advertising, public relations and branding activities. The Unit also manages stakeholder engagements with the aim of promoting the corporate image of the Authority.

ii. Enforcement Unit

The Enforcement Unit is responsible for conducting customs enforcement activities to curtail smuggling and providing intelligence to facilitate investigations and enforcement activities.



ZRA Enforcement Vehicle

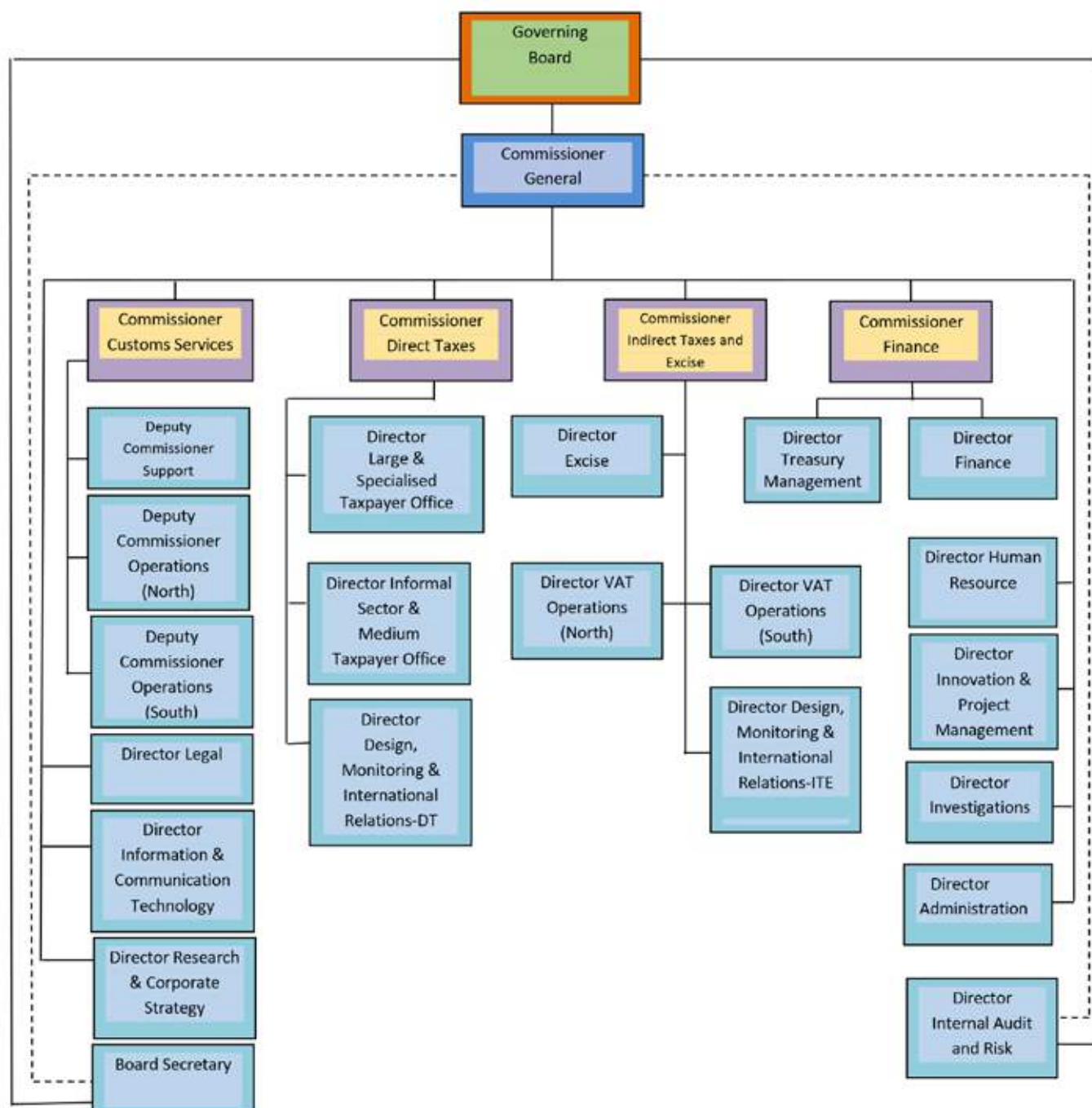


Commercial & Passenger Terminals at Mwami OSBP

Governance Structure

The governance structure of the Authority as at 31st December, 2022 is depicted in Figure 1.

Figure 1: ZRA Organisational Structure



Taxpayer Charter

The Taxpayer Charter outlines the rights, obligations and service standards which are monitored with a view to fostering relationships between ZRA and Taxpayers. The Charter lays down the fundamental service standards implemented to attain quality service delivery through adoption of good tax administration practices to improve overall tax administration.

To this end, on a quarterly basis, the Authority monitors its performance against the set standards through the Taxpayer Charter Monitoring Surveys. The service standards in the Charter relate to the following three categories:

- a) Processing efficiency²;
- b) Taxpayer advisory services; and
- c) Service efficiency.

Processing Efficiency

The processing efficiency standards monitored in 2022 related to the following:

i. VAT refunds

In 2022, the average processing time for VAT refunds increased to 680.4 days from 563.5 days in 2021, against the standard of 30 days. The increase in average processing time was mainly attributed to delayed processing of old refund claims, insufficient resources for refund payments, limited audit capacity, and system challenges. The Authority has adopted a First-In, First-Out principle, among other measures, to improve the refund processing time.

ii. Income Tax refunds

During the year 2022, the average processing time for income tax refunds increased to 96.2 days compared to 69.9 days recorded in 2021, against the charter standard of 45 days. The poor performance was attributable to funding constraints.

iii. Customs refunds

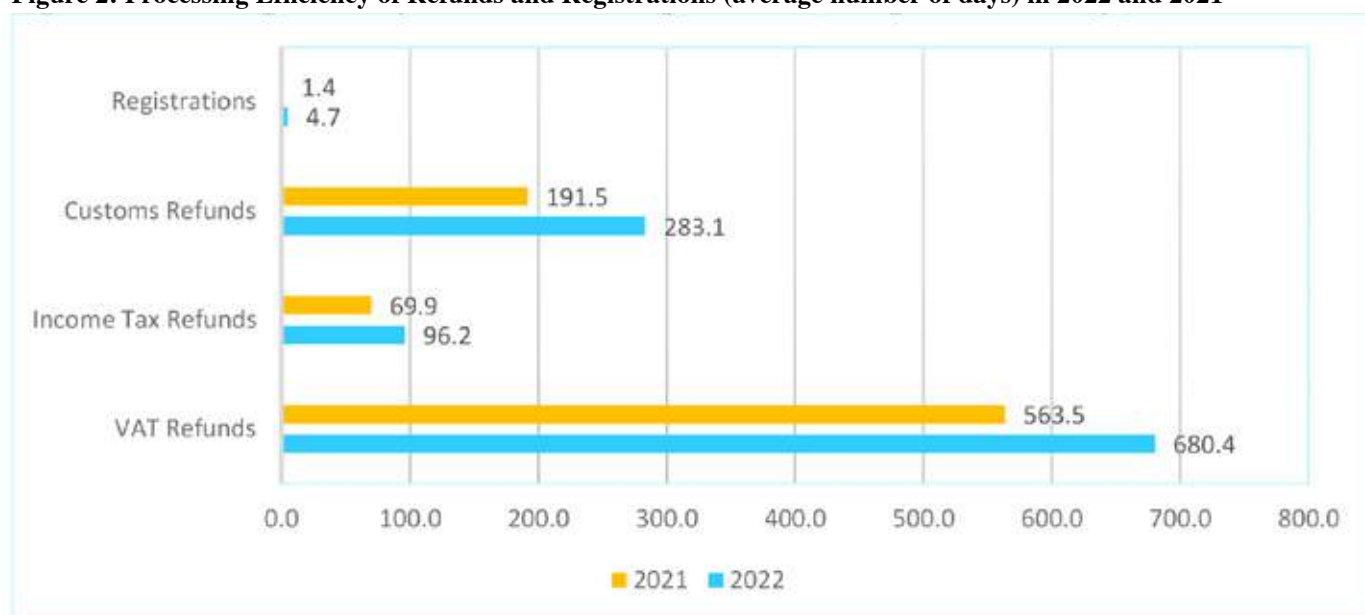
The average processing time for customs refunds increased to 283.1 days in 2022 from 191.5 days in 2021. The under performance against the charter standard of 45 days was attributable to funding constraints.

iv. Tax registrations

The average processing time for tax registrations in 2022 was 4.7 days, which was 1.7 days higher than the charter standard of 3 days. This was mainly attributed to the increased volume of new taxpayer registrations and system challenges. Registrations were mainly through TaxOnline II, TaxOnApp and TaxOnPhone.

Figure 2 summarises the processing efficiencies of tax refunds (VAT, Income Tax and Customs) and tax registrations.

Figure 2: Processing Efficiency of Refunds and Registrations (average number of days) in 2022 and 2021



² Processing efficiency refers to the turnaround time for completing a business process. It is monitored with respect to refunds, taxpayer registrations and customs declarations.

Service Standards

In 2022, the Authority monitored the performance of taxpayer service standards in relation to:

- a) privacy and confidentiality of taxpayer information;
- b) service efficiency;
- c) clarity of ZRA information resources;
- d) response to comments and complaints from taxpayers; and
- e) customs declarations.

On *privacy and confidentiality*, 81 percent of the taxpayers indicated that they were satisfied with the Authority's performance compared to 90 percent recorded in 2021.

Regarding *service efficiency*, 84 percent of the taxpayers indicated that they were served within the charter standard of 20 minutes of their arrival, compared to 83 percent in 2021.

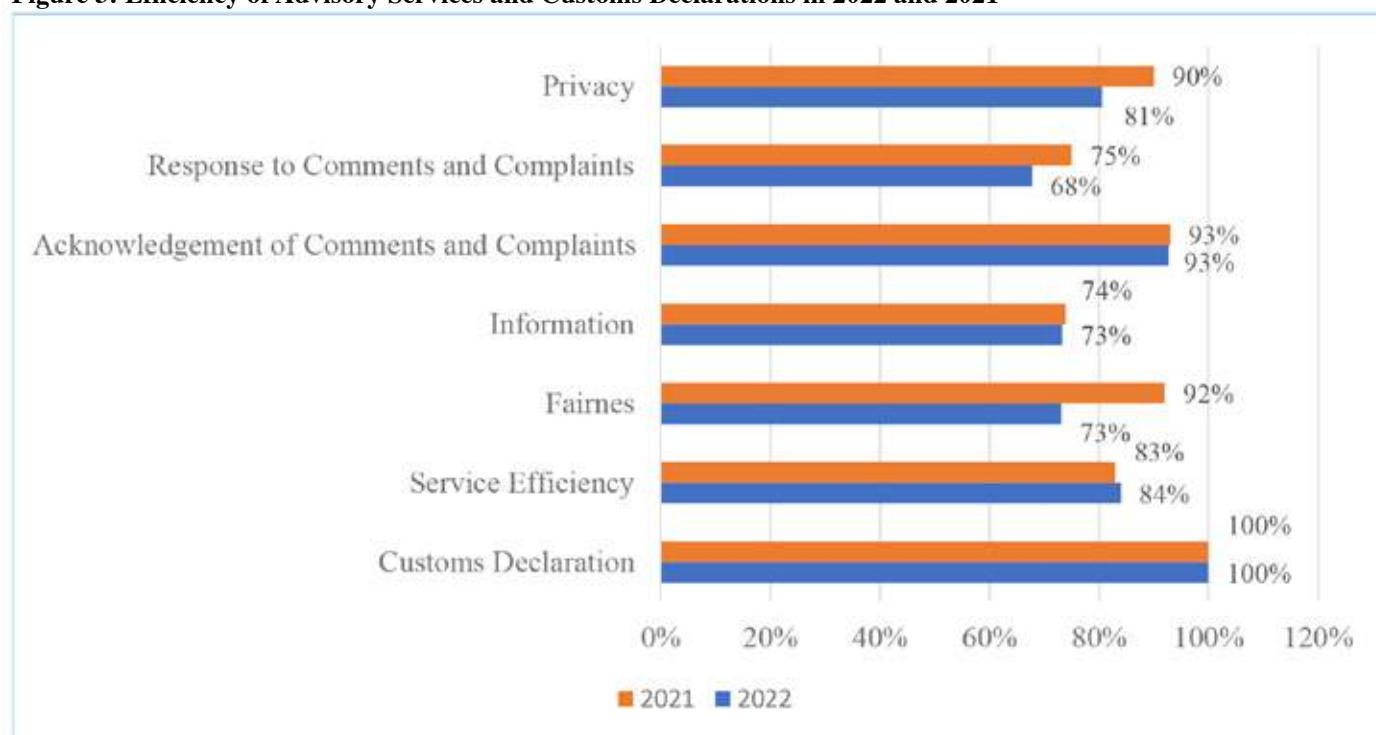
On *clarity of information*, there was a marginal decline, in the number of taxpayers who rated the tax information received from ZRA as clear, to 73 percent in 2022 from 74 percent in 2021.

Further, 93 percent of the *comments and complaints* received were acknowledged in 2022 (same as in 2021) while 68 percent were responded to within the charter standard of five working days. This was however, a reduction from the 75 percent recorded in 2021.

With regards to *customs declarations*, all entries in 2022 were processed within the charter standard of 1.5 days upon registration. The positive performance was attributable to the roll-out of the self-clearance modules and the stabilisation of the pre-clearance module on ASYCUDAWorld.

Figure 3 summarises the efficiencies of the various services the Authority offers to the public.

Figure 3: Efficiency of Advisory Services and Customs Declarations in 2022 and 2021





PRIORITIES FOR THE YEAR

Priorities for the Year

The Authority's priorities for the year were centred on ensuring automation of key business processes, fiscalisation, widened use of data analytics in compliance management, and modernising trade logistics to enhance revenue collection and improve service delivery.

To reduce the cost of fiscalisation and enhance revenue collection, the Authority commenced the conceptualisation of a software-based fiscalisation system which will be an upgrade from the current hardware-based system. The system will provide full stock management as well as offer different invoicing solutions for taxpayers according to the size and complexity of their businesses. Further, the system will be easily adaptable to platforms such as mobile smart phones, online invoicing systems and computer-based software. In addition, the system will expand the scope of fiscalisation to include other tax types such as Turnover Tax and Local Excise Duty.

To enhance compliance among small taxpayers, the Authority extended the appointment of withholding agents to other tax types such as Mineral Royalty, Rental Income Tax and Turnover Tax. In addition, the Authority prioritised the generation of empirically-driven recommendations to inform tax policy formulation and administration. The Authority leveraged on existing partnerships with USAID and United Nations University World Institute for Development Economics Research (UNU-WIDER) to conduct tax gap studies on Corporate Income Tax and Excise Duty, and evaluated the effectiveness of the withholding mechanism in the administration of VAT.

In its desire to be a data driven institution, the Authority established data analytics units in the operating divisions to inform strategic and operational decisions. The Authority provided training to staff in these units to enhance their data analytics skills. These analytics teams harness the capabilities of the BIDA system to draw insights on taxpayer activity and compliance behaviour to enhance effectiveness of taxpayer education, audits and other enforcement actions. Utilising data analytics to improve data integrity and reduce the debt stock, the Authority reconciled taxpayer accounts valued at K13,315.9 million or 20.2 percent of the legacy balance of K65,984.6 million.

The Authority prioritised the modernisation of trade logistics to facilitate international trade and revenue collection. To this end, several initiatives were implemented such as the interface between ZRA and RTSA, implementation of Customs-to-Customs data exchange with Botswana, enhancement of the interface between the TaxOnline II and ASYCUDAWorld to provide for validation of Import VAT declarations, and operationalisation of the Mwami- Mchinji One-Stop-Border-Post for simplified customs processes.

Further, work commenced to add the Ministry of Fisheries and Livestock onto the Zambia Electronic Single Window to facilitate for issuance of e-permits.

Widening the Tax Net

Activities of Tax Agents

In 2022, the Authority maintained its partnership with the 33 local authorities that were appointed as tax agents for Base Tax, Turnover Tax, and Rental Income Tax, aimed at increasing compliance among taxpayers in the informal sector. Through this partnership, the Authority was able to register 9,775 taxpayers. To further improve compliance among small taxpayers, ZRA appointed a total of 26 withholding tax agents, out of which 18 were for Mineral Royalty, six for Turnover Tax and two for Rental Income Tax.

Mobile Compliance Enforcement Activities

In 2022, the Authority intensified its mobile compliance enforcement operations which resulted in a total of 4,998 interceptions with accompanying assessments of K129.6 million compared to 2,452 interceptions amounting to K140.1 million in 2021.

Taxation of Small and Medium Taxpayers

In a bid to lower compliance costs and foster compliance among small and medium taxpayers, the Authority continued to encourage taxpayers to utilise its e-services through simplified platforms namely, TaxOnPhone and TaxOnApp to access services such as registration, filing of tax returns and payments.

In 2022, a total of 248,079 registrations were recorded on TaxOnPhone compared to 221,899 recorded in 2021. However, there was a reduction in the number of returns submitted on the platform to 28,642 in 2022 from 72,087 in 2021, suggesting reduced preference in the use of the Unstructured Supplementary Service Data (USSD) based platform for return filing and payments. Similarly, the number of returns filed with either a payment or refund liability reduced to 4,149 in 2022 from 10,933 in 2021, while declared liabilities reduced to K1.86 million in 2022 from K9.0 million in 2021 (see Table 1).

Table 1: Number of Returns Filed on TaxOnPhone in 2022 and 2021

Tax Type	2022	2021	% Variance
Nil returns			
Turnover Tax	24,400	59,632	-59.1%
Income Tax	34	344	-90.1%
Value Added Tax	59	1,165	-94.9%
Local Excise	0	9	-100.0%
Insurance Premium Levy	0	4	-100.0%
Payment/Refund returns			
Turnover Tax	4,148	10,924	-62.0%
Income Tax	0	1	-100.0%
Value Added Tax	1	4	-75.0%
Withholding Tax	0	4	-100.0%
Total Returns	28,642	72,087	-60.3%

With regard to TaxOnApp, there was a significant increase in the usage of the platform in 2022 compared to 2021 for both registrations and return filing. This is consistent with the reported³ nationwide increase in internet usage by 54.4 percent in 2022 relative to 2021. The number of registrations increased to 249,011 in 2022 from 92,619 in 2021. The bulk of the registrations were

for individual TPINs amounting to 247,679 in 2022. Similarly, the number of returns filed increased to 71,503 in 2022 from 38,274 in 2021. Of the returns filed during the year, 58,945 were nil returns while 12,558 were payment returns with declared liabilities of K171.6 million (see Table 2).

Table 2: TaxOnApp usage in 2022 and 2021

	2022	2021	% Variance
Number of registrations: o/w	249,011	92,619	168.9%
TPIN	247,679	91,815	169.8%
Turnover Tax	536	319	68.0%
Withholding Tax	432	311	38.9%
Pay-As-You-Earn (PAYE)	285	159	79.2%
Base Tax	79	15	426.7%
Number of returns submitted: o/w	71,503	38,274	86.8%
Nil returns	58,945	31,250	88.6%
Payment/Refund returns	12,558	7,024	78.8%

Enhancing Revenue Collection using the Block Management System

In 2022, the Block Management System (BMS) continued to be an effective strategy in compliance monitoring and management in 81 blocks that have been identified by the Authority. During the year, a total of 2,761 registrations were done under the BMS compared to 6,758 in 2021. The reduction in the number of

registrations was partly due to increased voluntary registrations as a result of enhanced surveillance in the blocks. A total of K168.2 million was collected from BMS activities in 2022 compared to K130.4 million in 2021 (see Table 3).

³ Zambia Information and Communications Technology Authority 2022 Annual Market Report.

Table 3: Registration by Tax Type in 2022 and 2021 under the Block Management System

Type of Registration	Number of Registrations		% Variance
	2022	2021	
TPIN	1,024	3,588	-71.5%
Turnover Tax	865	1,588	-45.5%
PAYE	464	775	-40.1%
Withholding Tax	233	701	-66.8%
Income Tax	175	106	65.1%
Total	2,761	6,758	-59.1%

Electronic Fiscal Devices

As at end December 2022, the fiscalisation project had deployed 4,328 Electronic Fiscal Devices (EFDs) in form of Fiscal Cash Registers and Electronic Signature Devices to 3,050 taxpayers. In addition, 157 taxpayers successfully integrated their Point-of-Sale systems through the Virtual Electronic Fiscal Device solution thereby bringing the total number of fiscalised taxpayers to 3,050. This represented 19.1 percent of the VAT taxpayer population. Further, as at end of the year, 24 software vendors were accredited until the implementation of a new electronic invoicing system. The extension of the accreditation beyond December 2022 was awarded to vendors in order to ensure continuity in supporting their existing clients.

The analysis of sales declared on TaxOnline II and the actual transactions recorded on the Tax Invoice Management System (TIMS) revealed that a total of 1,568 returns had undeclared sales transactions valued at K6,705.8 million with a corresponding tax value of K413.1 million. It was also established that a total of 2,873 returns were underdeclared by K7,056.1 million in sales value and were flagged for audit compared to 6,772 returns which were underdeclared by K3,651.3 million in 2021. Further, the EFD audit team identified cases that led to 4,181 audits being conducted resulting in assessments amounting to K271.1 million compared to 2,430 audits and assessments amounting to K125.9 million in 2021.

In order to increase the number of fiscalised taxpayers at a reduced cost, the Authority embarked on developing a new electronic invoicing system in 2022 which is aimed at improving the management of EFDs and ensure sustainability. The new system is planned to replace the existing Tax Invoice Management System and is expected to be deployed in 2023.

Improving Operational Efficiency

A number of projects were carried during the year all aimed at improving the operational efficiency of the Authority as follows:

i. Physical Infrastructure Development

During the period under review, the Authority spent K30.4 million

on construction and rehabilitation of infrastructure at its various locations across the country. Among the completed projects were the construction of new staff houses at the Kashiba and Kipushi Border Posts, the establishment of a data centre, and the renovation of offices and 53 staff houses. Further, the Authority completed the procurement process for the construction of 142 staff houses across the country.

ii. Office Furniture and Equipment

The Authority spent K7.6 million on office furniture and non-ICT equipment for its various offices across the country. The office furniture and equipment were procured for various offices which included Revenue House, canteens at Kenneth Kaunda International Airport and Mpendwa House in Ndola, Mfuwe Airport Office, Luangwa, Chembe and Chanida Border Posts.

iii. Fleet Management

To improve operational efficiency, the Authority procured 58 motor vehicles and one water vessel at a total cost of K38.8 million. Of these, 16 were delivered which included five mini buses, four single cabs, two station wagons and five double cabs. The remaining fleet is expected to be delivered in 2023.

iv. Acquisition of Title Deeds for ZRA Properties

During the year, the Authority made significant progress in acquiring Title Deeds for its properties. The Authority conducted visits at 198 sites across the country and these were at various stages of the land titling process. As of the end of 2022, a total of 21 leases were ready for signing and subsequent production of Title Deeds.

Enforcement and Compliance Activities

Customs Services Division

(a) Scanner Operations

Scanners are an important enforcement tool that help to deter would be offenders from concealing goods, hence improving compliance among traders. In addition, they facilitate trade by expediting the examination of imports and exports. The Authority had seven fixed scanners, one fixed rail scanner and one mobile scanner at eight stations.

During the year, all the scanners were functional except the fixed rail scanner at the Kapiri- Mposhi station compared to two scanners that were non-functional in 2021. To ensure sustain

ability in the use and maintenance of scanners, a specialised unit was established to maintain the scanners.

Based on the risk profiling, a total of 46,100 trucks (representing 5.6 percent) were scanned in 2022 out of 823,804 trucks that passed through stations with scanners. A total of 274 inbound trucks were found with discrepancies resulting in additional revenue of K8.3 million (see Table 4).

Table 4: Scanner Activity Report for 2022

Port	Total Truck Traffic	Scanned		Scanned	% Scanned of Total Traffic	Truck with Discrepancies	Additional Revenue Collected (K)		
		Inbound Traffic	Outbound Traffic				2022	2021	Variance
Chanida	34,319	6,415	1,863	8,278	24.1%	7	599,832.7	116,901.1	482,931.6
Chirundu	161,554	10,258	0	10,258	6.3%	56	3,139,508.0	3,329,806.8	-190,298.8
Kapiri Mposhi - EC	0	0	0	0	0	0	0.0	0.0	0.0
Kasumbalesa	234,283	0	0	0	0.0%	0	0.0	0.0	0.0
Katima Mulilo	34,579	3,432	3,998	7,430	21.5%	3	79,125.8	330,091.7	-250,965.9
Kazungula	114,836	1,625	0	1,625	1.4%	37	329,213.1	334,413.9	-5,200.8
Mwami	23,272	1,365	3,358	4,723	20.3%	0	0.0	17,176.3	-17,176.3
Nakonde	220,961	13,786	0	13,786	6.2%	171	4,178,103.2	14,569,755.9	-10,391,652.7
Total	823,804	36,881	9,219	46,100	5.6%	274	8,325,782.8	18,698,145.6	-10,372,362.8

(b) Inland and Border Enforcement

The Authority conducts random and risk-based enforcement and compliance activities at various ports by conducting inspections, roadblocks and making follow-ups on intelligence reports. During

the year under review, the Value for Duty Purposes (VDP) of goods detained and seized by the Authority declined by 4.1 percent relative to 2021 (see Table 5).

Table 5: Detentions and Seizures in 2022 and 2021 (K' Million)

Type	2022	2021	Variance	% Variance
VDP of Detained Goods	560.3	608.1	-47.8	-7.9%
VDP of Seized Goods	109.6	90.7	18.9	20.8%
Total	669.9	698.8	-28.9	-4.1%

A total of K46.8 million was realised from enforcement activities in 2022 compared to K33.3 million in 2021 as shown in Table 6.

Table 6: Revenue Yield from Detentions and Seizures in 2022 and 2021 (K)

Station	2022	2021	% Variance
Kapiri Mposhi	15,678,020.2	9,710,897.2	61.4%
Livingstone Enforcement Unit	15,288,832.4	12,048,363.6	26.9%
Nakonde	8,464,829.0	3,700,295.7	128.8%
Chipata Enforcement Unit	3,361,600.1	2,474,903.8	35.8%
Chirundu	3,039,380.1	1,855,106.4	63.8%
Chingola	362,922.8	1,031,964.6	-64.8%
Solwezi	232,201.8	54,011.5	329.9%
Mokambo	155,000.0	63,632.0	143.6%
Kitwe	91,154.6	476,267.1	-80.9%
Ndola	39,000.0	278,014.4	-86.0%
Chembe	26,095.1	6,000.0	334.9%
Kasumbalesa	20,550.4	1,605,964.2	-98.7%
Lusaka Port	88,016.3	15,900.0	453.6%
Total	46,847,602.8	33,321,320.5	40.6%

Enforcement Unit

During the year under review, the Unit's operations mainly involved mobile compliance enforcement activities which resulted in 4,998 interceptions. These interceptions (mainly based on intelligence information) were valued at K2.1 billion. From these interceptions, assessments worth K129.6 million were raised and a total of K78.2 million was collected. Out of the 4,998 interceptions, 4,040 interceptions valued at K1.6 billion were recommended for further investigations.

Investigations Department

Investigations Activities

In 2022, the Investigations Department handled 697 cases out of which 510 were brought forward from 2021 and 187 were new cases. A total of 95 cases were processed and closed during the year of which 26 cases were terminated for various reasons. Ten cases were referred to operating divisions for further action, 38 were settled through civil settlement and 21 were referred for prosecution. A total of 602 cases were pending at the close of the year (see Table 7).

Table 7: Distribution of Cases Investigated in 2022

	Customs	Direct Taxes	Indirect Taxes & Excise	Total
Brought Forward	251	203	56	510
New Cases Received	46	43	98	187
Total	297	246	154	697
Terminated / Other	12	2	12	26
Referred to Operating Division	7	0	3	10
Civil Settlement	21	12	5	38
Referred for Prosecution	6	4	11	21
Carried Forward	251	228	123	602

Customs cases in the year were 297 and accounted for 42.6 percent of the total cases while direct taxes cases were 246 and indirect taxes cases were 154. Direct and indirect taxes cases accounted for 57.4 percent of the total cases handled in 2022.

Digital Forensics Activities

During the year, 43 digital forensic cases were processed, involving 99 digital gadgets such as desktop computers, compared to 34 cases involving 94 digital gadgets recorded in 2021.

Direct Taxes and Indirect Taxes and Excise Divisions

In 2022, the Direct Taxes and Indirect Taxes Divisions continued with their enforcement and compliance activities. One of the main tools for tackling non-compliance and promoting voluntary compliance is audits. Audit cases are identified and selected through the analysis of various risk parameters on the tax systems and third-party information.

a) Tax Audits

During the year, total audit assessments increased to K5,302.4 million

from K4,181.7 million recorded in 2021. Of these assessments, K4,401.1 million was principal tax while K901.3 million was penalties, interest and fines. The largest share (89 percent) of the audit assessments was from Mineral Royalty, Domestic VAT and Company Income Tax with amounts of K1,764.1 million, K1,623.9 million and K1,323.8 million, respectively (see Table 8).

The total value of audit assessments increased by K1,120.7 million or 26.8 percent in 2022 compared to 2021. This was due to the increase in the value of principal tax assessed amounting to K1,675.6 million or 61.5 percent despite a reduction in the value of penalties, interests and fines by K555.0 million or 38.1 percent (see Table 8).

Table 8: Tax Audit Assessments in 2022 and 2021 (K' Million)

Tax Type	Principal Tax			Penalties, Interest and Fines			Total Audit Assessment		
	2022	2021	Variance	2022	2021	Variance	2022	2021	Variance
Mineral Royalty	1,597.6	4.3	1,593.3	166.5	1.4	165.1	1,764.1	5.7	1,758.4
VAT on Domestic Goods	1,428.3	814.8	613.5	195.7	195.2	0.5	1,623.9	1,010.0	613.9
Company Income Tax	874.5	1,557.0	-682.5	449.4	1,021.8	-572.4	1,323.8	2,578.8	-1,255.0
Withholding Taxes	317.1	84.8	232.3	1.5	14.9	-13.4	318.6	99.7	218.9
PAYE	83.0	142.1	-59.1	36.8	57.4	-20.6	119.8	199.5	-79.7
Turnover Tax	57.3	38.3	19.0	20.3	44.1	-23.8	77.6	82.3	-4.7
Local Excise Duties	39.6	81.2	-41.6	21.3	90.4	-69.1	60.9	171.6	-110.7
Skills Development Levy	1.6	1.6	-	6.2	28.9	-22.7	7.8	30.5	-22.7
Tourism Levy	2.2	1.5	0.7	3.7	2.2	1.5	5.8	3.7	2.1
Total	4,401.1	2,725.5	1,675.6	901.3	1,456.3	-555.0	5,302.4	4,181.7	1,120.7

b) Block Management System

The Block Management System's (BMS) primary objective is to promote compliance among small and medium taxpayers through taxpayer education, enforcement activities and other taxpayer engagements in the blocks. At the end of the year, the BMS program was managing 81 blocks with 13,605 taxpayers from 10,844 taxpayers in 2021. In 2022, the revenue yield from the BMS activities was K168.2 million from K130.4 million in 2021 (see Table 9).

Generally, the number of new registrations in the blocks declined in 2022 compared to 2021 while revenue collected increased. The reduction in new registrations recorded is an indication of increased voluntary tax registration compliance and a reduction in the number of unregistered businesses in the blocks. On the other hand, the increased collections were due to improved tax compliance as a result of a higher number of registered taxpayers and improved tax awareness among taxpayers in the blocks.

Table 9: Block Management Activities in 2022 and 2021 by Tax Office

Tax Office	No. of Blocks	No. of Taxpayers Monitored in the Blocks	New Registrations in the Blocks			Amount of Taxes Collected in the Blocks (K)		
			2022	2021	% Variance	2022	2021	% Variance
Chingola	6	298	110	350	-68.6%	4,003,258.4	2,141,654.3	86.9%
Chinsali	3	272	150	120	25.0%	-	-	-
Chipata	4	446	120	972	-87.7%	28,253.0	16,650.0	69.7%
Choma	6	423	229	900	-74.6%	-	-	-
Kabwe	5	846	192	300	-36.0%	-	-	-
Kasama	6	775	103	504	-79.6%	-	-	-
Kitwe	10	1,710	424	520	-18.5%	36,180,388.7	15,291,511.3	136.6%
Livingstone	3	504	290	352	-17.6%	16,504,336.2	29,810,484.6	-44.6%
Lusaka	14	4,507	473	1,612	-70.7%	78,224,135.2	53,970,264.2	44.9%
Mansa	4	323	135	250	-46.0%	778,144.2	679,288.0	14.6%
Mongu	8	1,470	117	428	-72.7%	-	-	-
Ndola	6	1,631	325	242	34.3%	32,458,237.0	28,436,648.8	14.1%
Solwezi	6	400	93	208	-55.3%	-	-	-
Total	81	13,605	2,761	6,758	-59.1%	168,176,752.7	130,346,501.2	29.0%

Customer Experience

The Authority recognises the significance of enhancing customer experience in alignment with its Corporate Strategic Plan. To strengthen customer relationships and enhance voluntary compliance, the Authority has established the Customer Experience Unit.

The Authority continued to interact with the public and educate them about tax-related matters. Various channels were utilised to disseminate tax information, including virtual classes, workshops, school chats, lectures, tax clinics, live social media chats, stakeholder engagements, YouTube tutorials, television and radio programmes, adverts, and tax literature. The focus of these interactions was on communicating key messages to customers, such as tax and administrative changes, the Tax

Amnesty Programme, taxpayer rights and obligations, compliance requirements, and the promotion of the use of ZRA e-service platforms.

To further enhance service delivery, the Authority in 2022 procured a new system for the National Call Centre and a Customer Relationship Management System. These will provide improved customer experience for our customers as they interact with the various ZRA touch points.

During the year, the Authority received the 2021 *Best Service Delivery Organisation Award* at the Zambia Institute of Marketing Awards Gala in recognition of its commitment to improving customer experience through innovative techniques and strategies.

Business Development

Enterprise Risk Management and Business Continuity Planning

In accordance with the Risk Management Policy and Framework, the Authority proactively managed strategic and operational risks to cope with the dynamic nature of risks.

The Risk Management Committees continued to monitor developments in the risk management space, under the supervision of the Governing Board. Poor tax compliance and the escalating debt stock were amongst the highest strategic risks, which negatively impacted revenue collection during the year.

The compliance risk was mitigated by implementing various tax compliance improvement programmes such as the block management framework in outer stations, appointment of tax agents, and taxpayer education. Other measures included system validation of inputs in the VAT return, interfaces and mutual data exchange agreements with other revenue authorities.

The escalating debt stock risk was mitigated by the use of various debt collection initiatives such as Time to Pay Agreements (TPAs), garnishes, debt swaps, and the Tax Amnesty Programme, among others.

Other strategic risks monitored included the COVID-19 pandemic, instability of core ICT systems, poor taxpayer database integrity and cybercrime.

The Authority continued with the implementation of the Business Continuity Management Strategy, which was aligned to the 2022 to 2024 Corporate Strategic Plan. The strategy includes modernisation of both primary and backup systems and equipment. Further, a number of business continuity system tests were conducted to ensure organisational resilience in the event of disruptions.

Enhancements on TaxOnline II

During the year, the TaxOnline II project team, consisting various

stakeholders within the organisation, was reconstituted with the purpose of stabilising the system and ensuring the operationalisation of all system functions. The team identified all features that were previously developed but were non-functional, and developments related to user requirements that were not yet implemented on the system. A road map highlighting all the issues with clear delivery timelines and resources required was developed.

The following enhancements and initiatives were made on TaxOnline II:

- stabilisation of the TaxOnline system, resulting in the resolution of a number of issues and bugs;
- development and deployment of a new Accounting Module on TaxOnline II. The new accounting module was developed to solve the challenges that were experienced with the earlier module; and
- formation of the new Electronic Invoicing System (EIS) project to accelerate fiscalisation through the development of a software-based system.

Uptake of e-services in 2022 and 2021

The Authority continued to provide various electronic platforms to enhance voluntary compliance by facilitating tax registration, return filing and payment through the USSD based TaxOnPhone, the mobile application TaxOnApp and the web-based TaxOnline II.

In 2022, the percentage of electronic registrations was 99.2 percent, which was almost similar to 2021, while all returns were processed through the ZRA online platforms. With regard to payments, the proportion processed electronically stood at 99.6 percent in 2022 compared to 99.5 percent in 2021 (see Table 10).

Table 10: Uptake of e-services in 2022 and 2021

Service	Platform	2022	2021	Variance	% Variance
Registrations	TaxOnPhone	248,079	221,899	26,180	11.8%
	TaxOnApp	249,011	92,619	156,392	168.9%
	TaxOnline	830,484	30,969	799,515	2581.7%
	Manual/ZRA Initiated	10,125	2,325	7,800	335.5%
	Percentage of electronic registrations	99.2%	99.3%	-0.1%	
Return Filing	TaxOnPhone	28,642	72,087	-43,445	-60.3%
	TaxOnApp	71,503	38,274	33,229	86.8%
	TaxOnline	1,774,066	1,505,831	268,235	17.8%
	Manual/ZRA Initiated	0	2,745	-2,745	-100.0%
	Percentage of electronic returns filed	100.0%	99.8%	0.2%	
Payments	Electronic ⁴ (K' millions)	106,149.6	95,842.4	10,307.2	10.8%
	Cash (K' millions)	474.3	441.2	33.1	7.5%
	Percentage value of electronic payments	99.6%	99.5%	0.1%	

System Upgrades under Customs

In 2022, various improvements were implemented on ASYCUDAWorld. These are categorised by their respective applications as follows:

i) Zambia Electronic Single Window System (ZESW)

- a) a Quota Management Module was developed to manage product quantities applied for under the Ministry of Agriculture permit system;
- b) an interface was developed to ease reconciliation of approved and paid for permits on ZESW and ASYCUDAWorld to expedite processing of customs declarations;
- c) an interface was developed to synchronize registered TPINs on TaxOnline II with ZESW to ease the registration process; and
- d) the Ministry of Fisheries and Livestock was added onto the ZESW to facilitate for issuance of e-permits under the Ministry, bringing the total number of entities connected to the Zambia Electronic Single Window to 65. As at end 2022, the module for the Ministry of Fisheries and Livestock was undergoing testing.

ii) Enhancements on ASYCUDAWorld

- a) integrated Border Declaration Form was enhanced to provide for mandatory attachments of documents such as insurance, identity for drivers and motor vehicles;
- b) enhanced activity logging on ASYCUDAWorld to protect against vulnerabilities on the older versions of Application Programming Interfaces (API's);

- c) implemented enhancements on ASYCUDAWorld to validate input of the chassis and engine number for Motor Vehicle Declaration Form;
- d) an interface was developed to receive approved electronic Rules of Origin certificates on ASYCUDAWorld for Eswatini to expedite processing of customs declarations;
- e) a functionality was developed to enable ASYCUDAWorld to accept additional payments on an entry;
- f) interfaced ASYCUDAWorld with TaxOnline II for purposes of Advance Income Tax (AIT) administration; and
- g) developed the Customs-to-Customs electronic data exchange between Zambia and Botswana with enhanced features such as the Unique Consignment Reference (UCR).

Enhancements on the Mineral Output Statistical Evaluation System

- a) developed a mining streams feature for reporting base metal production;
- b) commenced the development of an application process module for non-mining institution licenses e.g. universities;
- c) commenced the development of a reporting module for production of non-metals such as gemstones and the export module; and
- d) commenced the development of a functionality for the waiver of penalties charged on late submission of production reports.

⁴ Includes payments via the Real Time Gross Settlement (RTGS) system of K43,490.3 million in 2022 and K43,343.3 million in 2021.

E-Payment Platform

The number of commercial banks connected to TaxOnline II and ASYCUDAWorld remained at 18. Of these, 11 extended their e-payment platforms to non-account holders (see Table 11).

Table 11: Banks connected with ZRA e-Payment Platforms in 2022

List of banks with e-payment extended to both account and non-account holders	List of banks with e-payment available only to account holders
Access Bank	Bank of China
Atlas Mara Bank	Citi Bank
Absa Bank	First Alliance Bank
Cavmont Bank	First Capital Bank
EcoBank	First National Bank
Indo-Zambia Bank	Standard Chartered Bank
Investrust Bank	Zambia Industrial Commercial Bank
Natsave	
Stanbic Bank	
United Bank for Africa	
Zanaco	

Through partnerships with service providers, the Authority continued to offer multiple payment options for taxpayers including Unstructured Supplementary Service Data (USSD) mobile tax payment platform, online banking platforms, Point-of-Sale machines and other similar payment platforms.

Modernisation of Trade Logistics

The Authority undertook the following initiatives in 2022 to facilitate legitimate international trade and modernise trade logistics:

- implemented phase II of the customs systems interconnectivity and electronic data exchange between ZRA and Botswana Unified Revenue Services;
- interfaced ASYCUDAWorld, the Zambia Police (Interpol) and the RTSA System on the Government Service Bus (GSB);
- added 20 Government ministries to the electronic Voucher of Exemption and one Government ministry on the Single Payment Point, bringing the total number of entities connected to the Zambia Electronic Single Window to 65;
- upgraded ASYCUDAWorld to unlock more functionalities;
- operationalised the Mwami-Mchinji OSBP; and
- piloted the electronic Certificate of Origin with Eswatini.

Stakeholder Relations

Cooperating Partner Relations

In 2022, the Authority continued to partner with a number of stakeholders to improve service delivery in different areas of its operations. Among the partners engaged were the following:

Deutsche Gesellschaft für International Zusammenarbeit (GIZ)

The Authority received support towards modernisation initiatives aimed at improving operational efficiency and enhancing compliance as part of the GIZ funded Good Financial Governance Programme. Projects supported were:

- the Bulk Intelligence Data Analytics (BIDA);
- development of the domestic taxes and customs payment platform on TaxOnPhone;
- capacity building for auditors in the Large and Specialised Taxpayer Office;
- enhancements on the TaxOnApp platform;
- procurement of Mobile Tax Offices; and
- development of the Atingi e-learning platform.

To enhance domestic resource mobilisation, GIZ provided technical support to the Ministry of Finance and ZRA in tax policy formulation and revenue forecasting in the development of the 2023-2025 Government Revenue Action Plan.

Common Market for Eastern and Southern Africa (COMESA)

The Authority continued to work with COMESA in building capacity through the European Development Fund (EDF-11) project for identified stakeholders following the upgrade of ASYCUDAWorld. Under this project, ICT equipment for the Mwami-Mchinji OSBP was procured.

United States Agency for International Development (USAID)

The Authority continued to receive support from the United

States Agency for International Development (USAID) under the Revenue for Growth programme in the following areas:

- a) optimisation of audit processes for Indirect Taxes and Excise;
- b) capacity building in debt management;
- c) tax gap studies;
- d) review and optimisation of the performance management process;
- e) review and optimisation of the operating model of the Authority; and
- f) strengthening project management/delivery.

African Development Bank

The African Development Bank continued to support the Authority through the Lobito Corridor Trade Facilitation Project by supporting the training of customs officers on ASYCUDAWorld enhancements and the procurement of software licences. By year end, 68 officers were trained.

African Tax Administration Forum and Organization for Economic Cooperation and Development

The Authority continued to partner with the African Tax Administration Forum (ATAF) in its efforts to advance good tax administration practices. In this regard, the Authority benefited from training in revenue forecasting and analysis, and attended a workshop on challenges and opportunities arising from digitalisation, which was co-hosted with the Organization for Economic Cooperation and Development (OECD) and a tax research masterclass in partnership with UNU-WIDER.

ZRA participated in ATAF's 7th African Tax Research Network (ATRN) Annual Congress which was held in Ghana. The Congress deliberated on the tax and revenue implications of the African Continental Free Trade Agreement. The Authority also attended the Heads of Tax Administrations Master Class which provided a platform for sharing knowledge and experiences on matters of tax administration.

The OECD through its technical assistance programmes continued providing support to the Authority in transfer pricing audits, taxation of the digital economy, and audit techniques for the telecommunication and financial sectors.

Local Partners

The Authority continued to collaborate with different local stakeholders to ensure effective execution of its mandate. Stakeholders interacted with included; the Smart Zambia Institute, the Road Transport and Safety Agency, the Zambia Police (Interpol), Department of Immigration, the Patents and Companies Registration Agency, the National Road Fund

Agency, the Zambia Statistics Agency, the Financial Intelligence Centre, the Anti-Corruption Commission, the Drug Enforcement Commission, the Bank of Zambia, and local authorities.

Through the Zambia Electronic Single Window, the Authority worked closely with the Ministries of Agriculture, and Fisheries and Livestock to develop their permit modules. The ZESW remains an important element of facilitating trade by enhancing efficiencies among Government players in the licensing, permits and payments value chain.

Corporate Social Responsibility

In 2022, the Authority spent K557,943 on various Corporate Social Responsibility programmes compared to K856,964 in 2021. As part of the Corporate Social Responsibility initiative, the Authority donated 150 school desks to Sitoya Combined School in Western Province and 30 motor vehicles to various Government institutions.

In addition, the Authority made donations of clothes, mattresses, assorted food stuffs, assorted furniture, kitchenware and appliances, bins and cleaning detergents to the following beneficiaries:

- a) the Disaster Management and Mitigation Unit;
- b) the University Teaching Hospital School for Children with Special Needs;
- c) the Zambia Correctional Services;
- d) Merciful Beginnings Orphanage of Lusaka; and
- e) Bishop Dennis De Jong Skills and Nutritional Centre in Chililabombwe.

Further, to promote culture and tradition, the Authority supported 6 traditional ceremonies.





OPERATIONAL PERFORMANCE OF THE AUTHORITY

Tax Policy Support

Tax Policy Review Committee

The Authority in 2022 actively participated in the activities of the Tax Policy Review Committee, which is an inter-ministerial committee constituted by the Ministry of Finance and National Planning to review and recommend tax and non-tax measures for inclusion in the National Budget. The presence of the Authority on the committee is important as it shares joint stewardship of the tax system with the Treasury, and ensures that tax policy design has regard to the sustainability of the tax revenue stream.

In this regard, the Authority provided technical expertise on tax in general, tariff classification and policy design. Further, the Authority provided policy and administrative proposals together with their attendant revenue impact, initiated draft legislative amendments and participated in the drafting of the 2023 National Budget Address.

Provision of Revenue Statistics and Information

Being the primary producer of tax and trade statistics in the country, the Authority is mandated to provide statistics to the Government and other users. The statistics are vital in decision-making processes as decision makers need data and evidence to develop, change, and evaluate policy. Furthermore, the increased uptake of tax administrative data for research purposes has placed the Authority at the forefront of research for development. The Authority undertook measures to enhance data integrity. In this regard, a data governance framework was developed that, among others, strengthened measures to preserve confidentiality as required by the law.

In order to keep the public informed about its performance, the Authority produced its 2021 Annual Report detailing its operational and financial performance. The 2021 Tax Statistics bulletin was also produced which provides a detailed trend of tax and revenue statistics.

Further, the Authority provided administrative data to among others; the Bank of Zambia to support the e-Balance of Payment project; the Zambia Statistics Agency in the generation of national accounts; the UNU-WIDER and USAID to aid tax gap studies; universities and students to facilitate research as well as to the IMF.

Budget Legislation

Following the presentation of the 2023 National Budget on 30th September, 2022 by the Minister of Finance and National Planning, the Authority was requested by Parliament to submit a memorandum on the ramifications of the tax measures contained in the Budget.

The Authority submitted a memorandum to, and appeared before the Planning and Budgeting Committee to orally brief the Committee on the proposed Income Tax (Amendment) Bill, N.A.B No. 26 of 2022; the Customs and Excise (Amendment) Bill, N.A.B No. 27 of 2022; the Value Added Tax (Amendment) Bill, N.A.B No. 28 of 2022; and the Property Transfer Tax (Amendment) Bill, N.A.B No.29 of 2022.

The Authority also submitted a memorandum to, and appeared before the Committee on National Economy, Trade and Labour Matters that was considering the Mines and Minerals Development (Amendment) Bill, N.A.B No. 31 of 2022.

The Authority also actively participated in the 2023 Post-Budget seminars organised by the Ministry of Finance and National Planning which were held in different parts of the country. Further, the Authority held other budget engagements with various stakeholders and professional bodies to explain the implications of the proposed measures on tax administration. The bodies engaged included accounting firms, the Zambia Institute of Chartered Accountants (ZICA) and business associations. As part of the wider taxpayer education programme, the Authority produced the 2023 Budget Highlights pamphlets and other tax literature which were distributed during these interactions and published on the ZRA website together with the 2023 Budget Address.

Our customer service centres and the national call centre also provided information to walk-in and phone-in clients, respectively on the Budget pronouncements.

Ministerial and Parliamentary Services

The Authority continued to collaborate with Government ministries and agencies as well as with the National Assembly to ensure effective execution of their respective mandates. The Authority provided responses to several data and information requests from different ministries and agencies. Notable engagements were with the Ministry of Finance and National Planning to whom tax policy advice and revenue performance reports were regularly submitted and with the Competition and Consumer Protection Commission to whom tax compliance reports were provided to facilitate mergers and acquisitions.

To enable Parliament effectively and efficiently carry out its legislative and oversight function, the Authority engaged a number of parliamentary committees to respond to queries about our administration of the tax system and other matters of interest to them. In this regard, the Authority submitted 10 written memoranda to 10 different committees on various matters. The Authority also made physical and virtual appearances before the committees. The parliamentary committees engaged in 2022 were: the Committee on National Guidance and Gender Matters; the Committee on Media, Information and Communication Technologies; the Committee on Health, Community Development and Social Services; the Committee on National Economy, Trade and Labour; the Committee on Delegated Affairs; the Committee on Local Government, Housing and Chiefs' Affairs; the Public Accounts Committee; the Planning and Budgeting Committee; the Expanded Planning and Budgeting Committee; and the Expanded Budget Committee.



Trends in Domestic and Global Economic Indicators



Trends in Domestic and Global Economic Indicators

This section provides an overview on the performance of the global and domestic economy in 2022 as well as developments in selected macroeconomic indicators which impacted tax revenue performance.

The Global Economy in 2022

In 2022, global economic growth was recorded at 3.4 percent⁵ compared to a growth of 6.0 percent⁶ posted in 2021. Global economic growth was hampered by the sustained rise in food and energy prices emanating from supply bottlenecks occasioned by the Russia-Ukraine war, and continued disruptions caused by the COVID-19 pandemic. Notably, the price of oil on the international markets increased by 33.3 percent to an average of US\$91.7 per barrel in 2022 from an average of US\$68.8 per barrel in 2021, thereby, increasing the cost of doing business. Other global macroeconomic variables such as inflation, interest rates, and international reserves were equally negatively affected.

The Domestic Economy in 2022

Zambia recorded a real GDP growth rate of 4.7 percent in 2022 compared to the growth rate of 4.6 percent recorded in 2021. The Domestic economy recorded growth in 2022 despite relatively

low copper prices on the global market which traded below US\$8,000 per metric tonne from July to October 2022. This was exacerbated by lower than projected copper production and increased oil prices on the international markets. Copper production in 2022 stood at 763,287 metric tonnes compared to 800,696 metric tonnes in 2021.

The major contributors to real GDP remained relatively the same between 2021 and 2022. In 2022, the largest contributors to real GDP were the wholesale and retail trade, construction, and mining and quarrying sectors with respective shares of 18.0 percent, 9.6 percent, and 9.1 percent. The least contribution was recorded from the water supply and arts sectors, with each of the two sectors contributing 0.3 percent to real GDP (see Table 12).

Despite the notable contribution of the construction; education; and agriculture, forestry and fishing sectors to GDP, their contribution to gross revenue was consistently low in 2022 and 2021. This is consistent with the nature of players that dominate these sectors i.e. Government in the case of construction and education, while the agricultural sector enjoys a favourable tax regime and is also dominated by small-scale farmers whose tax contribution is low.



⁵ IMF World Economic Outlook 2022

⁶ IMF World Economic Outlook 2021

Table 12: Growth and Share of Real GDP in 2022 and 2021⁷

Economic Activity (Sector)	Real Growth		Percentage Share of Real GDP		Gross Revenue Contribution by Sector	
	2022	2021	2022	2021	2022	2021
Wholesale and retail trade; repair of motor vehicles and motorcycles	-0.6%	-0.4%	18.0%	18.5%	14.0%	11.3%
Construction	-1.2%	0.9%	9.6%	10.8%	1.7%	2.1%
Mining and quarrying	-0.9%	-1.2%	9.1%	10.0%	38.4%	46.2%
Manufacturing	0.0%	0.0%	8.4%	8.4%	10.0%	8.6%
Education	1.5%	-0.3%	7.7%	6.2%	1.8%	1.5%
Information and communication	0.7%	0.9%	7.6%	7.0%	3.6%	2.9%
Agriculture, forestry and fishing	-0.5%	0.2%	7.2%	7.7%	1.4%	1.4%
Transportation and storage	0.9%	0.2%	5.1%	4.2%	2.0%	2.2%
Financial and insurance services	-0.2%	0.1%	4.8%	5.0%	6.3%	4.8%
Public administration and defense; compulsory social security	0.0%	-0.2%	4.5%	4.4%	5.8%	5.1%
Real estate activities	0.0%	0.0%	3.6%	3.6%	0.4%	0.4%
Professional, scientific and technical activities	0.2%	0.0%	2.1%	1.9%	2.2%	2.5%
Electricity, gas, steam and air conditioning supply	0.1%	0.1%	1.9%	1.8%	2.9%	2.3%
Accommodation and food service activities	0.2%	0.0%	1.8%	1.5%	0.5%	0.4%
Human health and social work activities	0.0%	0.0%	1.8%	1.8%	0.4%	0.4%
Administrative and support service activities	-0.1%	0.0%	0.9%	1.0%	3.6%	3.0%
Other service activities	-0.1%	0.0%	0.7%	0.8%	2.7%	3.1%
Water supply; sewerage, waste management and remediation activities	0.0%	0.0%	0.3%	0.2%	0.1%	0.1%
Arts, entertainment and recreation	0.1%	0.0%	0.3%	0.1%	0.3%	0.2%
Real GDP Growth Rate			4.7%	4.6%	100.0%	100.0%

Source: ZAMSTATS

In the period 2021-2022, among the sectors which recorded positive growth rates, the education sector recorded the highest growth rate of 1.5 percent. This was followed by the transport and storage, and the information and communication sectors with real growth rates of 0.9 percent and 0.7 percent, respectively. On the other hand, the construction sector posted the heaviest contraction of 1.2 percent. Further, the mining and quarrying, and the wholesale and retail trade sectors contracted by 0.9 percent and 0.6 percent, respectively (see Table 12).

Inflation

The average annual rate of inflation as measured by the all items Consumer Price Index (CPI) reduced to 11.1 percent in 2022 from 22.1 percent in 2021. This was on account of a slowdown

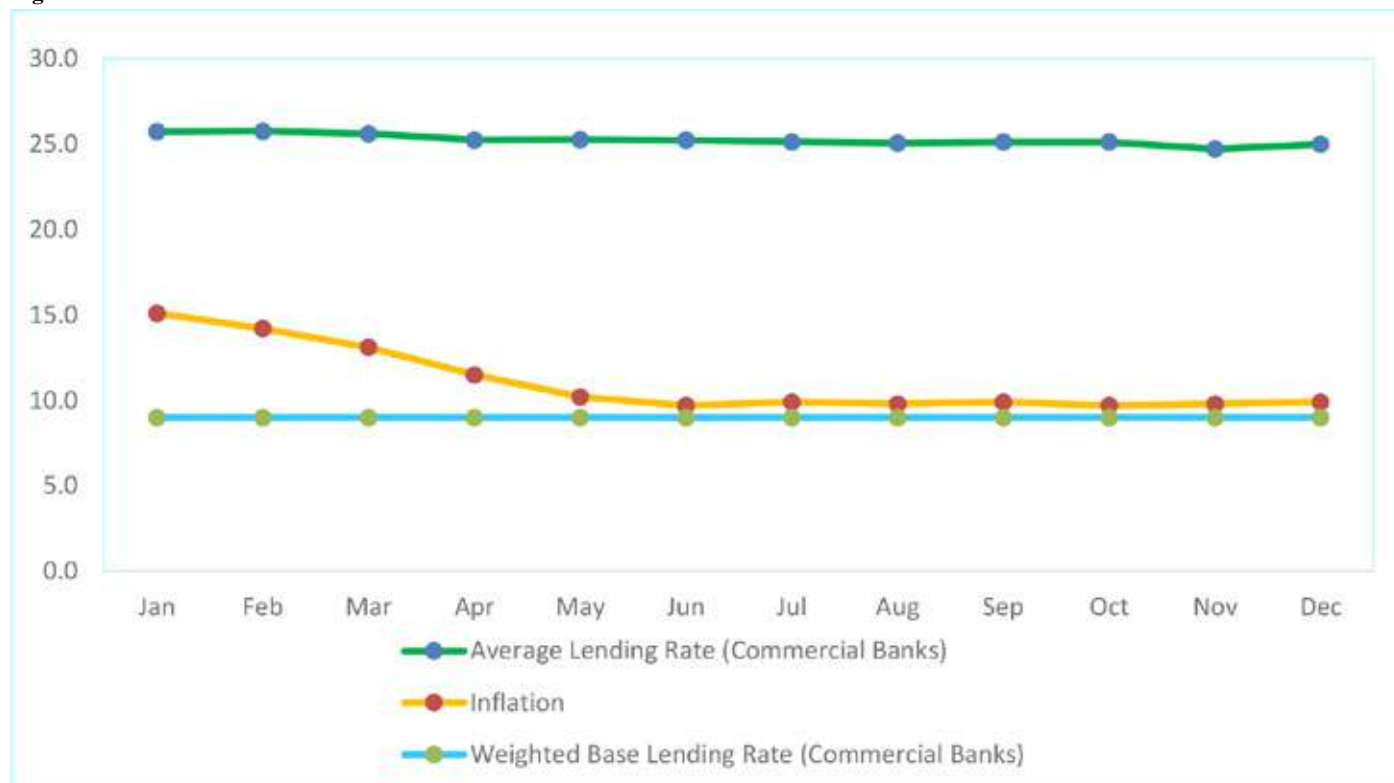
in price increases for both food and non-food items, supported by the strengthening of the Kwacha exchange rate against major trading currencies. As depicted in Figure 4, June and October 2022, recorded the lowest annual inflation rate of 9.7 percent, while January recorded the highest annual inflation rate of 15.1 percent.

Interest Rates

The Bank of Zambia raised the Monetary Policy Rate to 9.0 percent in 2022 from an average of 8.5 percent in 2021 to steer inflation to within the target range of 6-8 percent. On the other hand, the average commercial bank lending rate reduced to 25.2 percent from 25.7 percent recorded in 2021 (see Figure 4).

⁷ The 2022 computations are based on the preliminary GDP estimates while the 2021 computations are based on the finalized GDP estimates.

Figure 4: Inflation and Interest Rates in 2022



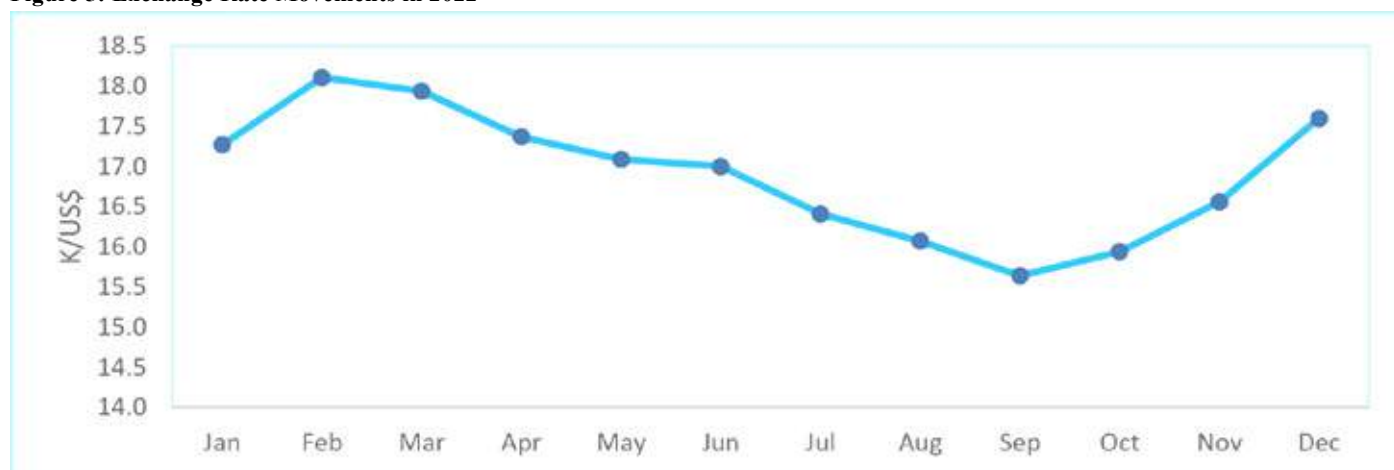
Source: BoZ

Exchange Rate

The average monthly Kwacha exchange rate against the US Dollar appreciated to K16.9 per US Dollar in 2022 compared to K19.9 per US Dollar in 2021. The appreciation of the Kwacha against major convertible currencies from February to September 2022, can partly be attributed to increased investor confidence

following approval of an IMF Extended Credit Facility for Zambia of US\$1.3 billion and debt restructuring engagements with the country's creditors. However, the Kwacha in the last quarter depreciated due to increased demand for the US Dollar amid a drop on the supply side (see Figure 5).

Figure 5: Exchange Rate Movements in 2022



Source: BoZ

Commodity Prices

The average LME price of copper reduced to US\$8,813.0 per metric tonne in 2022, from an average of US\$9,301.2 per metric tonne in 2021. This could be attributed to a slowdown in economic activity in China as a consequence of the resurgence of COVID-19. On the contrary, the average price of cobalt increased by 25.5 percent to US\$63,303.8 per metric tonne in 2022 from US\$50,445.0 per metric tonne posted in 2021.

The increase in cobalt prices was spurred by increased manufacturing of electric vehicles in developed countries.

Similarly, a 33.3 percent increase was recorded in the average price of crude oil on the global market to US\$91.7 per barrel in 2022 from US\$68.8 per barrel in 2021 (see Table 13).

Table 13: Commodity Prices in 2022 and 2021

	Copper USS per metric tonne		Cobalt USS per metric tonne		Crude oil USS per barrel	
	2022	2021	2022	2021	2022	2021
Average	8,813.0	9,301.2	63,303.8	50,445.0	91.7	68.8
High	10,674.0	10,636.0	82,840.0	63,145.0	116.6	79.6
Low	7,170.0	7,777.0	46,955.0	41,250.0	70.4	30.3

Source: BoZ

The average price of cobalt steadily declined between April and August and remained relatively low for the rest of the year. Copper prices were generally constant throughout the year although

slightly higher in the first half. The monthly trend in copper and cobalt prices in 2022 is shown in Figure 6.

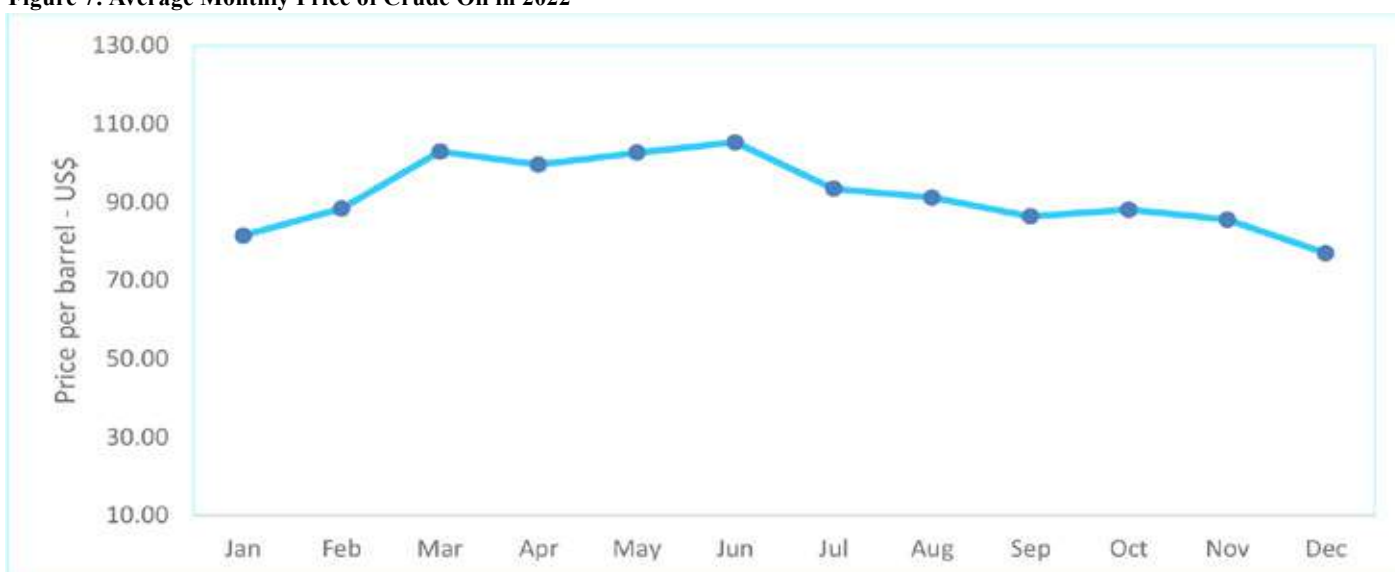
Figure 6: Average Monthly Prices of Copper and Cobalt in 2022



Source: BoZ

The global price of crude oil fluctuated in the first half of the year and exhibited a downward trend in the second half (see Figure 7).

Figure 7: Average Monthly Price of Crude Oil in 2022



Source: BoZ

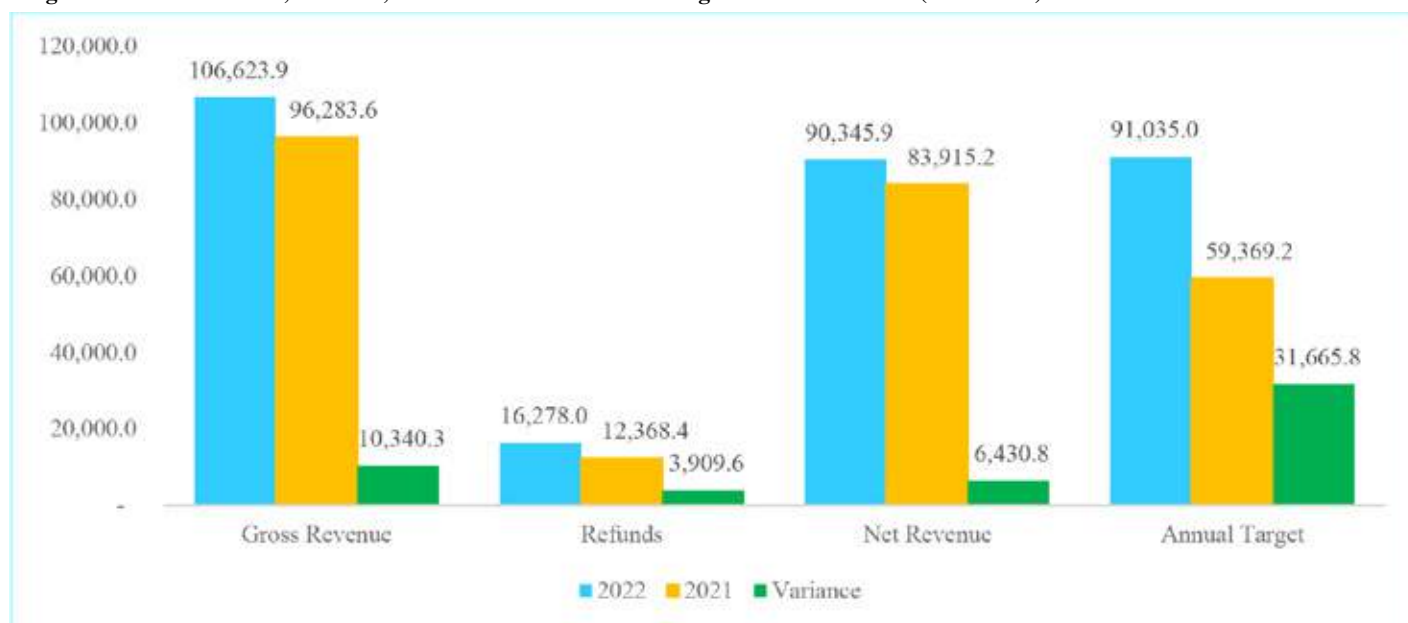
Review of Revenue Performance

Revenue Performance in 2022

The Authority collected K106,623.9 million in gross tax revenue and paid K16,278.0 million in refunds, resulting in a net collection of K90,345.9 million. This collection was K689.1 million or 0.8 percent below the annual target of K91,035.0 million. Relative to 2021, gross collections, refunds and net revenue grew by 10.7

percent, 31.6 percent and 7.7 percent from K96,283.6 million, K12,368.9 million and K83,915.6 million, respectively. Further, the revenue target increased by 53.3 percent to K91,035.0 million in 2022 from K59,369.2 million in 2021 (see Figure 8).

Figure 8: Gross Revenue, Refunds, Net Revenue and Annual Target in 2022 and 2021 (K' Million)



Regarding revenue performance by division, the Direct Taxes Division collected K58,581.8 million, surpassing its target by K3,267.6 million or 5.9 percent. The surplus was attributed to favourable performance of Company Income Tax, PAYE, and Withholding Taxes, which were above their respective targets by K4,718.2 million, K842.6 million, and K216.5 million.

The Indirect Taxes and Excise Division collected K25,347.4 million and refunded a total of K16,146.2 million, resulting in a net outturn of K9,201.2 million which was below the target by K2,971.0 million or 24.4 percent. All tax types under the division recorded deficits except Tourism Levy.

The Customs Services Division's net collections of K22,562.9 million, were below target by K985.7 million or 4.2 percent. The deficit was mainly due to the underperformance of Customs Duty, Export Duty, Import Fuel Levy, and Carbon Tax by 13.9 percent, 23.2 percent, 65.8 percent, and 77.1 percent, respectively. On the contrary, Import VAT, Import Excise Duties, and Motor Vehicle Fees exceeded their targets by 4.6 percent, 25.3 percent, and 89.0 percent, respectively.

The revenue performance by tax type in 2022 is presented in Table 14.



Truck yard at Kasumbalesa Border Post

Table 14: Revenue Performance by Tax Type in 2022 (K' Million)

Tax Type	Gross Revenue	Refunds	Actual Outturn	Target	Variance	Percentage Variance	Revenue to GDP ⁸ Ratio
Total Revenue	106,623.9	16,278.0	90,345.9	91,035.0	-689.1	-0.8%	17.9%
Tax Revenue	106,215.4	16,278.0	89,937.4	90,739.9	-802.5	-0.9%	17.8%
Non-Tax Revenue	408.6	-	408.6	295.1	113.4	38.4%	0.1%
I. Domestic Taxes Division	84,022.1	16,239.0	67,783.1	67,486.5	296.6	0.4%	13.4%
A. Direct Taxes	58,674.6	92.8	58,581.8	55,314.2	3,267.6	5.9%	11.6%
1. Company Tax	21,049.0	46.6	21,002.4	16,284.2	4,718.2	29.0%	4.2%
<i>Mining</i>	12,211.4	-	12,211.4	10,928.4	1,283.0	11.7%	2.4%
<i>Non-Mining</i>	8,837.6	46.6	8,791.0	5,355.9	3,435.1	64.1%	1.7%
2. PAYE	18,145.3	43.8	18,101.5	17,258.9	842.6	4.9%	3.6%
3. Withholding Tax & Others	8,553.7	1.7	8,552.0	8,335.5	216.5	2.6%	1.7%
Rental Income Tax	254.3	-	254.3	396.8	-142.5	-35.9%	0.1%
4. Mineral Royalty Tax	10,446.0	0.7	10,445.3	12,839.0	-2,393.7	-18.6%	2.1%
5. Skills Dev. Levy	226.3	-	226.3	199.8	26.5	13.3%	0.0%
B. Indirect Taxes	25,347.4	16,146.2	9,201.2	12,172.2	-2,971.0	-24.4%	1.8%
1. Local Excise Duties	2,650.7	-	2,650.7	2,748.2	-97.6	-3.6%	0.5%
2. Local Excise-Cement	59.3	-	59.3	88.0	-28.6	-32.5%	0.0%
3. Rural Electrification Levy	328.8	-	328.8	362.2	-33.4	-9.2%	0.1%
4. Local Fuel Levy	2.0	-	2.0	41.9	-39.9	-95.2%	0.0%
5. Insurance Premium Levy	235.3	-	235.3	265.7	-30.4	-11.4%	0.0%
6. Tourism Levy	35.4	-	35.4	17.7	17.8	100.6%	0.0%
7. VAT on Domestic Goods	22,035.9	16,146.2	5,889.7	8,648.5	-2,758.9	-31.9%	1.2%
2. Customs Services Division	22,601.9	39.0	22,562.9	23,548.6	-985.7	-4.2%	4.5%
1. VAT on Imports	14,690.5	-	14,690.5	14,038.0	652.5	4.6%	2.9%
2. Customs Duty (Import tariff)	5,513.1	39.0	5,474.1	6,355.1	-881.0	-13.9%	1.1%
3. Export duties; o/w	102.6	-	102.6	133.6	-31.0	-23.2%	0.0%
<i>Export Duty on Maize</i>	-	-	-	-	-	0.0%	0.0%
<i>Export Duty on Timber</i>	46.7	-	46.7	-	46.7	0.0%	0.0%
<i>Export Duty on Concentrates</i>	55.9	-	55.9	133.6	-77.7	-58.1%	0.0%
4. Import Excise Duties	1,634.5	-	1,634.5	1,304.0	330.5	25.3%	0.3%
5. Import Fuel Levy	419.1	-	419.1	1,225.3	-806.2	-65.8%	0.1%
6. Carbon Tax	95.2	-	95.2	414.8	-319.6	-77.1%	0.0%
7. Motor Vehicle Fees	146.8	-	146.8	77.7	69.1	89.0%	0.0%

Net collections from both the Direct Taxes, and Customs Services Divisions increased by 6.3 percent to K58,581.8 million from K55,121.5 million and 16.4 percent to K22,562.9 million from K19,380.0 million in 2021, respectively. However, net revenue

collections from the Indirect Taxes and Excise Division declined by 2.3 percent to K9,201.2 million from K9,413.7 million in 2021 (see Table 15).

⁸ Based on the preliminary GDP estimate for 2022 of K504,477.0 million.

Table 15: Revenue Performance by Division in 2022 and 2021

Division	2022	2021	Variance	% Variance
Direct Taxes	58,581.8	55,121.5	3,460.3	6.3%
Indirect Taxes and Excise	9,201.2	9,413.7	- 212.5	-2.3%
Customs Services	22,562.9	19,380.0	3,182.9	16.4%
Total	90,345.9	83,915.2	6,430.8	7.7%

Collections under direct taxes were higher due to increased profitability of major taxpayers, and collections from the Tax Amnesty Programme, while customs taxes were boosted by Import VAT and Import Excise Duties following the reinstatement

of taxes and duties on fuel. In contrast, indirect taxes and excise collections were negatively affected by the suspension of VAT and Excise Duty on fuel and increased refunds in 2022 relative to 2021.

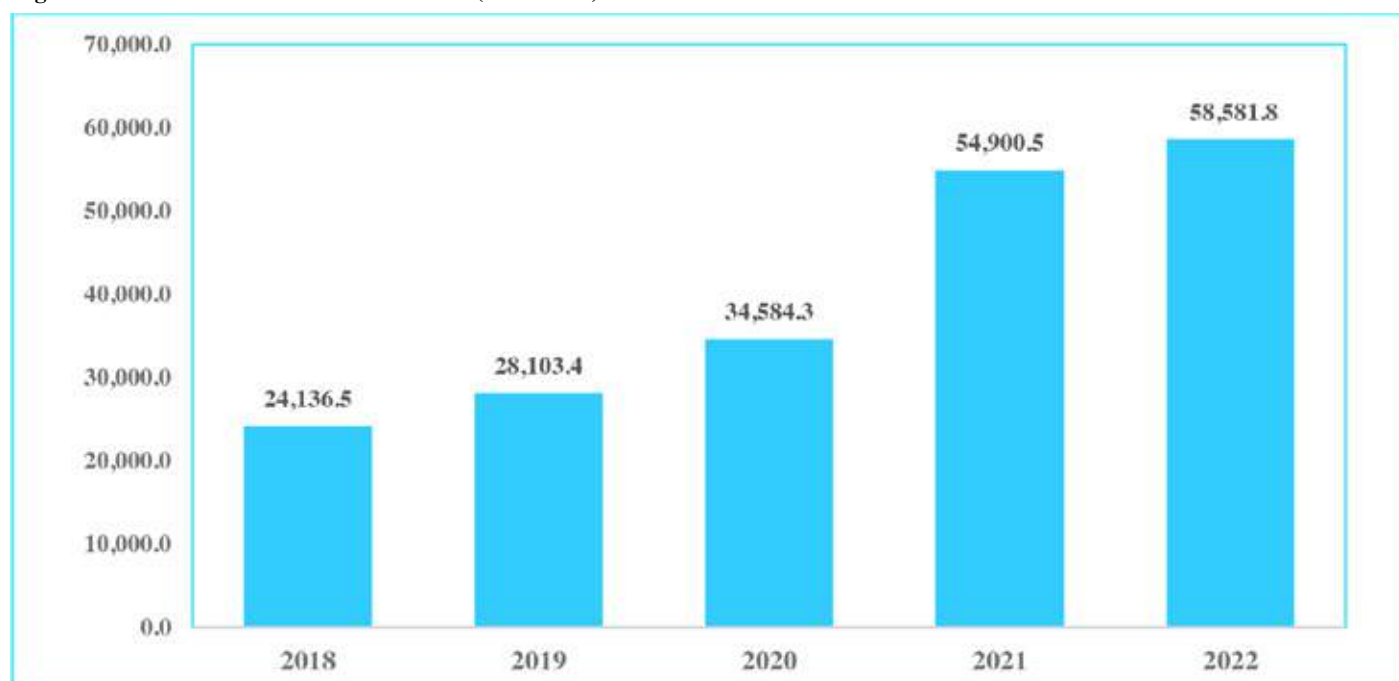
Factors underlying Revenue Performance in 2022

Direct Taxes

In 2022, direct tax collections increased by 6.7 percent relative to the 2021 level. The increase in revenue was mainly attributed to strong performance of all the direct tax types which were above their relative 2021 collections except for mining Company Income Tax and Mineral Royalty, which were below their relative 2021 collections by K518.6 million or 4.1 percent and K1,971.3 million or 15.9 percent, respectively. The increase in non-mining Company Income Tax was largely on account of increased profitability among major taxpayers, particularly, the banking sector. This was further augmented by collections from the Tax Amnesty Programme.

In contrast, the reduction in mining Company Income Tax and Mineral Royalty was due to reduced copper production by some major mines, low grade of copper ore and capital investment constraints, coupled with declining copper prices on the international market and the steep appreciation of the Kwacha against the US Dollar for most of the year. These factors led to a decrease in the declared tax liabilities, resulting in lower revenue collections for the respective mining tax types (see Figure 9).

Figure 9: Trend in Direct Taxes 2018 – 2022 (K' Million)

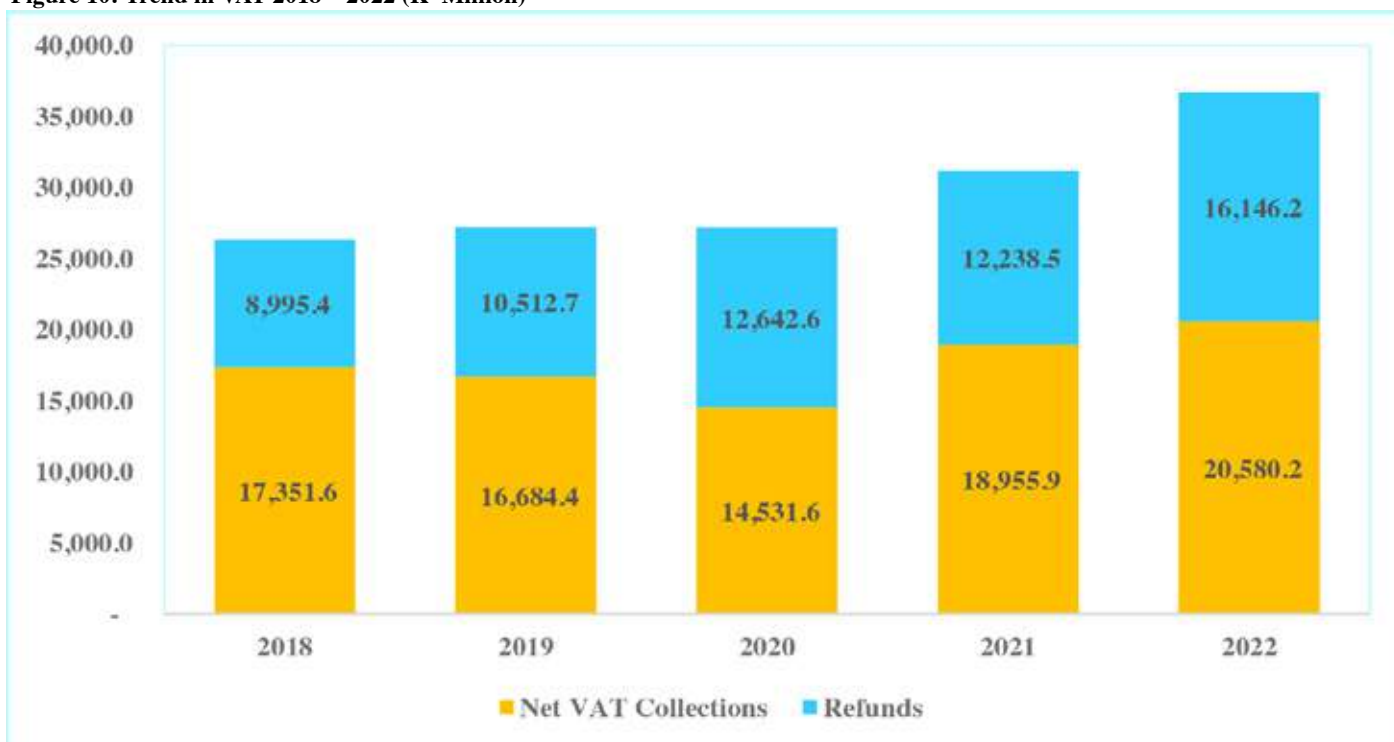


Value Added Tax

During the period under review, the gross VAT collections (Domestic and Import) were K36,726.4 million, while refunds stood at K16,146.2 million, resulting in a net collection of K20,580.2 million. Import VAT recorded a surplus of K652.5 million, while domestic VAT posted a deficit of K2,758.9 million. The positive performance of Import VAT was due to increased collections from imports of petrol and diesel following the reinstatement of VAT

on the products. In addition, there were increased collections from an upsurge in imports of copper concentrates. In contrast, the negative performance of domestic VAT was caused by low payment compliance by withholding VAT agents and increased refund payments. The average refund payments per month were K1,345.5 million, which was higher than the monthly average of K1,053.6 million recorded in 2021 (see Figure 10).

Figure 10: Trend in VAT 2018 – 2022 (K' Million)



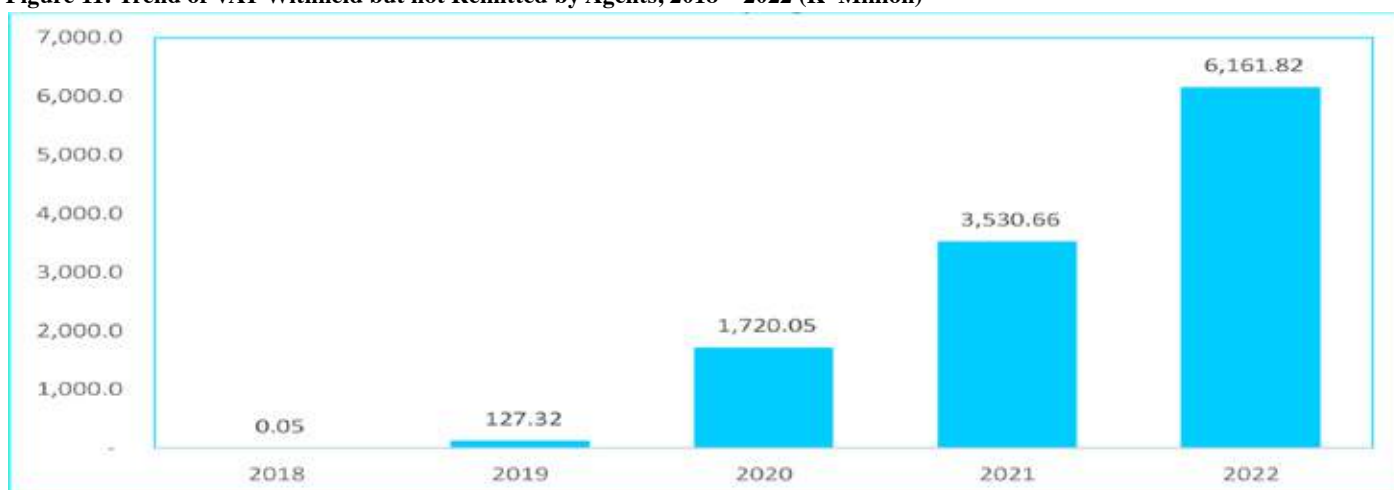
During the year, the Authority continued to use the withholding VAT mechanism to foster compliance amongst suppliers that charge VAT on their supplies but do not comply with their tax obligations. Since 2020, there has been reduced compliance amongst withholding agents with regard to remittance of withheld VAT. To mitigate these challenges, the Authority has implemented a number of initiatives which include debt swaps, increased refund payments and a comprehensive review of the

withholding VAT mechanism.

As at end 2022, the stock of withholding VAT arrears stood at K13,035.5 million compared to K6,202.3 million in 2021, representing a 110.2 percent increase.

Figure 11 illustrates the trend of withholding VAT compliance amongst appointed agents between 2018 and 2022.

Figure 11: Trend of VAT Withheld but not Remitted by Agents, 2018 – 2022 (K' Million)

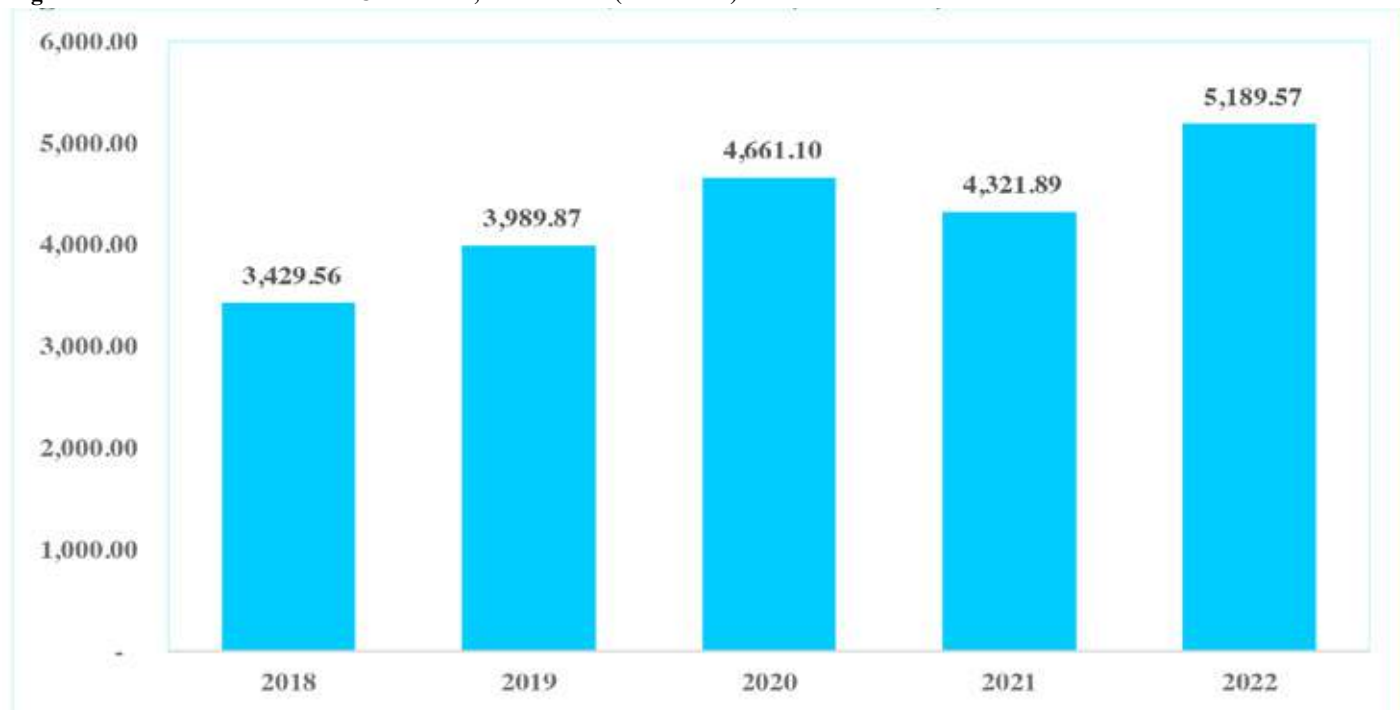


Excise Duties

Excise Duty collections in 2022 increased by 20.1 percent to K5,189.6 million compared to K4,321.9 million in 2021. Despite the increase, the collections were below target by K994.9 million. The lower-than-projected collections were mainly due to the

suspension of Excise Duty on fuel as well as reduced volumes of fuel importations by some Oil Marketing Companies (see Figure 12).

Figure 12: Trend in Excise Taxes Collections, 2018 – 2022 (K' Million)

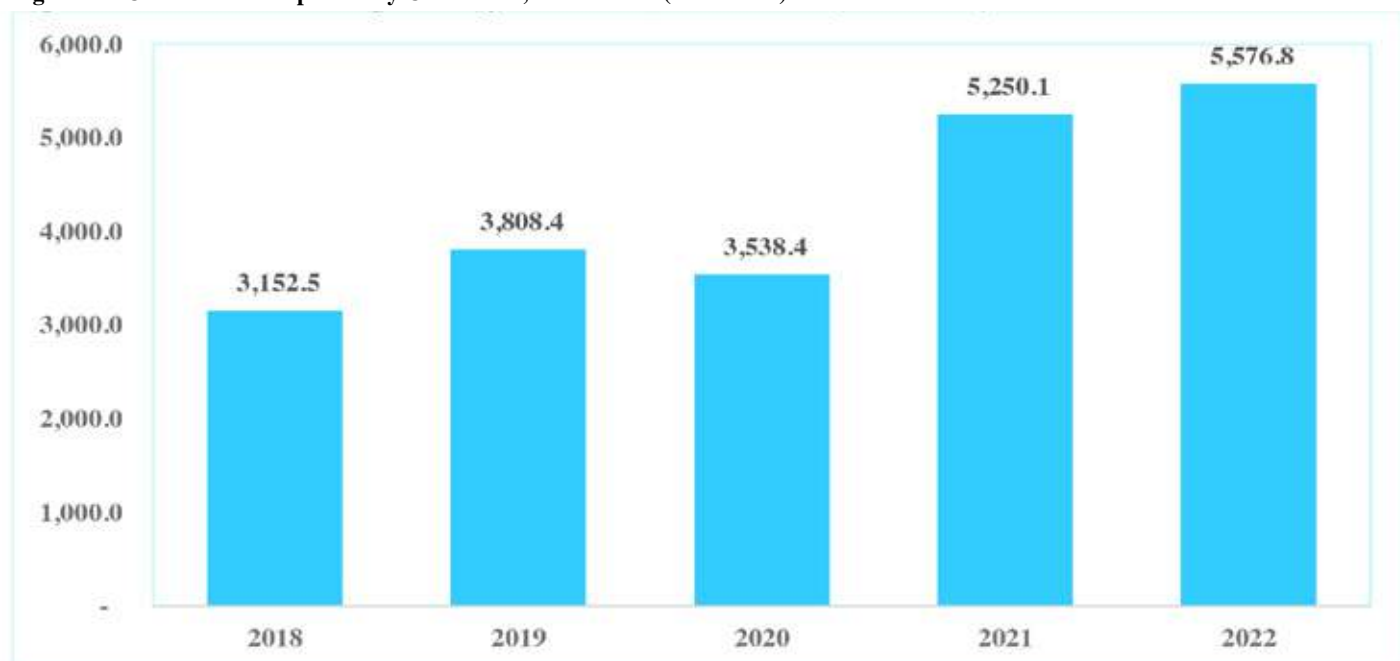


Customs and Export Duties

Customs and Export Duty collections increased by 6.2 percent to K5,576.8 in 2022 compared to K5,250.1 in 2021. This was mainly driven by a 44.7 percent increase in taxable value for duty purposes. The collections were however below the annual targets

by 13.9 percent and 23.2 percent for Customs and Export Duties, respectively. The shortfall in revenue can be attributed to the implementation of various tax concessions and the exemption of export duties on precious metals (see Figure 13).

Figure 13: Customs and Export Duty Collections, 2018 – 2022 (K' Million)

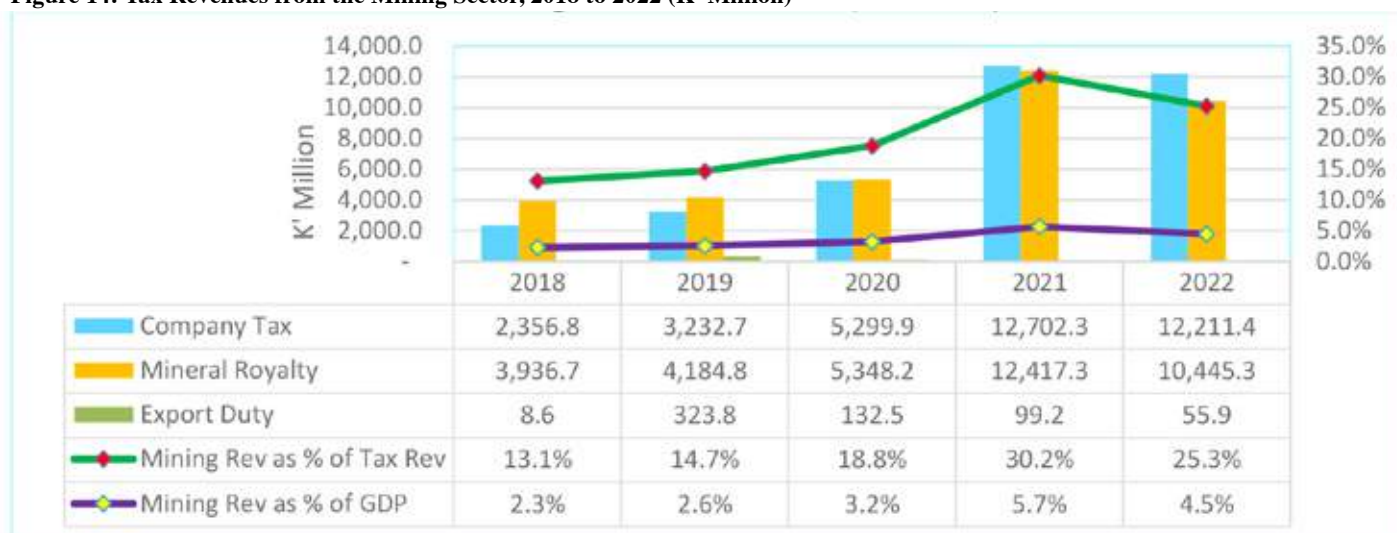


Performance of Mining Sector Taxes

The core⁹ mining tax payments contributed 25.3 percent to total revenue in 2022, a decline from 30.2 percent in 2021. Mining Company Income Tax was the largest contributor to mining revenue at 53.8 percent, followed by Mineral Royalty at 46.0

percent, while Export Duty accounted for 0.2 percent. The core mining taxes' contribution to total GDP reduced to 4.5 percent in 2022 from 5.7 percent in 2021 (see Figure 14).

Figure 14: Tax Revenues from the Mining Sector, 2018 to 2022 (K' Million)



Ranking Analysis of Tax Type Contribution to Total Revenue

The tax type that contributed the most to total revenue was PAYE at 20.0 percent, followed by Import VAT at 16.3 percent, and Mining Company Tax at 13.5 percent. Mineral Royalty ranked fourth contributing 11.6 percent to total revenue, while non-mining

Company Income Tax and Withholding Tax followed with respective contributions of 9.7 percent and 9.5 percent. Tourism Levy and Local Fuel Levy contributed the least (see Table 16).

Table 16: Tax Type Contribution to Total Revenue 2022 vs 2021

Rank	Tax Type	Contribution to Total Revenue in 2022	Actual 2022	Actual 2021	Variance	% Variance
1	PAYE	20.0%	18,101.5	14,971.7	3,129.8	20.9%
2	VAT on Imports	16.3%	14,690.5	12,415.6	2,274.9	18.3%
3	Mining Company Income Tax	13.5%	12,211.4	12,702.3	(490.9)	-3.9%
4	Mineral Royalty Tax	11.6%	10,445.3	12,417.3	(1,972.0)	-15.9%
5	Non-Mining Company Income Tax	9.7%	8,791.0	6,789.1	2,001.9	29.5%
6	Withholding Taxes & Others	9.5%	8,552.0	8,020.1	531.9	6.6%
7	VAT on Domestic Goods	6.5%	5,889.7	6,540.7	(651.0)	-10.0%
8	Customs Duty (Import tariffs)	6.1%	5,474.1	5,150.8	323.3	6.3%
9	Local Excise Duties	2.9%	2,650.7	2,287.6	363.1	15.9%
10	Import Excise Duties	1.8%	1,634.5	1,412.3	222.2	15.7%
11	Import Fuel Levy	0.5%	419.1	121.0	298.1	246.4%
12	Rural Electrification Levy	0.4%	328.8	347.9	(19.1)	-5.5%
13	Rental Income Tax ¹⁰	0.3%	254.3	n/a	n/a	n/a
14	Insurance Premium Levy	0.3%	235.3	143.6	91.7	63.9%
15	Skills Development Levy	0.3%	226.3	220.9	5.4	2.4%
16	Motor Vehicle Fees	0.2%	146.8	102.9	43.9	42.7%
17	Export Duty	0.1%	102.6	99.2	3.4	3.4%
18	Carbon Tax	0.1%	95.2	78.1	17.1	21.9%
19	Local Excise-Cement	0.1%	59.3	71.2	(11.9)	-16.7%
20	Tourism Levy	0.0%	35.4	18.8	16.6	88.3%
21	Local Fuel Levy	0.0%	2.0	3.9	(1.9)	-48.7%
	Total Revenue	100.0%	90,345.9	83,915.2	6,430.7	7.7%

⁹Core mining taxes refer to Mining Company Tax, Mineral Royalty, and Export Duty on mineral concentrates

¹⁰ Rental Income Tax was introduced in 2022. Hitherto there was Withholding Tax and Turnover Tax on rental income.

Comparative Analysis of Tax Type Performance Against Target in 2022

In terms of performance against target, Tourism Levy exceeded its target by 100.6 percent. This was followed by Motor Vehicle Fees and non-mining Company Income Tax which were above target by 89.0 percent and 64.1 percent, respectively. Import Excise Duties and Skills Development Levy ranked fourth and

fifth, with collections at 25.3 percent and 13.3 percent above target, respectively. Mining Company Income Tax, PAYE, Import VAT, and Withholding Taxes ranked sixth to ninth, respectively. The rest of the tax types were below their respective targets (see Table 17).

Table 17: Tax Type Performance against Target in 2022 and 2021

2022 Rank	Tax Type	2022	2021	Variance
1	Tourism Levy	100.6%	-0.6%	101.2%
2	Motor Vehicle Fees	89.0%	7.9%	81.1%
3	Non-Mining Company Income Tax	64.1%	49.9%	14.2%
4	Import Excise Duties	25.3%	32.0%	-6.7%
5	Skills Development Levy	13.3%	23.5%	-10.2%
6	Mining Company Income Tax	11.7%	177.1%	-165.4%
7	PAYE	4.9%	16.4%	-11.5%
8	VAT on Imports	4.6%	14.4%	-9.8%
9	Withholding Taxes & Others	2.6%	57.8%	-55.2%
10	Local Excise Duties	-3.6%	20.9%	-24.5%
11	Rural Electrification Levy	-9.2%	13.2%	-22.4%
12	Insurance Premium Levy	-11.4%	22.9%	-34.3%
13	Customs Duty (Import tariffs)	-13.9%	20.2%	-34.1%
14	Mineral Royalty Tax	-18.6%	118.4%	-137.0%
15	Export Duty	-23.2%	-44.1%	20.9%
16	VAT on Domestic Goods	-31.9%	7.6%	-39.5%
17	Local Excise-Cement	-32.5%	-15.8%	-16.7%
18	Rental Income Tax	-35.9%	0.0%	-35.9%
19	Import Fuel Levy	-65.8%	-84.9%	19.1%
20	Carbon Tax	-77.1%	-81.5%	4.4%
21	Local Fuel Levy	-95.2%	-98.3%	3.1%

Revenue Contribution by Sector

In 2022, the Authority collected K106,623.9 million in gross revenue across all economic sectors, indicating a 10.7 percent increase from 2021. Notwithstanding the growth in collections experienced in most sectors, the Mining and Quarrying; the Construction; and the Professional, Scientific, and Technical Activities sectors recorded declines of 7.8 percent, 9.2 percent, and 2.7 percent, respectively.

It is observed that between 2021 and 2022, the relative contribution of the wholesale and retail trade, manufacturing, and financial and insurance activities sectors increased due to increased profitability among major taxpayers and collections under the Tax Amnesty Programme. On the other hand, the mining sector's contribution significantly declined due to, among others, the lower copper price and reduced copper production (see Table 18).

Table 18: 2022 and 2021 Gross Collections by Sector (K 'Million)

Rank	Sector	Total Tax Collections			Percentage Contribution to Total Revenue		
		2022	2021	Percentage Variance	2022	2021	% Variance
1	Mining and Quarrying	40,993.5	44,437.6	-7.8%	38.4%	46.2%	-7.7%
2	Wholesale and retail trade; repair of motor vehicles and motorcycles	14,875.7	10,895.3	36.5%	14.0%	11.3%	2.6%
3	Manufacturing	10,644.2	8,306.7	28.1%	10.0%	8.6%	1.4%
4	Financial and insurance activities	6,736.8	4,645.9	45.0%	6.3%	4.8%	1.5%
5	Public administration and defence; compulsory social security	6,203.1	4,878.3	27.2%	5.8%	5.1%	0.8%
6	Administrative and support service activities	3,848.1	2,921.5	31.7%	3.6%	3.0%	0.6%
7	Information and communication	3,788.1	2,807.9	34.9%	3.6%	2.9%	0.6%
8	Electricity, gas, steam and air conditioning supply	3,137.5	2,226.1	40.9%	2.9%	2.3%	0.6%
9	Other service activities	2,929.3	2,960.8	-1.1%	2.7%	3.1%	-0.3%
10	Professional, scientific and technical activities	2,383.0	2,448.3	-2.7%	2.2%	2.5%	-0.3%
11	Transportation and storage	2,102.6	2,090.0	0.6%	2.0%	2.2%	-0.2%
12	Education	1,886.8	1,432.2	31.7%	1.8%	1.5%	0.3%
13	Construction	1,816.6	2,000.5	-9.2%	1.7%	2.1%	-0.4%
14	Unclassified/Individuals	1,801.2	1,385.3	30.0%	1.7%	1.4%	0.3%
15	Agriculture, forestry and fishing	1,476.9	1,307.5	13.0%	1.4%	1.4%	0.0%
16	Accommodation and food service activities	499.5	349.1	43.1%	0.5%	0.4%	0.1%
17	Human health and social work activities	461.6	362.5	27.3%	0.4%	0.4%	0.1%
18	Real estate activities	413.2	416.8	-0.9%	0.4%	0.4%	0.0%
19	Arts, entertainment and recreation	370.4	186.7	98.4%	0.3%	0.2%	0.2%
20	Activities of extraterritorial organizations and bodies	128.4	117.3	9.4%	0.1%	0.1%	0.0%
21	Water supply; sewerage, waste management and remediation	126.7	106.2	19.3%	0.1%	0.1%	0.0%
22	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.6	0.6	0.4%	0.0%	0.0%	0.0%
	Total	106,623.9	96,283.3	10.7%	100.0%	100.0%	0.0%

Top Revenue Contributors by Sector

As at end of December 2022, there were 364,627 active taxpayers, of which 1,063 (0.3%) contributed 80 percent of the gross revenue collected in the year. The number of top revenue contributors

has gradually increased over the last three years from 833 in 2020 (see Table 19).

Table 19: Count of Taxpayers Contributing 80% of Gross Revenue by Sector

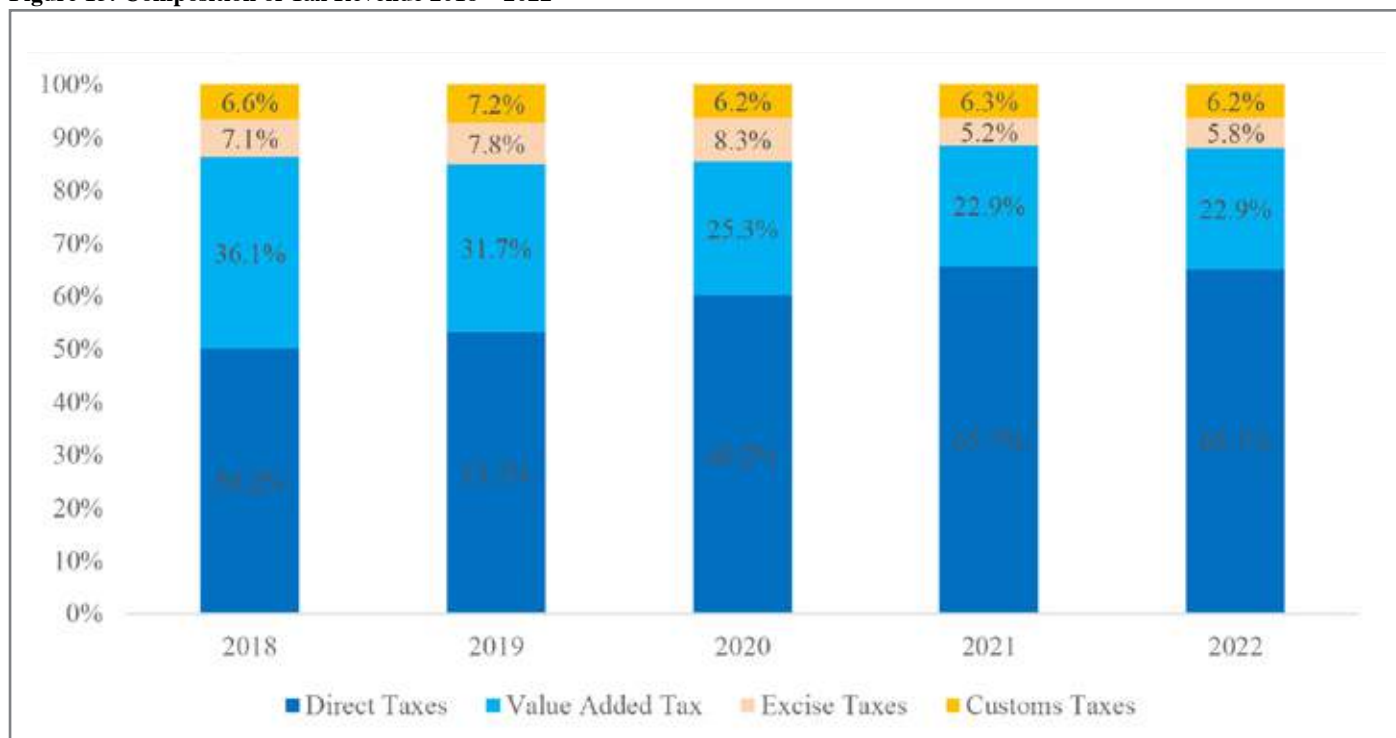
Sector	2022	2021	2020
Mining and Quarrying	10	5	6
Wholesale and retail trade	350	303	179
Manufacturing	104	55	55
Financial and insurance activities	18	16	16
Public administration and defence; compulsory social security	6	5	9
Others	575	567	568
Total	1,063	951	833

Composition of Revenue in 2022

The distribution of tax revenue in 2022 remained largely unchanged compared to 2021. The share of Income Taxes, which represented 65.1 percent of total tax revenues in 2022, marginally declined from 65.7 percent in 2021. On the other hand, the share of Excise Taxes increased to 5.8 percent from 5.2 percent in 2021.

Value Added Tax maintained its share at 22.9 percent of the total tax revenues. The combined share of Customs and Export Duties marginally declined to 6.2 percent from 6.3 percent in 2021 (see Figure 15).

Figure 15: Composition of Tax Revenue 2018 – 2022

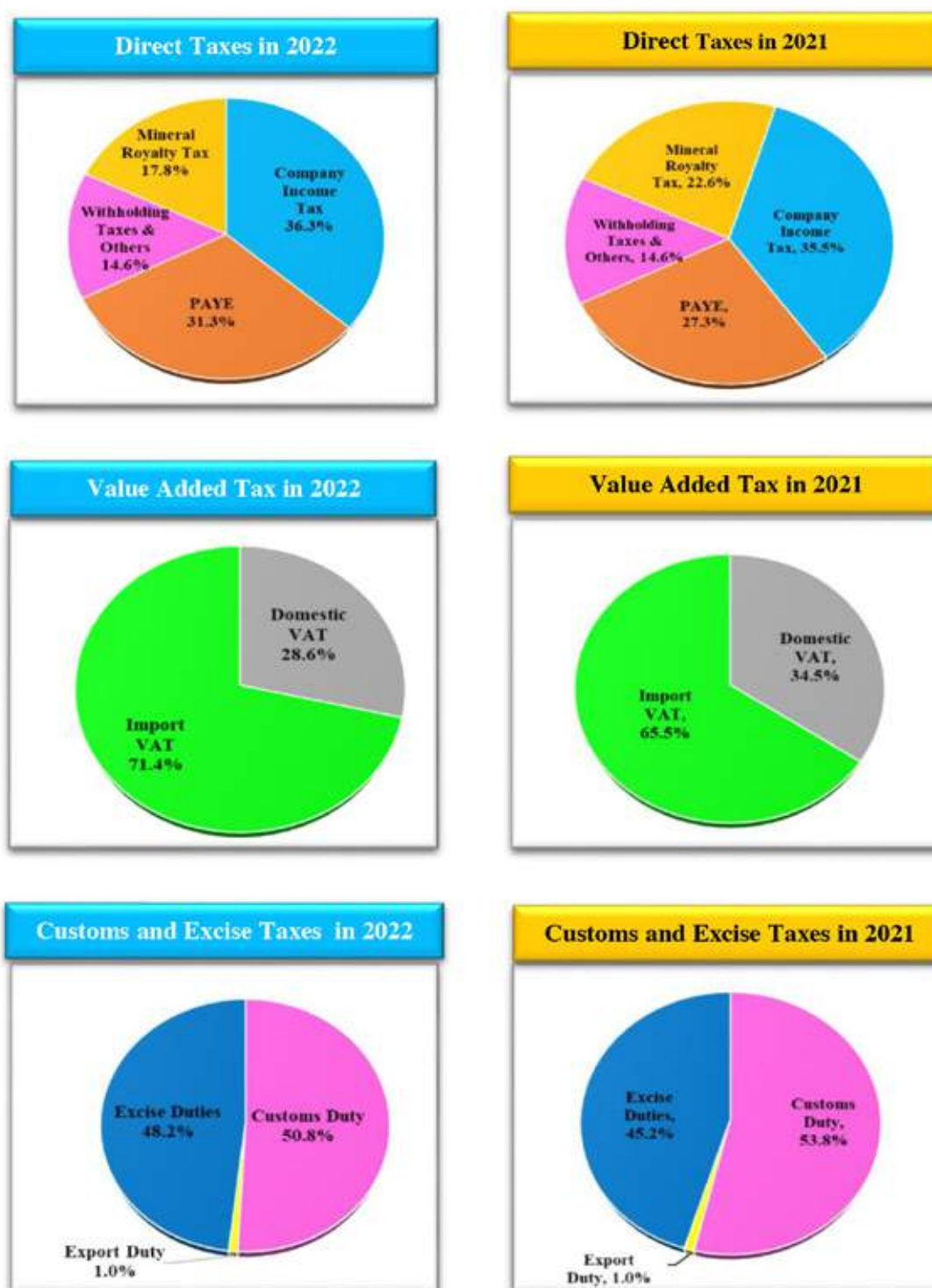


Under the Direct Taxes category, Company Income Tax was the largest contributor at 36.3 percent followed by PAYE at 31.3 percent. Mineral Royalty and Withholding Taxes contributed 17.8 percent and 14.6 percent, respectively. In the VAT category, Import VAT accounted for the majority at 71.4 percent, while domestic VAT made up 28.6 percent of the total.

With regard to the Customs and Excise category, Customs Duty accounted for 50.8 percent of collections, while Excise Duties were at 48.2 percent and Export Duty accounted for 1.0 percent.

Figure 16 illustrates the distribution of specific tax types among the categories.

Figure 16: Share of specific Tax Types in 2022 and 2021



Contribution of Tax Types to GDP

The Authority recorded a 7.7 percent increase in net revenue collections between 2021 and 2022. However, the proportion of tax revenue to GDP decreased to 17.8 percent in 2022 from 18.8 percent in 2021, mainly due to lower collections of mining taxes and the suspension of VAT, and Customs and Excise Duties on fuel.

The ratios of direct and indirect taxes to GDP also decreased to 11.6 percent and 1.8 percent in 2022 from 12.4 percent and 2.1 percent in 2021, respectively. Meanwhile, the tax to GDP ratio for trade-based taxes marginally increased to 4.5 percent in 2022 from 4.4 percent in 2021 (see Table 20).

Table 20: Total Revenue as Share of GDP in 2022 and 2021

Tax Type	Percentage of GDP		Variance
	2022 ¹¹	2021	
1. Domestic Taxes	13.4%	14.6%	-1.2%
A. Direct Taxes	11.6%	12.4%	-0.8%
Company Tax	4.2%	4.4%	-0.2%
Pay As You Earn (PAYE)	3.6%	3.4%	0.2%
Withholding Tax	1.7%	1.8%	-0.1%
Rental Income Tax	0.1%	n/a	n/a
Mineral Royalty	2.1%	2.8%	-0.7%
Skills Development Levy	0.0%	0.0%	0.0%
B. Indirect Taxes	1.8%	2.1%	-0.3%
Local Excise Duty	0.5%	0.5%	0.0%
Local Excise-Cement	0.0%	0.0%	0.0%
Rural Electrification Levy	0.1%	0.1%	0.0%
Local Fuel Levy	0.0%	0.0%	0.0%
Insurance Premium Levy	0.0%	0.0%	0.0%
Tourism Levy	0.0%	0.0%	0.0%
Domestic Value-Added Tax (VAT)	1.2%	1.5%	-0.3%
2. Trade Taxes	4.5%	4.4%	0.1%
Import VAT	2.9%	2.8%	0.1%
Import Duty	1.1%	1.2%	-0.1%
Export Duty	0.0%	0.0%	0.0%
Import Excise Duty	0.3%	0.3%	0.0%
Import Fuel Levy	0.1%	0.0%	0.1%
Carbon Tax	0.0%	0.0%	0.0%
Motor Vehicle Fees	0.0%	0.0%	0.0%
Tax Revenue as % of GDP	17.8%	18.8%	-1.0%
GDP (K' million)	504,477.0	443,362.4	61,114.6

From 1995 to 2022, the tax-to-GDP ratio averaged 15.9 percent, as depicted in Figure 17. After hitting its lowest rate in 2009,

there has been a moderate upward trend in the tax-to-GDP ratio, reaching its highest level of 18.8 percent in 2021.

¹¹ The 2022 GDP figure is a preliminary estimate while the GDP figure for 2021 is final as reported by the Zambia Statistics Agency.

Figure 17: Trend in Tax Revenue to GDP ratio 1995-2022



Trend in Collection of individual Tax Types and Total Revenue

Figure 18 to Figure 25 illustrate the ratio of each tax type to GDP between 1995 and 2022. Corporate Income Tax and Mineral Royalty ratios have generally increased during this period, with peaks in 2021 and slight declines in 2022. PAYE collections as a percentage of GDP remained consistent at 4.0 percent. The withholding tax to GDP ratio was stable from 1997 to 2011,

averaging 0.7 percent, then steadily increased to 1.9 percent in 2021 and marginally decreased to 1.8 percent in 2022. The ratio of VAT to GDP declined between 1996 and 2010 and fluctuated thereafter. Excise and import duties ratios have decreased since 1996.

Figure 18: Company Income Tax as Percentage of GDP, 1995 – 2022

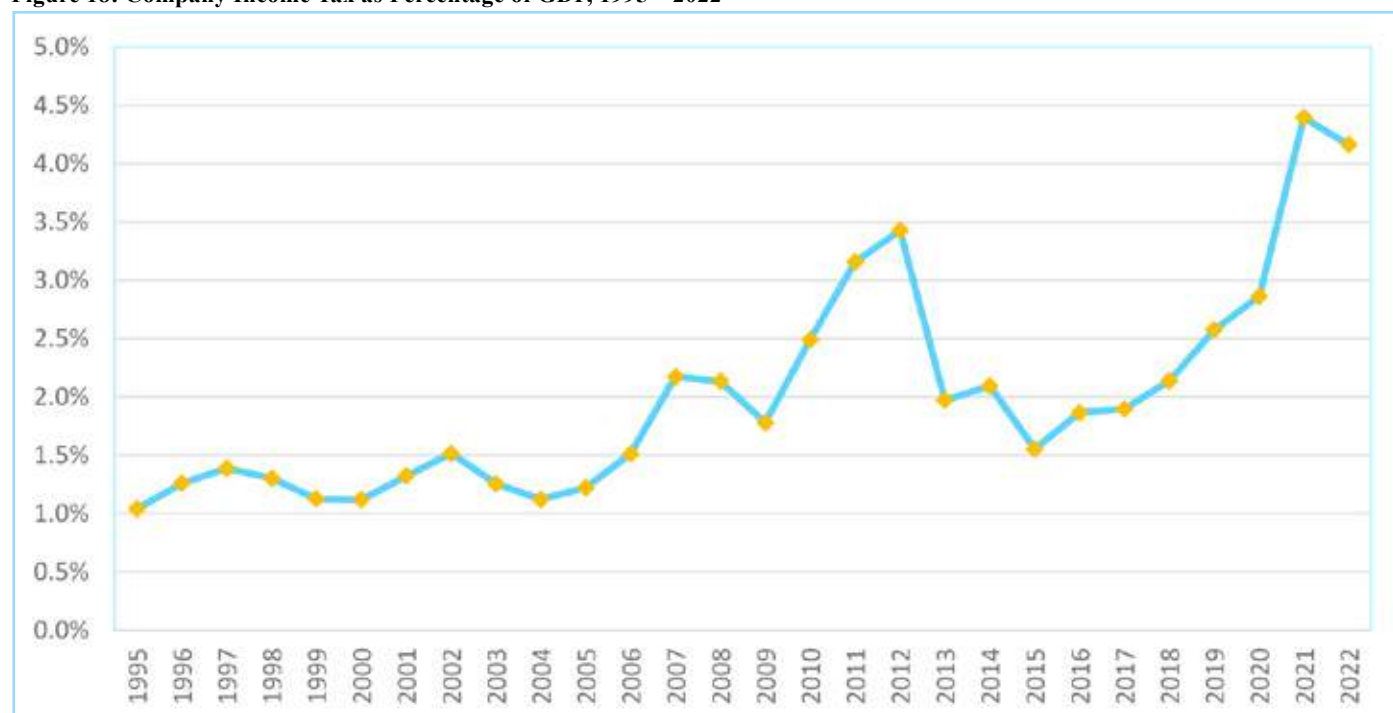


Figure 19: Pay As You Earn as Percentage of GDP, 1995 – 2022

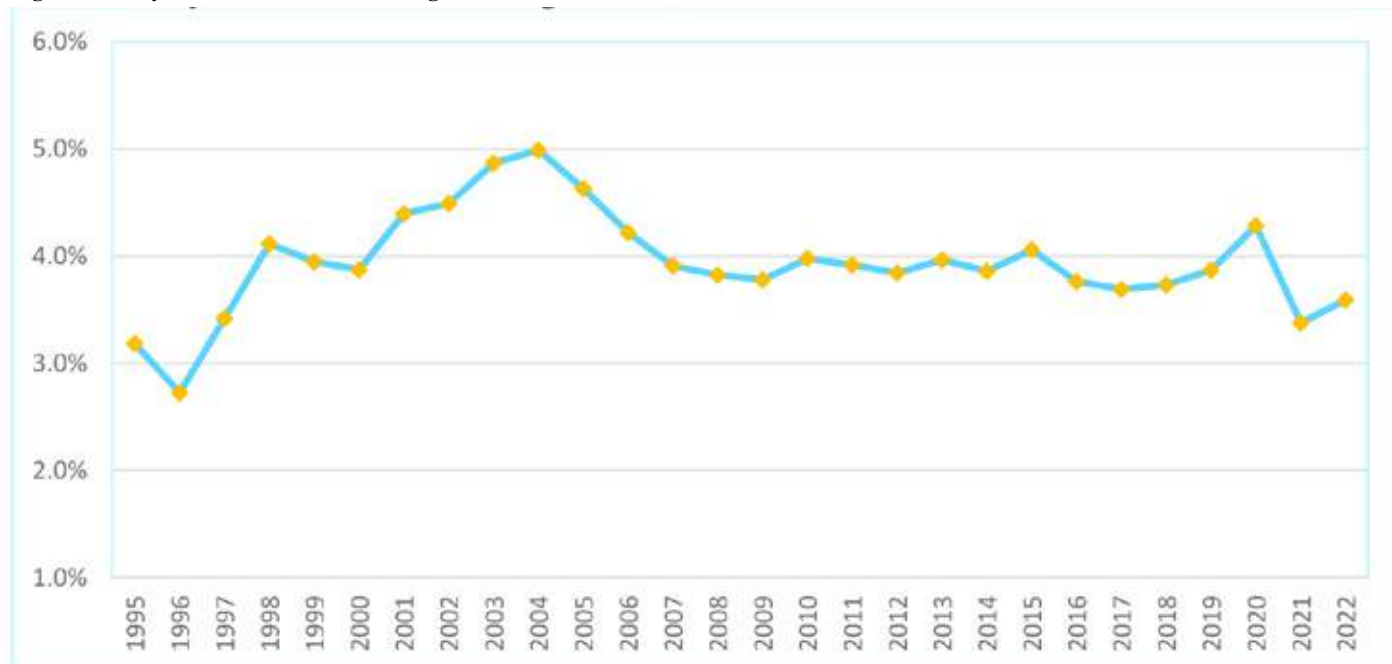


Figure 20: Withholding Tax as Percentage of GDP, 1995 – 2022

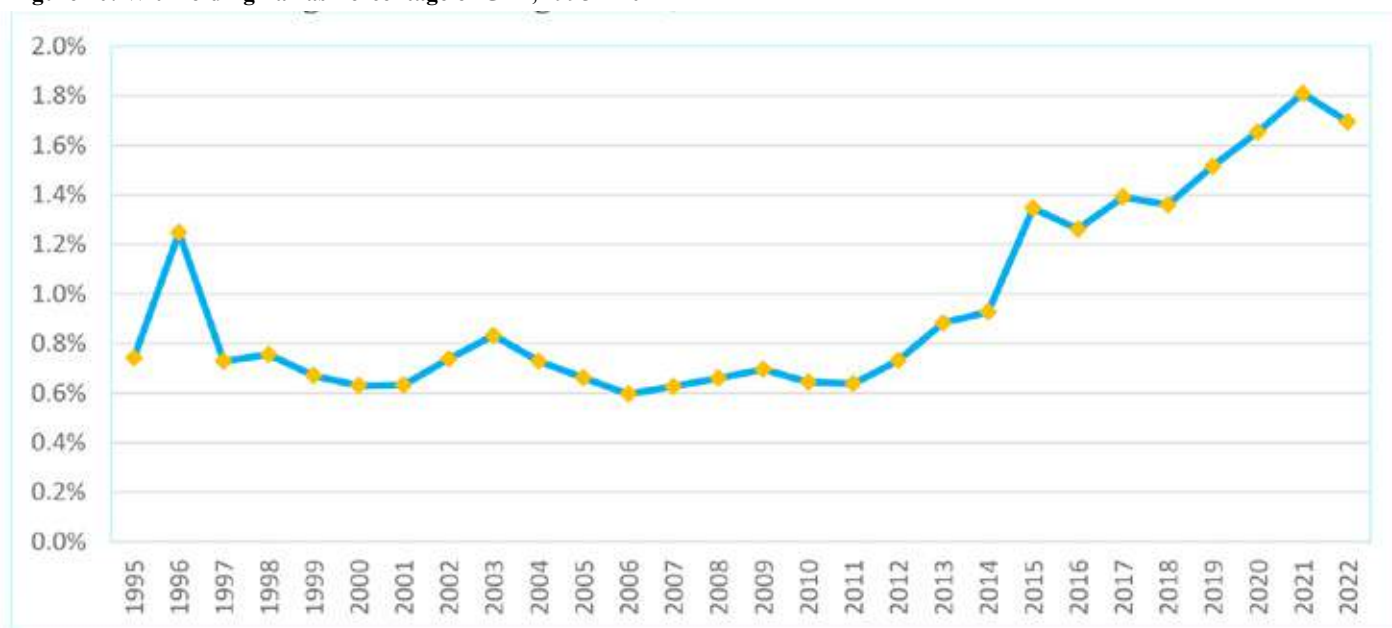


Figure 21: Value Added Tax as Percentage of GDP, 1995 – 2022



Figure 22: Mineral Royalty as Percentage of GDP, 1995 – 2022

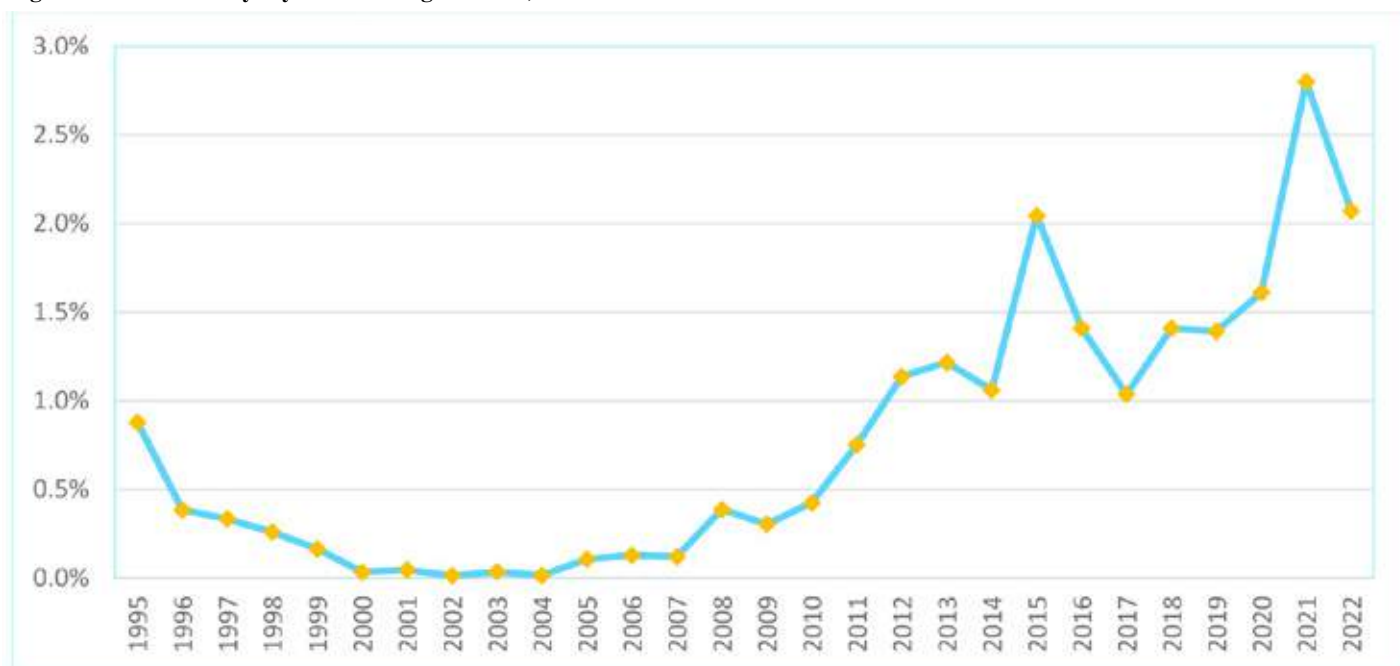


Figure 23: Excise Duties as Percentage of GDP, 1995 – 2022



Figure 24: Import Tariffs as Percentage of GDP, 1995 – 2022

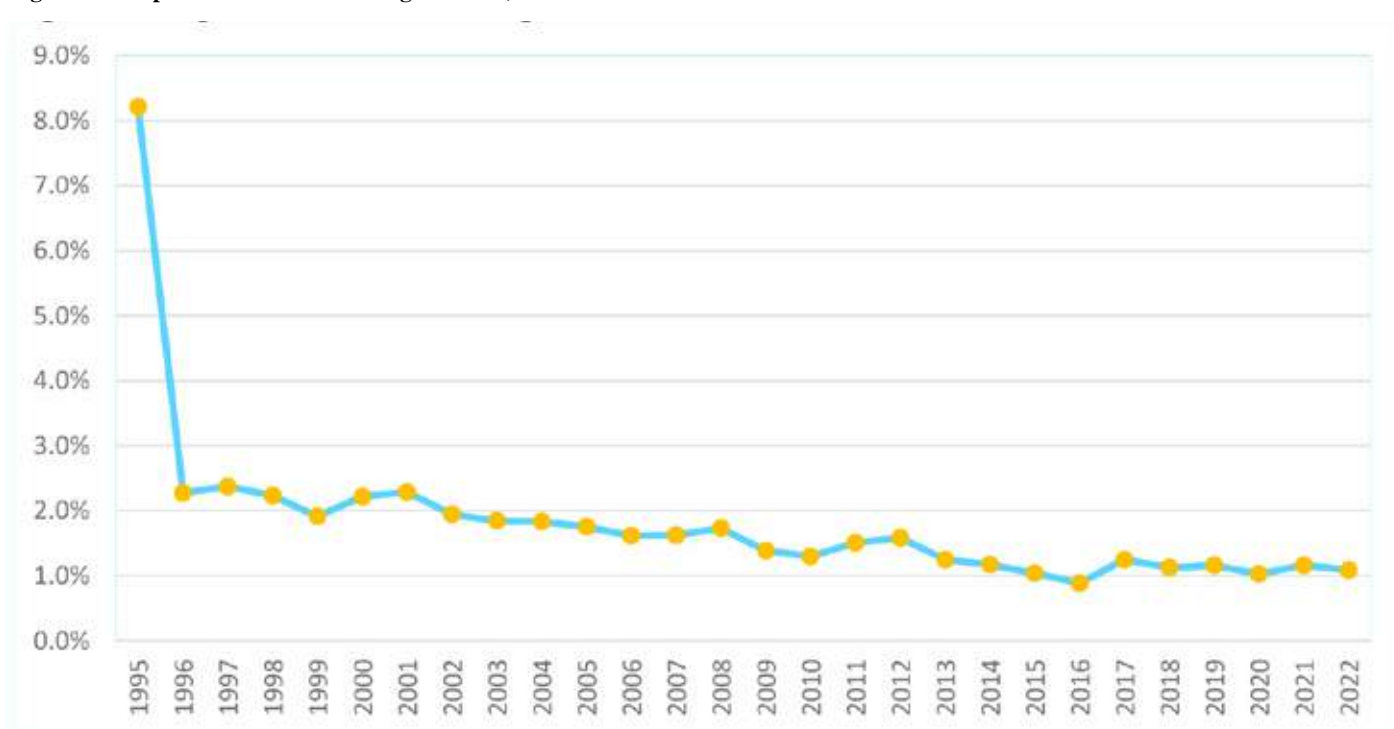
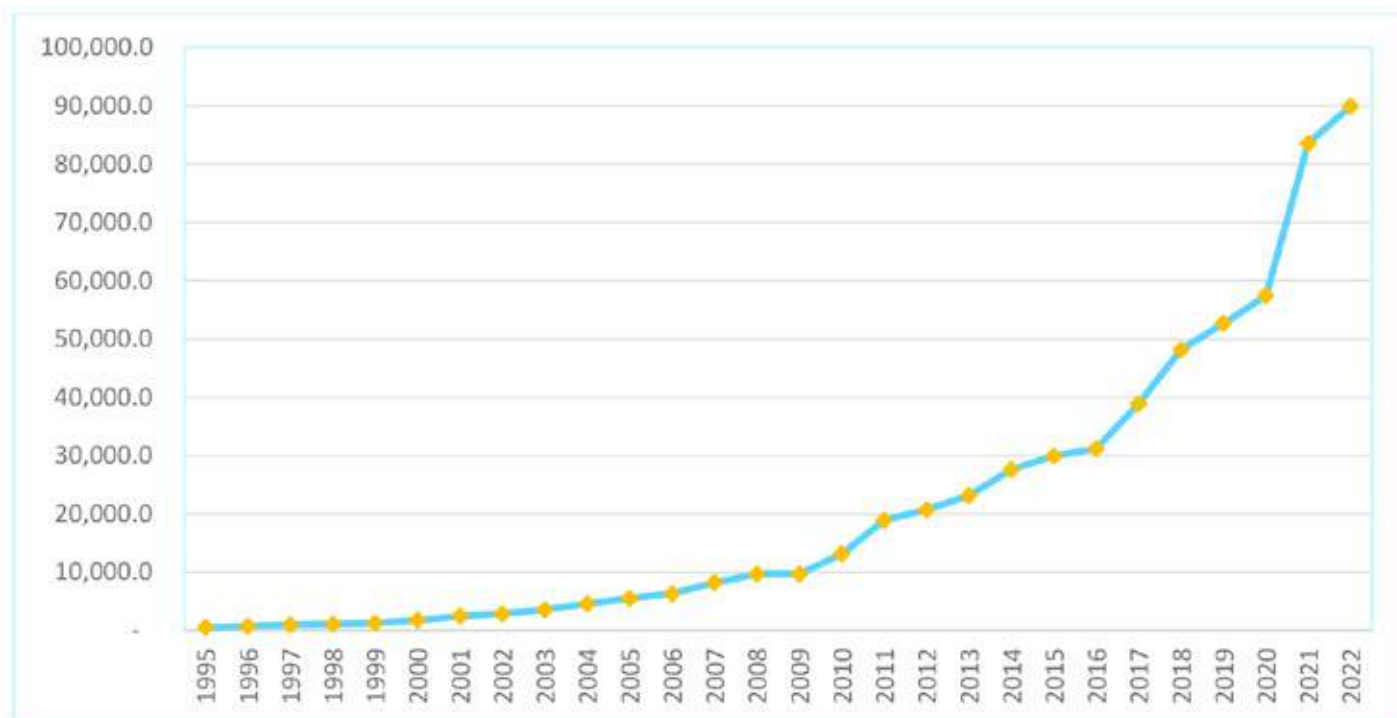


Figure 25: Tax Revenue (K' Million) 1995 – 2022



Performance of Operating Divisions and Corporate Initiatives

Customs Services Division

To improve its operational efficiency and facilitate trade, the Authority continued to streamline its customs procedures and processes.

Customs Declarations

A total of 1,051,626 customs declarations were made in 2022 of which 1,005,352 were paid for, translating into a registration to payment conversion ratio of 95.6 percent compared to 93.7 percent in 2021 (see Table 21).

Table 21: Registration to Payment Conversion Ratio for all transactions in 2022 and 2021

Period	Registered	Paid	Unpaid	% Paid	% Unpaid
2022	1,051,626	1,005,352	46,274	95.6%	4.4%
2021	885,172	829,045	56,127	93.7%	6.3%

Customs Refunds

The Authority administers a duty drawback scheme, which allows local manufacturers to claim a proportion of import duties paid on inputs used in the manufacture of exported goods. The scheme aims to improve the competitiveness of goods exported from Zambia. The Authority also processes customs refunds arising from claims on import and export transactions.

During the year, the number of duty drawback claims decreased by 39.7 percent, while the value decreased by 59.4 percent relative to 2021. The number of general refund claims declined by 18.1 percent while the value of refund claims decreased by 23.0 percent compared to 2021. It is worth noting that 2021 had a higher number and value of claims due to inclusion of pending cases from prior periods (see Table 22).

Table 22: Number and Value of Duty Drawback Applications and General Refunds in 2022 and 2021

	2022	2021	% Variance
Duty Drawback Refunds			
Number of duty drawback applications	152	252	-39.7%
Value of duty drawback applications (K'million)	38.4	94.6	-59.4%
Value of processed duty drawback applications (K'million)	18.4	66.3	-72.2%
Value of duty drawback payments (K'million)	18.4	10.8	70.4%
General Refunds	2022	2021	% Variance
Number of General refund claims	199	243	-18.1%
Value of General refund claims (K'million)	11.4	14.8	-23.0%
Value of processed General refund claims (K'million)	11.2	14.8	-24.3%
Value of General refund payments (K'million)	9.9	13.5	-26.7%

Import and Export Declarations

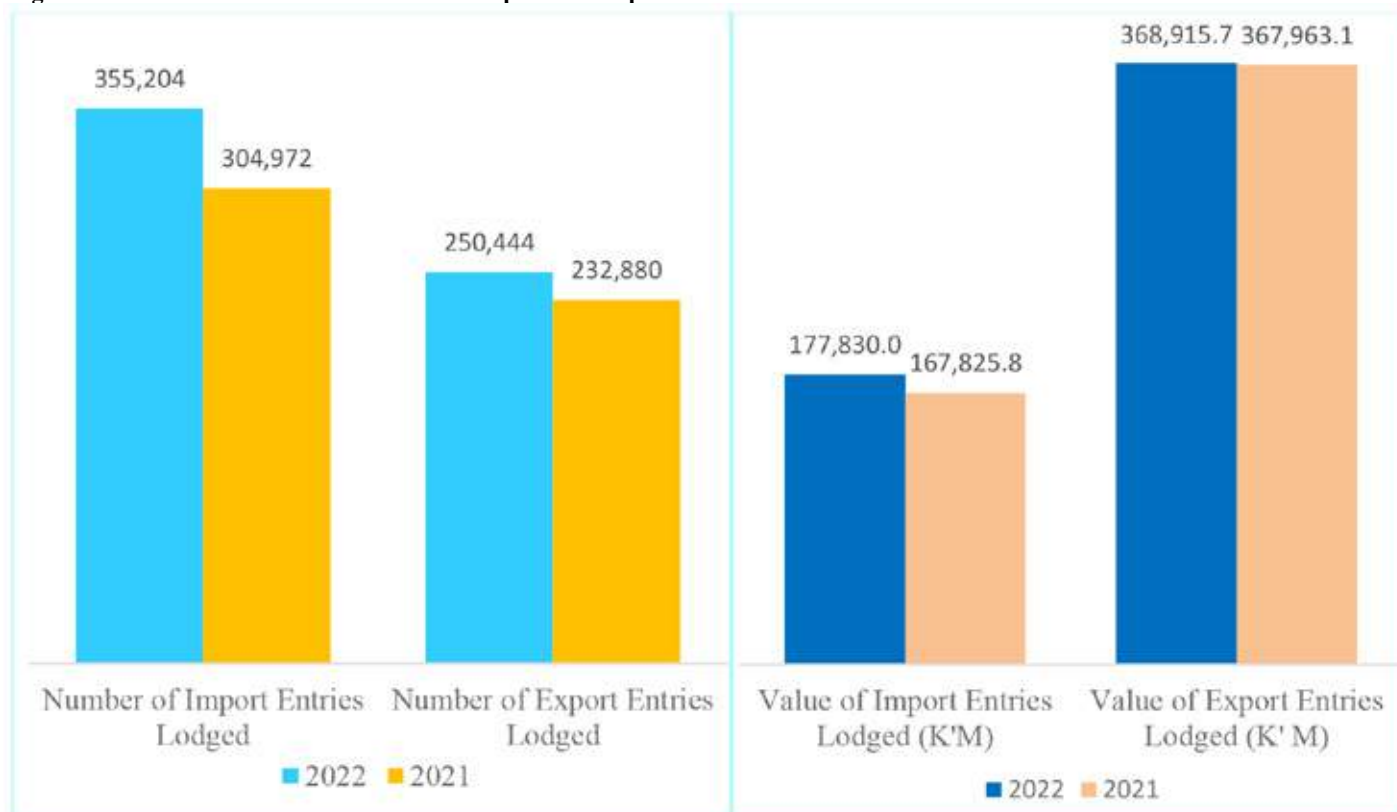
In 2022, the volume of permanent import transactions increased by 16.5 percent while the corresponding Value for Duty Purposes (VDP) increased by 6.0 percent relative to 2021. Similarly, the volume of permanent export transactions increased by

7.5 percent while the corresponding VDP marginally grew by 0.3 percent. The increase in VDP is partially due to the increase in the number of declarations (see Table 23 and Figure 26).

Table 23: Entries of Permanent Imports and Permanent Exports in 2022 and 2021

	2022	2021	Percentage Variance
Number of Import Entries Lodged	355,204	304,972	16.5%
Value of Import Entries Lodged (K'million)	177,830.0	167,825.8	6.0%
Number of Export Entries Lodged	250,444	232,880	7.5%
Value of Export Entries Lodged (K'million)	368,915.7	367,963.1	0.3%

Figure 26: Number and value of Permanent Import and Export Entries in 2022 and 2021



Processing Efficiency

The actual revenue collected against the potential revenue in 2022 was 98.8 percent compared to 97.6 percent in 2021, representing a 1.2 percentage points increase. The potential revenue in 2022

was K20,467.9 million of which K20,221.4 million was collected. Further, K245.4 million or 1.2 percent was registered and assessed but not paid, while K1.1 million was not assessed (see Table 24).

Table 24: Processing Efficiency in Tax Yield from all Taxable Transactions in 2022 and 2021

	2022		2021	
	K' Million	% of Total	K' Million	% of Total
Un-assessed taxes	1.1	0.0%	1.7	0.0%
Registered, Assessed, Not paid	245.4	1.2%	419.4	2.4%
Registered, Assessed, and paid (Receipted)	20,221.4	98.8%	17,027.9	97.6%
Total collectable amount	20,467.9	100.0%	17,449.0	100.0%

The total VDP declined by 3.1 percent to K558,805.2 million in 2022 from K576,771.8 million in 2021. The non-taxable¹² VDP (where import taxes and duties are not applicable) accounted for 93.8 percent of the total VDP, which was 3.9 percent lower

than the 2021 level. The drop in non-taxable VDP in 2022 was due to the reinstatement of Import VAT and Excise duties on fuel (see Table 25).

Table 25: VDP and Tax Yield from Taxable and Non-Taxable Transactions in 2022 and 2021 (K' Million)

VDP Type	Value for Duty Purposes			Tax Amount (Gross)		
	2022	2021	Percentage Variance	2022	2021	Percentage Variance
Non-Taxable	524,321.7	545,358.0	-3.9%	82,739.8 ¹³	85,506.4	-3.2%
Taxable	34,483.5	31,413.8	9.8%	22,078.2	8,070.7	173.6%
Total	558,805.2	576,771.8	-3.1%	104,818.0	93,577.1	12.0%

The gross tax amount forgone in 2022 was K82,739.8 million. Of this amount, K19,473.1 million was forgone on account of

trade related concessions, representing a 4.5 percent growth from K18,626.1 million forgone in 2021 (see Table 26).

Table 26: Revenue Forgone from Concessions, 2022 and 2021 (K' Million)

	2022	2021	Variance	Percentage Variance
Total Revenue Forgone	19,473.1	18,626.1	847.0	4.5%

Risk Profiling Analysis

There are a number of risk management techniques used by the Authority to examine customs declarations in order to seal revenue leakages and ensure prudent use of resources. The ASYCUDA-World has four lanes to which entries can be channelled under the risk profiling analysis namely, *Red*, *Yellow*, *Blue* and *Green*. Imports channelled to the *Red lane* are subjected to physical examination, *Yellow lane* documentary examination, *Blue lane* post clearance audits while *Green lane* is deemed low risk and therefore no examination required.

In 2022, the percentage of *Red lane* entries increased to 16.5 percent from 16.2 percent in 2021, while the share of *Yellow lane* entries increased to 63.2 percent from 60.3 percent during the same period. In contrast, the percentage of *Blue lane* entries decreased to 7.1 percent from 10.1 percent, while *Green lane* entries decreased to 13.2 percent from 13.4 percent in the same period (see Table 27).

Table 27: Lane Analysis by Business Volume in 2022 and 2021

Lane	2022		2021	
	Number of entries	Percentage	Number of entries	Percentage
Red	173,146	16.5%	119,963	16.2%
Yellow	661,985	63.2%	445,167	60.3%
Blue	74,145	7.1%	74,808	10.1%
Green	137,750	13.2%	98,638	13.4%
Total	1,047,026	100.0%	738,576	100.0%

¹² Non-taxable VDP does not attract import taxes and duties while taxable VDP attracts import taxes and duties.

¹³ This amount includes revenue forgone on account of trade concessions and bond guarantees for transits.

In terms of trade facilitation and risk profiling, 83.5 percent of the customs declarations were processed with little or no physical interventions as only 16.5 percent of the declarations

in 2022 were subjected to physical inspection compared to 16.2 percent in 2021.

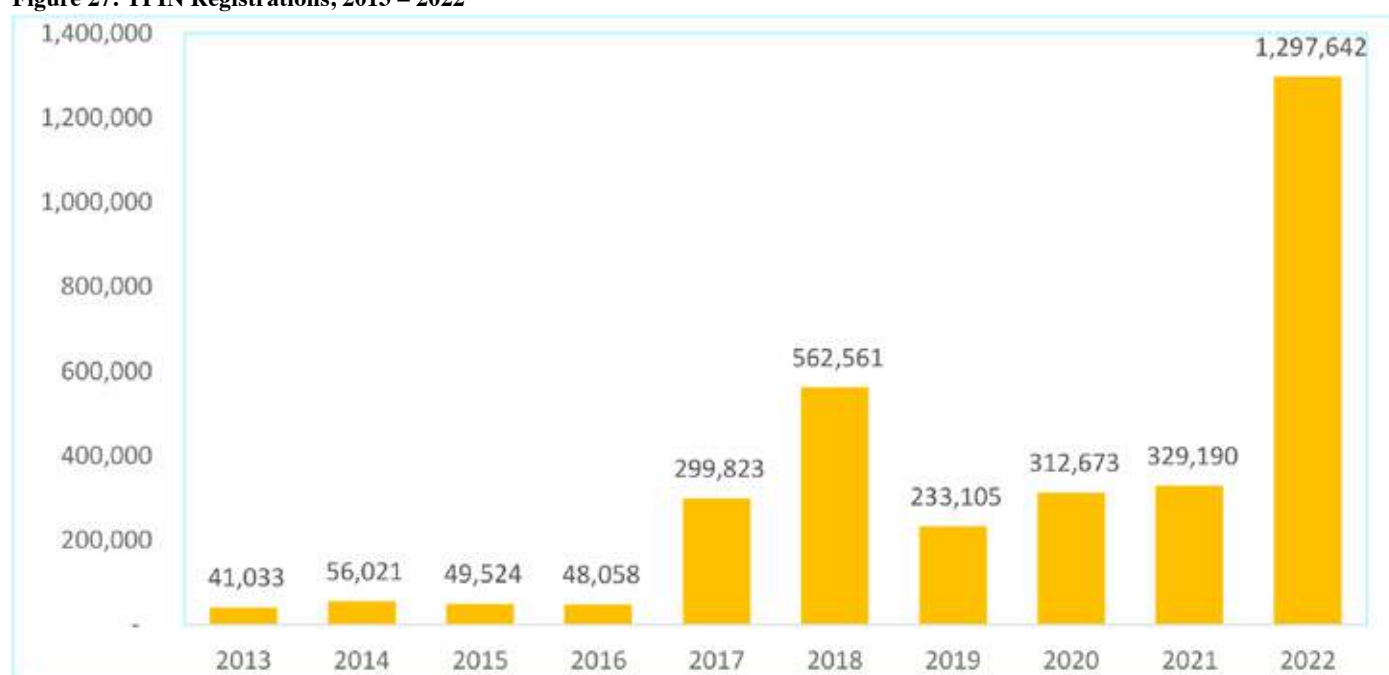
Direct and Indirect Taxes Divisions

This section reviews the performance of the Authority on two of the four pillars of compliance namely, taxpayer registration and return filing. Taxpayers are expected to register for all required taxes and to file the corresponding returns on time. In order to assist taxpayers to comply with their obligations, the Authority conducts taxpayer education through various platforms.

Tax Registrations

In 2022, there was a significant increase in the number of TPIN registrations to 1,297,642 from 329,190 recorded in 2021. The increase in the number of TPIN registrations was mainly due to the mandatory requirement for employers to provide their employees' TPINs in the monthly Pay-As-You-Earn (PAYE) return, which became effective on 1st October, 2022. The other reasons for the increased number of TPIN registrations include: new business entrants, the requirement for a TPIN when opening a bank account, connection to the national electricity grid, buying and selling of real property and enhanced taxpayer education (see Figure 27).

Figure 27: TPIN Registrations, 2013 – 2022



In 2022, there was a decline in the number of registrations for PAYE and other income taxes compared to 2021. In particular, PAYE registrations reduced to 7,067 from 10,350, while registrations

for other income taxes reduced to 35,825 from 46,561. On the other hand, VAT registrations increased to 2,109 from 1,838 in the same period (see Figure 28).



Figure 28: Registrations by Tax Type in 2022 and 2021



Return Filing

The total number of returns (income taxes and Turnover Tax) filed decreased by 2.4 percent to 1,139,062 in 2022 from 1,167,553 in 2021. A total of 358,098 Income Tax returns were submitted, representing a 19.9 percent reduction relative to 2021. In contrast, the number of Turnover Tax returns submitted grew by 8.4 percent to 780,964 from 720,230. The decline in the number of income tax returns filed was on account of reduced submissions of Withholding Tax returns following the replacement of withholding tax on rental income with Rental Income Tax in 2022. Further, the Authority stepped up its taxpayer education and compliance activities which resulted in increased return filing for the other tax types.

A total of 7,781 refund applications for direct taxes were submitted compared to 11,130 in 2021, representing a 30.1 percent decline. Similarly, the number of applications for PAYE refunds decreased by 29.6 percent to 7,432 from 10,558.

The number of applications for Income Tax refunds declined by 39.0 percent to 349 in 2022 from 572 applications in 2021. A total of K92.8 million was refunded in direct taxes, representing a 12.5 percent decline from K106.1 million in 2021. The refunds consisted of K46.6 million in Income Tax, K43.8 million in PAYE, K1.7 million in Withholding Taxes, and K0.7 million in Mineral Royalty (see Table 28).

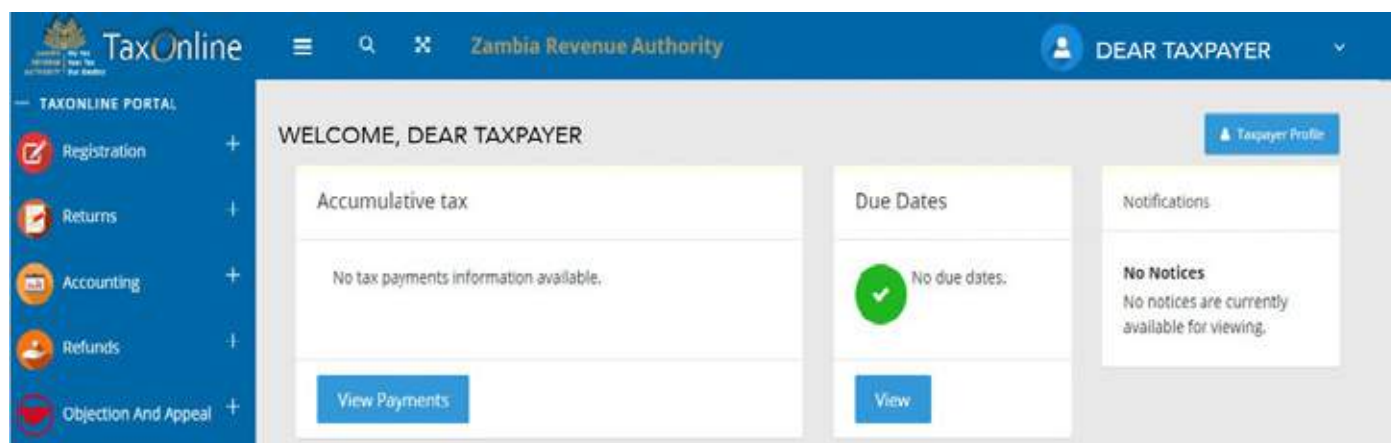


Table 28: Income Tax Return Statistics

	2022	2021	% Variance
A. Number of returns submitted: o/w	1,139,062	1,167,553	-2.4%
Income Taxes	358,098	447,323	-19.9%
Corporate Income Tax	30,788	31,263	-1.5%
Individuals	6,341	6,410	-1.1%
PAYE	310,400	281,528	10.3%
Withholding tax	10,569	128,122	-91.8%
Turnover Tax	780,964	720,230	8.4%
Company	336,247	306,506	9.7%
Individuals	444,716	413,724	7.5%
B. Number of refund Applications: o/w	7,781	11,130	-30.1%
Employment Tax (Pay as You Earn)	7,432	10,558	-29.6%
Income Tax	349	572	-39.0%
C. Value of Refunds paid (K' million) :o/w	92.8	106.1	-12.5%
Income Tax	46.6	30.4	53.4%
Employment Tax (Pay as You Earn)	43.8	50.6	-13.5%
Withholding Taxes & Others	1.7	25.1	-93.2%
Mineral Royalty Tax	0.7	0.0	-

A total of 153,943 VAT returns were submitted in 2022, indicating an 18.9 percent increase over the 129,433 received in 2021. The number of payment returns filed in 2022 increased by 12.4 percent to 64,251, while the number of nil returns submitted increased by 30.7 percent.

The number of VAT refund claims reduced by 2.8 percent to 13,730 from 14,119 in 2021. Similarly, the value of VAT refund claims reduced by 8.3 percent to K18,158.0 million from K19,793.3 million. A total of K16,146.2 million was paid in VAT refunds in 2022 compared to K12,238.4 million in 2021 (see Table 29).

Table 29: VAT Return Statistics

	2022	2021	% Variance
A. Number of returns submitted: o/w	153,943	129,433	18.9%
Payment returns	64,251	57,178	12.4%
Nil returns	75,962	58,136	30.7%
Repayment (claims) returns	13,730	14,119	-2.8%
B. Value of returns submitted (K' million):			
Payment returns	14,324.4	7,493.0	91.2%
Nil returns	0	0	0.0%
Repayment (claims) returns	18,158.0	19,793.3	-8.3%
C. Number of Refund Applications:			
Number of Refund Applications	13,730	14,119	-2.8%
Number of Refunds Processed	8,624	8,073	6.8%
D. Value of Refunds Paid (K' million)	16,146.2	12,238.4	31.9%

Compliance Initiatives that Supported Revenue Collection

In 2022, the Authority implemented a number of revenue enhancing initiatives as follows:

- a) implemented electronic rules of origin with Eswatini to curb misclassification relating to country of origin fraud;
- b) implemented Phase II of the Customs-to-Customs electronic data exchange with Botswana;
- c) implemented the interface between RTSA, Zambia Police (Interpol) and ZRA on the Government Service Bus;
- d) implemented the Customs Valuation Reference Database on freight values to curb undervaluation;
- e) operationalised the Mwami-Mchinji OSBP;
- f) upgraded the ASYCUDAWorld;
- g) implemented debt swaps;
- h) intensified enforcement activities in the management of excisable products;
- i) engaged commercial banks on provisional tax declarations, which positively affected non-mining Company Income Tax;
- j) appointed withholding agents for the collection of Mineral Royalty, Turnover Tax and Rental Income Tax; and
- k) enhanced data analytics using internal and third-party information.

Debt Management

Direct and Indirect Taxes Debt

The inland taxes debt stock stood at K97,860.9 million as at 31st December, 2022 compared to K85,781.3 million as at end of 2021, representing an increase of 14.1 percent. The debt stock comprised principal liability of K61,670.3 million, penalties of K24,782.0 million and interest of K11,408.6 million.

The debt stock includes VAT Rule 18 and other disputed assessments mainly from the mining sector amounting to

K27,816.2 million or 28.4 percent of the total. Inland Taxes debt stock without VAT Rule 18 and other disputed assessments stood at K70,044.7 million.

The increase in penalties and interest was as a result of posting of manual audit assessments and late submissions of returns on tax accounts arising from account reconciliations (see Table 30).

Table 30: Composition of Domestic Debt, 2018 - 2022 (K' Million)

Year	Principal	Penalties	Interest	Total
2018	17,247.8	17,359.0	1,560.0	36,166.8
2019	27,044.8	19,209.7	1,549.8	47,804.3
2020	32,248.3	23,957.3	3,453.8	59,659.4
2021	64,074.0	18,347.9	3,359.5	85,781.3
2022	61,670.3	24,782.0	11,408.6	97,860.9

The largest contributors to the inland taxes debt stock were VAT and Company Income Tax which contributed K50,782.6 million and K26,229.2 million, respectively. The other tax types namely PAYE, Mineral Royalty, Turnover Tax, Local Excise and Property

Transfer Tax contributed K10,818.1 million, K6,178.3 million, K2,499.5 million, K731.1 million and K434.7 million, respectively. The remaining tax types each had debt below K100.0 million (see Table 31).

Table 31: Trend in Domestic Debt Accumulation, 2013 - 2022 (K' Million)

Tax Type	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Domestic VAT	901.9	11,357.2	15,620.3	14,679.1	17,060.4	19,787.9	24,807.2	29,733.8	37,029.0	37,747.1
Company Tax	5,813.0	3,652.5	3,633.9	4,260.5	3,566.5	8,384.5	9,568.5	11,605.9	27,737.2	26,229.2
PAYE	641.4	473.4	2,200.1	5,465.9	5,934.1	4,032.9	5,120.1	7,491.3	4,977.2	10,818.1
Mineral Royalty	40.3	133.8	1,288.7	1,655.2	2,015.7	471.9	1,324.5	1,786.8	3,637.5	6,178.3
Self Employed (Turnover Tax)	812.8	75.9	496.2	1,068.1	1,493.0	1,951.6	1,953.8	2,575.4	2,539.1	2,499.5
Local Excise	-	-	58.4	306.1	193	273.4	1,059.2	989.4	0	731.1
Property Transfer Tax	-	-	-	-	0.5	75.2	134.8	173.3	288.4	434.7
Insurance Premium Levy	-	-	-	2.5	74.8	76.6	83.3	83	69	69.2
Gaming and Betting Tax	-	-	-	-	-	-	-	-	22.3	63.9
Presumptive Tax	-	-	-	-	1	3.7	8.5	11.4	17.1	35.8
Tourism Levy	-	-	-	-	0.2	0.1	0.8	0.5	16.4	18.5
Back Duty	287.2	-	-	-	-	-	-	-	0	0
Withholding tax	-	-	1,133.2	787.9	805.3	1,109.0	1,244.9	3,081.9	3,245.7	0.0
Withholding VAT	-	-	-	-	-	-	2,498.7	2,126.7	6,202.3	13,035.5
Total	8,496.6	4,335.6	24,430.8	27,157.2	31,144.5	36,166.8	47,804.3	59,659.4	85,781.2	97,860.9

Customs Debt

The customs debt stock as at 31st December 2022 stood at K2,083.1 million. This represents an increase of 18.3 percent compared to the 2021 debt stock of K1,760.8 million (see Table 32).

Table 32: Trend in Customs Debt Accumulation, 2013 - 2022 (K' Million)

Tax Type	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Customs Duty	15.7	45.4	83.9	200.1	961	117.7	133.8	277.6	308.2	454.8
Advance Income Tax	1.2	2.1	4.6	24.1	47.7	24.6	26.6	151.1	171.2	197.1
Import Excise Duty	26.9	44.8	97.6	1.7	424.2	56.7	86.2	59.8	66	65.7
Fuel Levy	7.8	23	23	205.4	34	34	31.9	10.4	9.6	6.6
Export Duty	0	0.2	1.3	46.2	0.4	0.5	36.5	25.1	29.4	6.8
Motor Vehicle Fee	0.8	1.4	1.9	247.1	73.5	3	3.4	1.5	1.5	1.7
Carbon Emission Surtax	0.3	0.5	0.5	1.6	27.8	1.1	1.2	-	0.9	0.9
Import VAT	32.8	93.7	244.5	435.4	828.3	207.9	255.9	978.2	1,121.5	1,154.4
Other	-	-	-	-	-	-	9.8	31	52.5	195.1
Total Debt	85.5	211.1	457.2	827.6	2,428.8	445.5	585.3	1,534.7	1,760.8	2,083.1

Total Debt Stock

The inland and customs total debt stock increased by 14.2 percent to K99,944.0 million from K87,542.1 million in 2021 with inland taxes accounting for K97,860.9 million or 97.9 percent. The increased debt stock was mainly due to accumulation of debt

in VAT, PAYE and Mineral Royalty. Customs debt accounted for K2,083.10 million or 2.1 percent of the total debt stock (see Figure 29 and Figure 30).

Figure 29 : Trend of Inland and Customs Debt Stock, 2013-2022

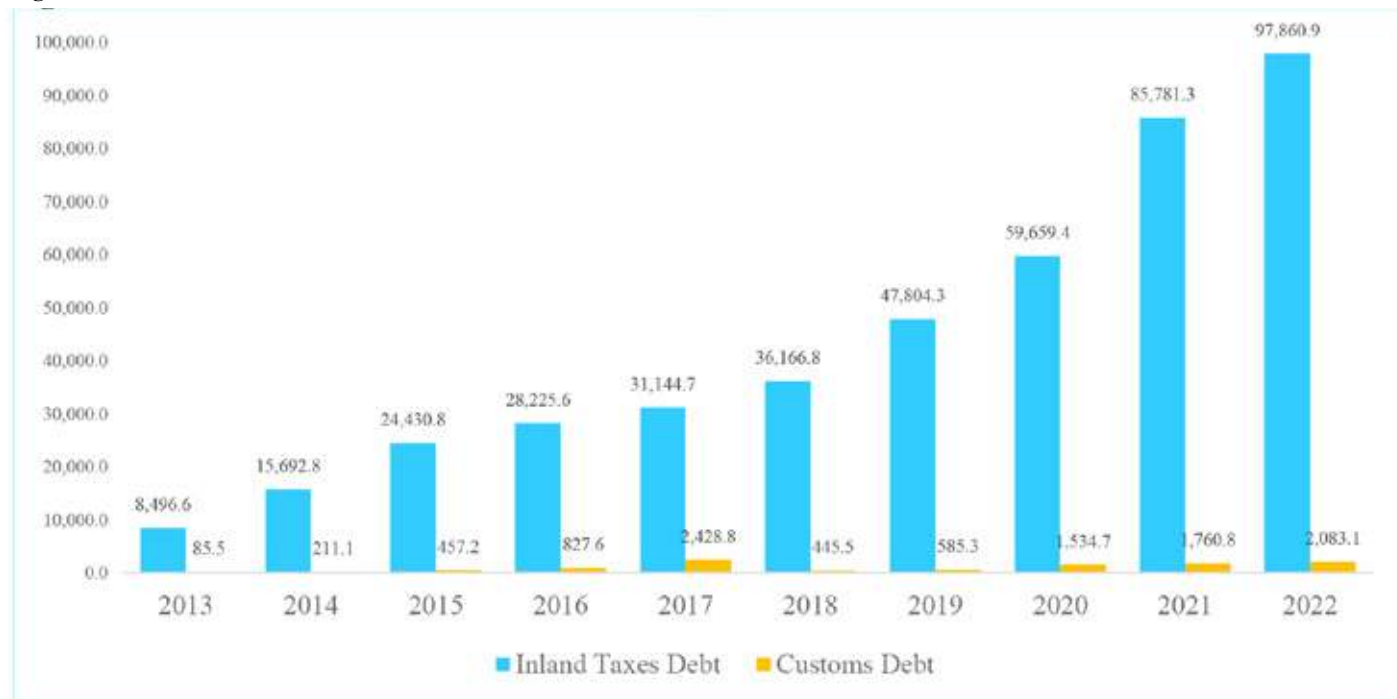
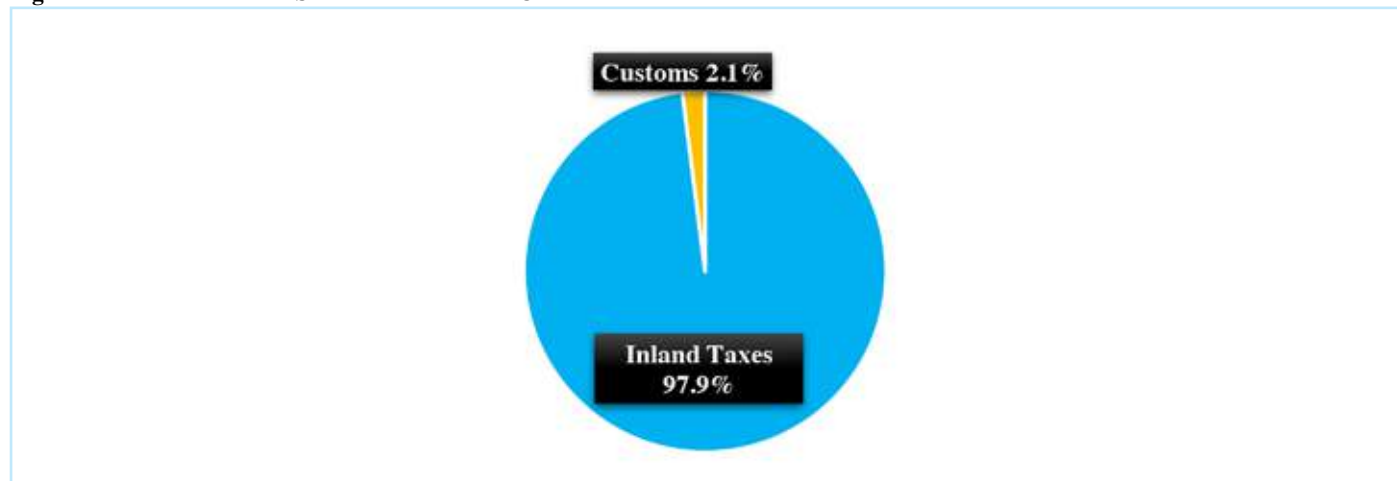


Figure 30: 2022 Total Debt Stock: Inland versus Customs Debt



The Authority also reconciles tax accounts in order to establish the correct tax position of its taxpayers. In 2022, 6,167 taxpayer accounts were reconciled resulting in a total liability of K13,315.9 million.

Time-to-Pay Agreements, debt swaps, garnishes, third-party collections, warrants of distress and waiver of penalties and interest through the Tax Amnesty Programme were some of the initiatives that led to the collection of K15,862,0 million in debt.

Taxpayer Education and Advisory Services

The Authority prioritises tax education in order to promote a knowledgeable taxpayer population thereby enhancing compliance. To achieve this, the Authority carried out the following activities;

Engagements with Business Associations

As a strategy for bridging the information gap, obtaining

feedback on various administrative strategies being implemented by the Authority, and collaborating on various initiatives, the Authority intensified and regularised quarterly engagements with business associations. The associations engaged included ZICA, associations of customs and clearing agents, associations of truck drivers, associations for transporters and the Zambia National Farmers Union.

Other notable engagements were with the Chinese Chamber of Commerce in Zambia, and the European Business Forum in Zambia. The Authority also joined the District Townhall meetings organised by the Chambers of Commerce, Trade and Industry in Chipata, Kitwe, Ndola and Solwezi. These engagements focused on tax policy changes in the 2022 and 2023 National Budgets. These platforms also served as a medium for tax education and marketing of the Tax Amnesty Programme.

Workshops

Workshops continued to be an effective tool for dissemination of information to taxpayers and collection of feedback. In this regard, a total of 450 physical and virtual interactive workshops with various stakeholders were held countrywide in 2022. The stakeholders engaged included; the Zambia Association of Chambers of Commerce and Industry, the Zambia Institute of Chartered Accountants, local authorities, commercial banks, clearing agents, withholding VAT agents and real estate agents.

Tax Clinics, Lectures and School Chats

To enhance public education on tax matters, the Authority conducted 119 tax clinics, school chats, lectures in private and public universities and colleges. Individual tailored sessions were also conducted to resolve various detailed challenges taxpayers encountered. Keeping taxpayers knowledgeable and making compliance easier was the focus of these engagements.

Social Media, Website and Radio Programmes

The Authority engaged taxpayers through various media platforms such as social media, television, radio, and the ZRA website, among others. The Facebook page continued to grow, achieving 98,806 followers from 69,972 followers in 2021. A total of 501 posts were made in form of educational posts, tax videos and live streaming broadcasts. This stimulated interest in various tax matters from the general public resulting in comments and queries which were addressed.

Radio programmes played a vital role in disseminating information

that was adapted with local content countrywide. The programmes focussed on; post registration obligations, encouraging taxpayer compliance, promotion of ZRA e-platforms and the role of taxes in national development, among others.

In its quest to widen information dissemination platforms, the Authority enhanced its website by reviewing, aligning and updating content to suit taxpayer needs. Through this platform, taxpayers accessed tax information and various ZRA services online. The website also provides an artificial intelligence chatbot called ZAX which attracted 292,652 taxpayer interactions in 2022.

Traditional Ceremonies

The Authority participated at selected traditional ceremonies and sensitised taxpayers on various tax related matters.

Tax Literature

Tax literature was developed and distributed countrywide in hard copy as well as electronically through the ZRA website and TaxOnApp for taxpayers to access. These included; Practice Notes, Budget Highlights, the VAT Guide, the VAT Liability Guide, Employer's Guide for PAYE, Passenger Clearance - A Brief Guide, Frequently Asked Questions and the Tax Amnesty Guide, among others.

Table 33 presents statistics on the number of taxpayer outreach programmes in 2022 and 2021.

Table 33: Number of Taxpayer Outreach Programmes in 2022 and 2021

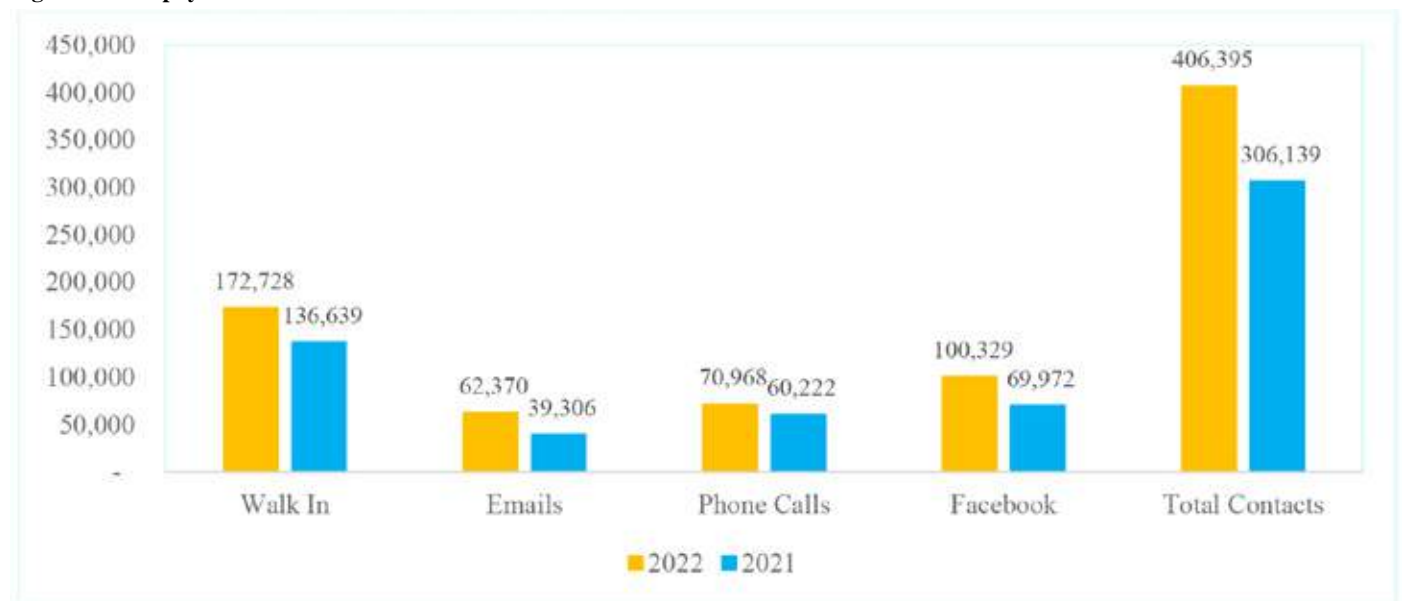
Type of Programme	2022	2021
Workshops/ Seminars / Meetings (Virtual and Physical)	450	231
Open Days	0	2
Tax Clinics	119	22
Radios/ TV programmes/ Facebook Live Chats	745	193
Social Media/ Post tax type education	501	0
Agriculture and Trade Shows	12	0
ZANIS Announcements	103	0
Virtual/ Physical Taxpayer Training Sessions	18	92
Lectures/School Chats	12	0
Total	1,879	540
Facebook Followers	98,806	69,972

Taxpayer Contact

The number of walk-in customers in our Service Centres increased to 172,728 in 2022 from 136,369 in 2021. The number of emails received also increased to 62,370 from 39,306 in the same

period. This increase in emails was attributed to awareness programmes the Authority undertook to sensitise taxpayers on the virtual platforms at their disposal (see Figure 31).

Figure 31: Taxpayer Contact in 2022 and 2021





MANAGING PUBLIC CONFIDENCE

Managing Public Confidence

Staff Integrity

The Authority prioritises staff integrity as it influences the level of public confidence in its operations. Consequently, several integrity promotion activities were undertaken in 2022 targeting both internal and external stakeholders.

The Zambia Revenue Authority Integrity Committee (ZRAIC) conducted 29 staff integrity sessions involving 578 members of staff through online sessions and station visits on *conflict of interest* and the *ZRA Code of Ethics*. The Committee also held an engagement with external stakeholders.

Integrity Promotion Partnerships

The Authority continued to collaborate with local and international organisations in promoting integrity in business processes. In this regard, the Authority hosted delegations from the Tanzania Revenue Authority, Nigerian Customs Service and the World Customs Organisation. In addition, the Authority collaborated with 14 local partners in facilitating integrity awareness workshops, hosting benchmarking visits and conducting joint activities.

A stakeholder engagement on integrity was held in Livingstone to promote ethical business practices between the Authority and its stakeholders.

In recognition of its comprehensive integrity promotion activities, the Authority was bestowed with two integrity awards in 2022,

namely: *Overall 2022 Integrity Champion Award and First Prize – Parastatals and Quasi Government* at the Integrity Committee Awards Ceremony organised by the Anti-Corruption Commission. The Authority was also invited to make a presentation on integrity promotion during the annual Chief Executive Officers' Integrity Committee Forum organised by the Anti-Corruption Commission.

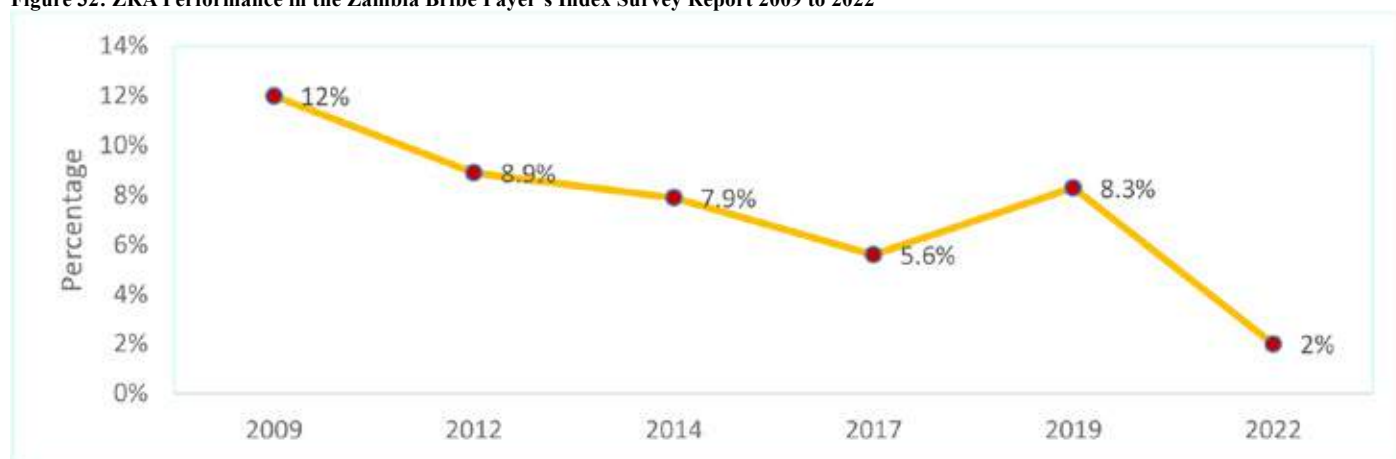
ZRA Performance in the Zambia Bribe Payer's Index Survey Report

The Zambia Bribe Payer's Index Survey, which is jointly conducted biennially by Transparency International Zambia and the Anti-Corruption Commission, measures the probability of public service seekers experiencing bribe-seeking behaviour from an officer in a public institution.

According to the 2022 Report, the probability of a taxpayer paying a bribe when seeking a service from the Authority significantly reduced to 2.0 percent in 2022 from 8.3 percent in 2019. The 2.0 percent probability of paying a bribe at the Authority was 8.1 percentage points lower than the 10.1 percent national aggregate bribery index for the 22 public institutions surveyed in 2022.

Further, the likelihood of paying a bribe for customs services reduced to 1.1 percent in 2022 from 4.0 percent, while that for inland taxes also declined to 0.9 percent in 2022 from 4.3 percent in 2019 (see Figure 32).

Figure 32: ZRA Performance in the Zambia Bribe Payer's Index Survey Report 2009 to 2022



The Authority's improved performance can be attributed to the organisational structures that have been put in place to enhance and promote ethical conduct among staff, such as the ZRAIC and the Internal Affairs Unit. In addition, the ZRA 2022 – 2024 Corporate Strategic Plan has mainstreamed integrity through the inclusion of initiatives such as promotion of the ZRA core values and the implementation of the ZRA Integrity Framework. Further, an online course on the Code of Ethics was launched to enhance the promotion and internalisation of the ZRA core values by staff. The existence of integrity related Policies such

as the Whistle-blower, Conflict of Interest, Gift Management and the Code of Ethics, also provide guidance to staff on integrity related matters.

In collaboration with other partners, the Authority conducted the Corruption Vulnerability Assessment and the Customs Integrity Perception Survey, which provided recommendations to improve integrity in identified processes.

Handling Comments and Complaints

In its engagements with stakeholders, ZRAIC encourages members of the public and the business community to report unethical conduct by ZRA staff. In 2022, the Committee received 337

comments and complaints compared to 283 in 2021, and these were referred to appropriate offices for action while those within the ZRAIC mandate were taken up for resolution (see Table 34).

Table 34: Number of Complaints and Comments Received by ZRAIC

Year	Complaints	Comments	Total
2022	8	329	337
2021	16	267	283

Table 35 presents the types of comments and complaints received in 2022.

Table 35: Types of Comments and Complaints Received

Taxpayer Feedback	2022	2021	Variance
Information	63	47	16
Queries	169	131	38
Employment Applications	84	85	-1
Complaints	8	16	-8
Staff concerns	0	2	-2
Stakeholder relations	13	2	11
Total	337	283	54

Reducing the Cost of Compliance

To enhance voluntary compliance and reduce the cost of tax compliance, the Authority during the year enhanced modules on TaxOnline II which included the following:

- a) developing a new Accounting Module which enables taxpayers to have a complete view of their tax status;
- b) synchronising customs declarations on ASYCUDA World and returns filed on TaxOnline II to minimise compliance costs;
- c) developing a functionality enabling taxpayers to file legacy returns online;
- d) automating a mechanism to track losses and capital allowances to minimise erroneous computation of taxable profit;
- e) enhancing and redeploying the payment reallocation functionality on TaxOnline II to enable efficient settlement of outstanding liabilities; and
- f) implementing a Tax Amnesty Module to expedite the waiver of penalties and interest.





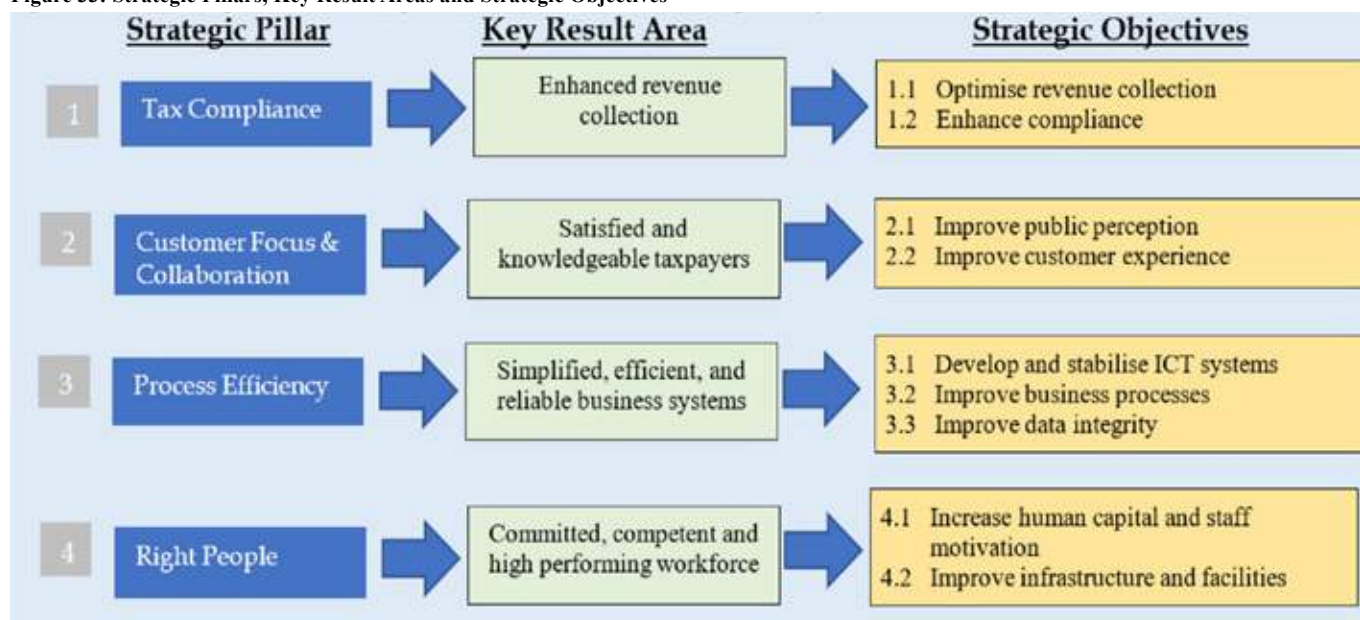
**PERFORMANCE
AGAINST THE
CORPORATE
STRATEGIC
PLAN**

Performance against the Corporate Strategic Plan

In 2022, the Authority implemented a new Corporate Strategic Plan (CSP) covering the period 2022 – 2024. The new Plan is premised on four Strategic Pillars, four corresponding thematic

Areas (Key Result Area) and nine Strategic Objectives as depicted in Figure 33.

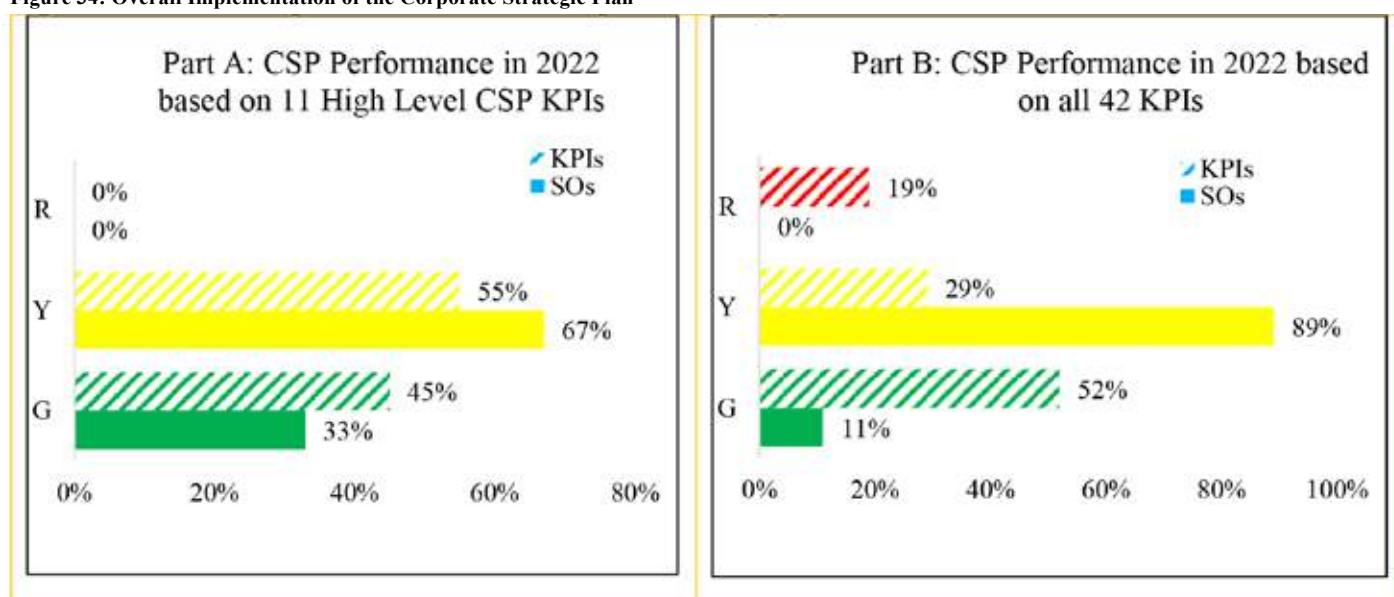
Figure 33: Strategic Pillars, Key Result Areas and Strategic Objectives



The CSP performance is assessed by tracking Key Performance Indicators (KPIs) using the *Red, Yellow and Green* rating scale for indicators that have *not been achieved, partially achieved* and *fully achieved*, respectively. Out of all KPIs in the CSP, a few are identified and labelled high level KPIs as they are considered to be the key drivers of their respective strategic objectives, and are ultimately used to gauge the achievement of the CSP.

During the year, five out of 11 high level KPIs representing 45 percent were achieved, resulting in the attainment of 33 percent of the strategic objectives. Six KPIs were partially achieved. Out of all the 42 active KPIs contained in the CSP, 22 were achieved, representing 52 percent (see Figure 34).

Figure 34: Overall Implementation of the Corporate Strategic Plan



The performance of each high-level KPI under their respective strategic objectives is highlighted in Table 36:

Table 36: Performance of High-Level KPIs

Strategic Objective	High Level KPI	Comment
1. Optimise revenue collection	Parliament approved annual revenue target met	Below Target by 0.8%
	% of tax types that meet set targets	40% achieved against target of 60%
	Cost of collection (Government funding to revenue ratio) maintained between 2% and 3% of revenue collected	2.3% against targeted range of 2% to 3%
	Tax Revenue to GDP ratio	17.8% achieved against target of 18.5%
2. Enhance compliance	Percentage of tax types that met set filing compliance	40% achieved against target of 60%
	Percentage of tax types that met set payment compliance	40% achieved against target of 60%
3. Improve public perception	Percentage of service charter standards met	54% achieved against target of 68%
4. Improve customer experience	Percentage of satisfied taxpayers	64.6% achieved against target of 88%
5. Improve ICT Solutions	Percentage of Satisfied End-Users of ZRA Business Systems	50% achieved against target of 86%
6. Increase Human capital and staff motivation	4.2.1 Percentage of staff who met their performance objectives	84.5% achieved against target of 95%
	4.1.2 Percentage of employee engagements implemented	78% achieved against target of 76%

KAIZEN Activities

KAIZEN is a methodology for implementing continuous improvement in all aspects of an organization. It is essentially a business process diagnostic tool based on a philosophy that all of an organisation's operations can be improved. The Authority has adopted KAIZEN, as the strategic tool to drive organisation-wide improvement towards business excellence through improving efficiency, quality and productivity.

A total of 22 KAIZEN projects were under implementation with varying degrees of progress towards completion by year end.

The Authority participated at the 2022 National KAIZEN Conference and obtained a silver award for increasing the processing efficiency of data requests to 90 percent from 87 percent in 2021. The National KAIZEN Conference is an annual national event where all organisations championing continuous improvement showcase their achievements.



INTERNAL AND EXTERNAL SCRUTINY

Internal And External Scrutiny

Internal Audit

During the period under review, the Internal Audit and Risk Department finalised and presented 19 audit reports to the Audit and Risk Committee of the Board. Another 9 were resolved by

management while 15 audits were at various resolution stages as at the end of 2022 (see Table 37).

Table 37: Audits and Investigations Undertaken in 2022

Status	Assurance	Information Systems	Total
Projects and Audits in progress	0	3	3
Reports with Director Internal Audit for Review	0	1	1
Reports with Audit Clients for Comments	5	5	10
Reports with Commissioner General for Comments	0	1	1
Reports resolved by Management	2	7	9
Reports to Audit and Risk Committee	10	9	19
Grand Total	17	26	43

Internal Affairs

In 2022, the Internal Affairs Unit recorded a total of 64 cases of allegations of fraud, malpractice and misconduct against ZRA staff compared to 54 in 2021. The increase in the number

of cases recorded may be attributed to enhanced intelligence gathering techniques and special operations conducted in selected regions (see Table 38).

Table 38: Cases of Allegations of Fraud and Misconduct by Employees in 2022 and 2021

Offence	2022	2021	Variance
Fraud	2	6	-4
Dishonest Conduct	39	28	11
Theft	1	1	0
Gross Negligence	7	12	-5
Bribery/Corruption	0	1	-1
Abetting smuggling/collusion	13	6	7
Other	2	0	2
Total cases investigated	64	54	10

During the period under review, the Unit recommended 26 cases for disciplinary action leading to 10 dismissals while others were given written warnings. A number of cases were recommended to the operating divisions for collection of taxes. Six cases involving 15 officers were referred to the Anti-Corruption Commission for further investigation and possible prosecution. As at end year, 12 cases were yet to be tabled before the Principal Disciplinary Committee.

To enhance the investigative skills of staff, officers were trained in fraud detection using data analytics, investigating and preventing supply chain and procurement fraud as well as in conducting and managing financial investigations.

External Scrutiny

Parliamentary Committees

Parliament has established parliamentary committees that provide oversight on defined areas of Government administration. The parliamentary committee system ensures that the Executive is accountable to Parliament as it enables it to probe into any maladministration and make recommendations for improvement. This includes requiring the Executive to account for the public funds entrusted to it.

In 2022, the Authority submitted 10 memoranda to 10 parliamentary committees on different issues of interest to the committees

ranging from commenting on proposed legislation to providing specific data requirements that included, legislation, Action Taken Reports and the Budget. Notable committees interacted with during the year included: the Committee on National Economy, Trade and Labour Matters; the Expanded Budget Committee; the Planning and Budgeting Committee; the Public Accounts Committee; the Committee on Agriculture, Land and Natural Resources; and the Committee on Delegated Affairs.

The Office of the Auditor General

The Office of the Auditor General is mandated to audit all government institutions, parastatal organisations, statutory boards, donor funded agencies and any other institution in which public resources have been invested. This is meant to ensure prudence in the utilisation of public resources.

As a statutory body, the Authority was in 2022 subjected to two audits by the Office of the Auditor General. These audits covered tax revenue collection activities and operations in the area of systems development, namely, TaxOnline II and Customs

Management System. The activities audited were for the year ended 31st December, 2021. Arising from these audits, 32 queries were raised in both areas of tax revenue collection and the operations of the Authority. The Authority managed to close 20 queries during the year while 12 were still being attended to as at the end of the year.

Litigation

During the year, the Authority was involved in civil and criminal litigation.

Civil Litigation

The number of civil cases under litigation by the Authority in 2022 was 48. Of these, 2 were before the Supreme Court; 2 were before the Court of Appeal; 19 were before the High Court; 13 were before the Tax Appeals Tribunal; 9 were before the Industrial Relations Court and 3 were before the Subordinate Court (see Table 39).

Table 39: Cases under Litigation in 2022 and 2021

Type of Court	2022	2021	Variance
Supreme Court	2	6	-4
Court of Appeal	2	0	2
High Court	19	12	7
Tax Appeals Tribunal	13	19	-6
Industrial Relations Court	9	10	-1
Magistrates Court	3	1	2
Total Cases	48	48	0

Of the cases under litigation, 28 related to customs and excise, while 2 related to direct and indirect taxes. The labour related cases were 12 and 6 cases were general civil cases.

The total number of cases concluded during the year was 17 out of which 5 were in favour of the Authority, 4 cases were concluded through consent settlements while 5 cases were withdrawn by the taxpayers. As at the end of the year, a total of 48 cases were active in various courts and at the Tax Appeals Tribunal.

Tax Appeals

The Authority received a total of 215 tax appeals in 2022 compared to 236 in 2021, representing a decrease of 8.9 percent. Of these, 65 related to assessments, 150 related to other determinations such as seizures. In terms of distribution, 96 appeal cases received were customs related and accounted for 44.7 percent of the total appeals. 23.3 percent of the appeals were enforcement related while 14.4 percent were direct taxes related. Indirect taxes and excise cases accounted for 8.0 percent while investigations related cases accounted for 9.8 percent. The number of cases resolved stood at 61, giving a resolution rate of 28 percent in 2022 compared to 75 percent in 2021 (see Table 40).

Table 40: Tax Appeal Cases in 2022 and 2021

Year	Appeal Type	Customs	Inland Taxes	Investigations	Enforcement Unit	Totals
2022	Assessments	22	15	7	21	65
	Other Determinations	74	33	14	29	150
	Total Received	96	48	21	50	215
	Total Resolved	66	33	10	28	61
	% Resolved	69%	69%	48%	56%	28%
2021	Assessments	16	16	2	34	68
	Other Determinations	90	16	3	59	168
	Total Received	106	32	5	93	236
	Total Resolved	89	22	5	62	178
	% Resolved	84%	69%	100%	67%	75%
% Change Total Received		-9.4%	50.0%	320.0%	-46.2%	-8.9%

Criminal Litigation (Prosecutions)

The total number of cases prosecuted in 2022 increased to 31 from 23 cases in 2021. Of the 31 cases prosecuted, 16 were customs related while 11 were inland taxes related and four related to offences under the Penal Code, Chapter 87 of the Laws of

Zambia. The number of cases concluded was 16, out of which 12 were convictions, three were acquittals while one case was withdrawn. As at end-year, 18 cases were under prosecution while one was at planning stage (see Table 41).

Table 41: Prosecuted Cases by Tax Type in 2022

Cases		Customs	Inland Taxes	Penal Code – Cap 87 of the Laws of Zambia.	Total
Brought Forward		13	2	1	16
New Cases		3	9	3	15
Total		16	11	4	31
Concluded	Conviction	11	-	1	12
	Acquittal	2	1	-	3
	Withdrawn	1	-	-	1
	Referred	-	-	-	-
Carried Forward		5*	10	3	18

* Cases carried forward under customs remain 5 instead of 2, as 3 of the 11 convicted are still in court for trial because the other accused persons jointly charged denied the charges and are scheduled for continued trial.

Seizure of Goods

The Authority seized goods valued at K109.6 million on account of various tax offences in 2022, representing a 20.8 percent increase from K90.7 million in 2021. The seized goods were

forfeited to the State and then either disposed of or donated to public and charitable organisations, in accordance with the law.



MANAGING PEOPLE



Managing People

Staff Strategy

The Authority has in place, among others, a performance management and development process to ensure a committed, competent and high performing workforce. In terms of staff resourcing, a total of 18 employees were promoted while 60 employees were appointed through internal job advertisements. Further, 36 new employees were recruited through external job advertisements.

Staff Complement

The total number of personnel was 2,183 employees in 2022 compared to 2,261 employees at the end of 2021, representing a decrease in personnel of 3.4 percent. The reduction was attributed to the temporary suspension of staff movements, recruitments and promotions at the beginning of the year and the moratorium on recruitment activities following the operationalisation of the Emoluments Commission Act No. 1 of 2022. The staff in post stood at 84.4 percent of the approved establishment of 2,584 employees compared to 92.2 percent of the approved establishment of 2,451 in 2021 (see Table 42).

Table 42: ZRA Staff Complement by Division/Department/Unit as at end 2022 and 2021

Division / Unit	2022		2021	
	Actual	Approved	Actual	Approved
Commissioner General's Office	73	91	62	71
Direct Taxes	389	438	403	423
Indirect Taxes	313	359	320	335
Customs Services	624	755	677	716
Legal Department	21	24	20	23
Administration Department	272	319	283	321
Research & Corporate Strategy	86	100	86	95
Human Resource	36	46	36	47
Finance	153	189	161	167
Information & Comm Technology	75	93	71	77
Innovation & Projects Management	93	110	94	109
Internal Audit & Risk	26	28	26	26
Investigations	22	32	22	41
Total	2,183	2,584	2,261	2,451

The staff complement of females was 878 compared to 1,305 males. The female staff complement represented 40.2 percent of the workforce compared to 40.3 percent in 2021.

With respect to the categories of employees, the share of non-represented contract staff marginally increased to 12.7 percent of personnel in 2022 from 12.6 percent in 2021. The

workforce in the represented contract/permanent staff category increased to 52.4 percent in 2022 from 50.1 percent in 2021 while the share of personnel in the represented non-contract staff category declined to 34.9 percent from 37.3 percent in 2021 (see Table 43).

Table 43: ZRA Staff Complement by Category and Gender in 2022 and 2021

Staff Category	2022				2021			
	Male	Female	Total	% of Total	Male	Female	Total	% of Total
Non-represented Contract Staff (ZRA00 – ZRA04)	205	73	278	12.7	214	72	286	12.6
Total Represented Contract & permanent Staff (ZRA05 – ZRA06): o/w	625	518	1,143	52.4	613	519	1132	50.1
<i>Represented Contract Staff (ZRA05 – ZRA06)</i>	42	33	75	3.4	93	71	164	7.3
<i>Represented Permanent Staff (ZRA05 – ZRA06)</i>	583	485	1,068	48.9	520	488	968	42.8
Represented Non-Contract Staff (ZRA07 – ZRA10)	475	287	762	34.9	521	322	843	37.3
Total	1,305	878	2,183	100	1,348	913	2,261	100

Personnel in the operating divisions/departments were 1,400, representing 64.1 percent of the staff complement in 2022 compared to 1,422 or 62.9 percent in 2021. On the other hand,

the staff complement in support services decreased by 6.7 percent compared to 2021 (see Table 44).

Table 44: ZRA Staff Classification in 2022 and 2021

Divisions/Departments	2022	2021	Percentage Change
Operations o/w:	1,400	1,422	-1.5%
<i>Direct Taxes Division</i>	389	403	-3.5%
<i>Indirect Taxes and Excise Division</i>	313	320	-2.2%
<i>Customs Services Division</i>	624	677	-7.8%
<i>Investigations Department</i>	22	22	0.0%
<i>Enforcement Unit*</i>	52	-	-
Support Services o/w:	783	839	-6.7%
<i>Executive Office (CG's Office)</i>	21	62	-66.1%
<i>Research and Corporate Strategy</i>	86	86	0.0%
<i>Administration Department</i>	272	283	-3.9%
<i>Legal Department</i>	21	20	5.0%
<i>Human Resources Department</i>	36	36	0.0%
<i>Finance Division</i>	153	161	-5.0%
<i>Internal Audit Department</i>	26	26	0.0%
<i>Information & Comm. Tech. ICT</i>	75	71	5.6%
<i>Innovation & Projects Management</i>	93	94	-1.1%
Grand Total	2,183	2,261	-3.4%

*The Enforcement Unit was created in 2022

Resourcing and Selection

The Authority continued its drive to ensure a skilled and professional workforce through recruitments in the year. Of the 114 vacancies that were filled during the year, 78 were through internal recruitment and promotions while 36 were through external recruitment.

Staff Development and Training

Continuous training and development is key in the Authority's commitment to ensure a committed, competent and high performing workforce. In line with this commitment, 5,871 participants were trained in various programmes in 2022 compared to 4,260 participants in 2021.

E-learning Platform

The Authority continued enhancing its e-learning space on the Atingi platform. The platform offers a variety of soft-skills training and technical courses to improve staff productivity. The courses are delivered online through virtual learning and pre-recorded lessons. In addition, training materials are also available on the platform. During the year, 7 courses were available to staff on Atingi, 3 of which were soft-skills courses and 4 were technical courses.

Performance Management and Development Process

The Performance Management Development Contracts (PMDCs) provide a framework through which individual staff performance is monitored between supervisors and subordinates in the Authority. At the close of 2022, the performance rating of staff indicated that 98 percent of employees met their performance objectives compared to 99.5 percent in 2021.

Staff Pension Scheme

The Authority has a staff pension scheme called the ZRA Pension Trust Scheme (ZRAPTS) which had a membership of 1,836 with a total fund value of K358 million at the close of the year. During the year, four trustees were appointed which resulted in the election of the Chairperson of the Board of Trustees and the appointment of appropriate committees.

Staff Separations

Staff separations in the year stood at 117 compared to 96 in 2021. The staff left the Authority on account of resignations, early/normal retirement, expiry of fixed term contracts, dismissals, termination of contract/employment (including mutual separation), discharges from employment and death (see Table 45).

Table 45: Separations Recorded in 2022 and 2021

Mode of Separation	2022	2021
Dismissal	11	18
Termination of Contract/Employment	3	8
Contract Expiry	9	4
Resignation	21	13
Retirements by Service and Age	64	39
Medical/Employment Discharge	2	4
Death	7	10
Total	117	96

Staff Welfare and Employee Relations

Employee Wellness

The Authority has in place a compulsory Wellness Scheme that encourages lifestyle changes and healthy living among its employees. Under this Scheme, 70 employees, representing 3.2 percent of personnel, accessed Anti-Retroviral Therapy in the year.

The COVID-19 pandemic continued to affect staff at the Authority with 83 members of staff who tested positive, recovering during the year. By year end, a total of 751 members of staff were vaccinated against COVID-19, representing 34.4 percent of the workforce.

Employee Relations

During 2022, Management, the ZRA Workers' Union and members of staff continued to engage and work together towards maintaining cordial labour relations.



ZRA Senior Management awarding participants at 2022 Sports Day



Participants at 2022 ZRA Sports Day



PHYSICAL ASSET MANAGEMENT

Physical Asset Management

In 2022, the Authority implemented a number of infrastructure development projects at its various stations and sites across the country. The total value of construction and refurbishment projects was K29.2 million (see Table 46).

Table 46: Major Construction Projects in 2022

No.	Project Description	Contract Value (K)	Status
1	Construction of 4 single quarter staff housing units in Kipushi	1, 984,615.0	Project Completed
2	Construction of 4 single quarter staff housing units in Kashiba	1, 374,815.8	Project Completed
3	Construction of Data Centre at Head Office	7,561,863.7	Project Completed
4	Refurbishment of Mpendwa House	16, 458,792.9	74% Complete
5	Remodelling of 1 st Floor of Revenue House	1, 867, 575.0	Project Completed
Total		29,247,662.4	

Information and Communication Technology

Information and Communication Technology systems play a central role in facilitating operations in the Organisation. The following were the notable enhancements and achievements in 2022.

- i) SAP System – installed Point-of-Sale (POS) facility at the Kazungula OSBP to facilitate collection of bridge toll fees;
- ii) Teammate Upgrade – the audit application was upgraded to ensure end users have access to the latest features;
- iii) Oracle Unlimited Licence Agreement and Support – Under this facility, ZRA gained unlimited rights to deploy a specific set of Oracle products at standardised licensing costs; and
- iv) Bulk Intelligence and Data Analysis System (BIDA) – integration of the Customs and the PAYE modules onto BIDA comprising reports, dashboards and analytics. The project also commenced work to integrate Mineral Royalty and Withholding VAT modules onto the BIDA system.



Newly constructed Data Centre at Head Office



**MANAGING
RESOURCES**

Managing Resources

In 2022, the Authority's total income was K2,998.6 million, while total expenditure amounted to K2,450.7 million. The primary source of income was Government funding amounting to K2,444.2 million, representing a 48.8 percent increase over the 2021 level.

Table 47 presents a comparative overview of the Authority's income and expenditure for the 2022 and 2021 financial years.

Table 47: Statement of Financial Performance, 2022 and 2021

	2022	2021
	K	K
Revenue from non-exchange transactions		
Government grants	2,444,166,886	1,640,689,768
Deferred income	4,223,131	4,651,173
Sub total	2,448,390,017	1,645,340,941
Revenue from exchange transactions		
Asycuda processing fees	524,816,433	440,725,747
Other income	9,259,991	6,632,369
Finance income	9,389,510	2,350,828
Kasumbalesa Agency fees	6,704,931	6,280,744
Kariba Dam Agency fees	33,430	29,314
Sub total	550,204,295	456,019,002
Total Revenue	2,998,594,312	2,101,359,943
Expenditure		
Personnel expenses	(1,788,198,047)	(1,443,025,682)
Administrative expenses	(144,367,972)	(111,056,918)
Other operating expenses	(411,073,808)	(196,970,848)
Gain/(Loss) on foreign exchange transactions	21,210,321	90,041,925
Depreciation and amortisation expenses	(128,289,807)	(122,995,476)
Total expenses	(2,450,719,313)	(1,784,006,999)
Surplus/(Deficit) for the year	547,874,999	317,352,944

Other sources of income were the ASYCUDA processing fees, financing income, and commission from the Kasumbalesa Joint Venture Project. The Authority collected K524.8 million in ASYCUDA processing fees and K6.7 million as commission from the Kasumbalesa project.

Recurrent Expenditure

The Authority's recurrent expenditure in 2022 comprised staff-related costs of K1,788.2 million, other operating expenses of K411.1 million, and administrative expenses of K144.4 million. In addition, K128.3 million was incurred as an expense for depreciation and amortization, while gains of K21.2 million on foreign exchange transactions were recorded.

Compared to 2021, there was a 30.0 percent increase in administrative expenses, and a 108.7 percent increase in other operating expenses in 2022. Personnel expenses also increased by 23.9 percent in 2022 compared to the prior year, which was attributable to improved staff emoluments and increased payments on staff separations.

Capital Expenditure

The Authority's capital expenditure, which included work in progress, totalled K70.3 million for the fiscal year ended 31st December, 2022.

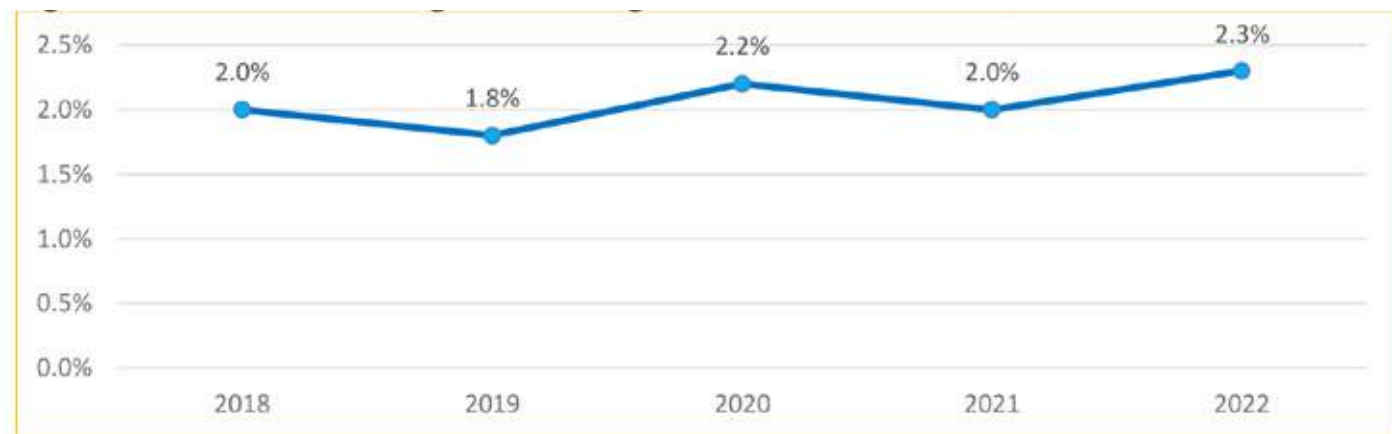
The detailed financial performance based on International Public Sector Accounting Standards (IPSAS) and the accrual basis of accounting are presented in the Financial Statements.

Cost of Tax Revenue Collection

The efficiency of the tax system in mobilising domestic resources for each unit of money expended is measured by the cost of tax revenue collection. This is proxied by the ratio of government funding to total revenue collected.

In 2022, the cost of tax revenue collection was 2.3 percent compared to 2.0 percent in 2021. Between 2018 and 2022, the ratio of revenue collection costs averaged 2.1 percent (see Figure 35).

Figure 35: Government Funding as a Percentage of Collected Tax Revenue, 2018 – 2022



Taxpayer Hall at Head Office, Lusaka

ANNEX

List of institutions that the Zambia Revenue Authority collaborated with in 2022.

1. African Tax Administration Forum
2. Anti-Corruption Commission
3. Bank of Zambia
4. Botswana Unified Revenue Services
5. Common Market for Eastern and Southern Africa
6. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ);
7. Drug Enforcement Commission
8. Eswatini Revenue Service
9. European Union
10. Financial Intelligence Centre
11. International Growth Centre
12. International Monetary Fund
13. International Police (Interpol)
14. Japan International Co-operation Agency
15. Law Association of Zambia
16. Malawi Revenue Authority
17. Ministry of Agriculture
18. Ministry of Finance and National Planning
19. Ministry of Fisheries and Livestock
20. Ministry of Local Government and Rural Development
21. Ministry of Mines and Minerals Development
22. National Assembly of Zambia
23. National Pension Scheme Authority
24. National Road Fund Agency
25. Nigerian Customs Services
26. Organization for Economic Co-operation and Development
27. Road Transport and Safety Agency
28. Rwanda Revenue Authority
29. Smart Zambia Institute
30. Southern African Development Community
31. Tanzania Revenue Authority
32. United Nations University World Institute for Development Economics Research
33. United States Agency for International Development
34. United Nations Conference on Trade and Development
35. World Customs Organisation
36. Zambia Institute for Policy Analysis and Research
37. Zambia Institute of Chartered Accountants
38. Zambia National Broadcasting Corporation
39. Zambia Police Service
40. Zambia Public Procurement Agency
41. Zambia Statistics Agency



Financial Statements

ZAMBIA REVENUE AUTHORITY**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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ZAMBIA REVENUE AUTHORITY**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****GOVERNING BOARD'S REPORT**

The Governing Board submits its report together with the audited financial statements for the year ended 31 December 2022, 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 and National Planning 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

	2022 K	2021 K
Revenue	<u>2,998,594,312</u>	<u>2,101,359,943</u>
Surplus for the year	<u>547,874,999</u>	<u>317,352,944</u>

The surplus for the year of K547.87 million (2021: surplus of K317.35 million) has been adjusted in the capital fund.

GOVERNING BOARD

The members who held office during the year until 31 December 2022 were:

Dr. Caleb Fundanga - Chairperson
 Ms. Nana M. Mudenda - Vice Chairperson
 Mr. Willis Chipango
 Dr. Denny Kalyalya
 Mrs. Mutinta M. Pensulo
 Ms. Valerie A. Nambeye
 Ms. Grace N. Likando
 Ms. Venus Hampinda
 Mr. Allan Nyirenda

EMPLOYEES

The total remuneration of employees during the year amounted to K1,788.2 million (2021: K1,443.0 million). The average number of employees for each month of the year was as follows:

Month	Number	Month	Number
January	2,286	July	2,312
February	2,283	August	2,311
March	2,279	September	2,312
April	2,287	October	2,319
May	2,292	November	2,308
June	2,296	December	2,304

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

ZAMBIA REVENUE AUTHORITY**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****PROPERTY AND EQUIPMENT**

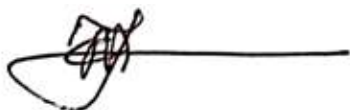
The Authority purchased property and equipment amounting to K70.3 million (2021: K280.4 million) during the year. In the opinion of the Directors, the carrying value of property and equipment is not more than their recoverable value.

GIFTS AND DONATIONS

Donations to charitable organisations and events during the year amounted to K557,943 (2021: K856,964).

AUDITOR

Messrs Grant Thornton were appointed for a term of three years following a competitive bidding process. Their current term of office is the audit of the financial years 31 December 2021, 2022 and 2023.



Chairperson of the Governing Board

Date: 25.04.2023

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 Public Sector Accounting Standards (IPSAS).

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, Grant Thornton, have audited the annual statements and their report is shown on pages 4 to 7.

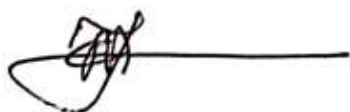
The Governing Board is also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material 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 controls, procedures and systems has occurred during the year under review.

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

Signed on behalf of the Board by:



Chairperson of the Governing Board



Member of the Governing Board

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE AND NATIONAL PLANNING

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 8 to 40, and which comprise the statement of financial position as at 31 December 2022, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual 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 2022, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other requirements on independence applicable to performing audits of financial statements in Zambia, and we have fulfilled our other 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.

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE AND NATIONAL PLANNING (CONTINUED)

Key audit matter

Key audit matter is that matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
<p>Actuarial valuation of pension obligations</p> <p>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 employees' service in the current and prior periods.</p> <p>International Public Sector Accounting Standard No. 39 - 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."</p> <p>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 22 to the financial statements are:</p> <ul style="list-style-type: none"> • Discount rate; • Expected rate of salary increment; and • Average longevity at retirement age for current employees. 	<p>In considering the actuarial valuation of pension obligation, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained the actuarial report based on 31 December 2022 numbers. • Reviewed that the valuation in relation to IPSAS 39 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 to inflation projections in the region and tested for reasonableness. • Compared the discount rates used to Government bond yield rates available with the Bank of Zambia. • Reviewed the reasonableness of the mortality rates by comparing the rates to those of the Central Statistics Agency. • Reviewed the qualifications of the Independent Actuaries who carried out the valuation. • Tested assumptions for reasonableness. • Further, we reviewed the disclosures pertaining to the pension obligations as to whether they were found to be appropriate and comprehensive in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE AND NATIONAL PLANNING (CONTINUED)

Other information

The Governing Board is responsible for the other information. The other information comprises the Governing Board's Report and the statement of Governing Board's responsibilities, as required by the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia. 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 Public Sector Accounting Standards and the requirements of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia, and for such internal control as the Governing Board determines 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. The Directors are responsible for overseeing the financial reporting process.

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 International Standards on Auditing (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. We also:

- 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;

INDEPENDENT AUDITOR'S REPORT**TO THE GOVERNMENT OF ZAMBIA THROUGH THE MINISTER OF FINANCE
(CONTINUED)****Auditor's responsibilities for the audit of the financial statements (continued)**

- 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; and
- 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 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 matters 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.



Chartered Accountants



Christopher Mulenga (AUD/F000178)

Name of Partner signing on behalf of the Firm

Lusaka

Date:

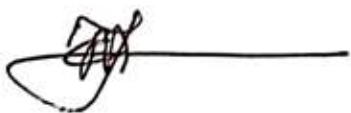


25/4/2023

ZAMBIA REVENUE AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 K	2021 K
Revenue from non-exchange transactions			
Government grants	6	2,444,166,886	1,640,689,768
Deferred income	10	<u>4,223,131</u>	<u>4,651,173</u>
		<u>2,448,390,017</u>	<u>1,645,340,941</u>
Revenue from exchange transactions			
Asycuda processing fees	7	524,816,433	440,725,747
Other income	8	9,259,991	6,632,369
Finance income	9	9,389,510	2,350,828
Kasumbalesa Agency Fees	11	6,704,931	6,280,744
Kariba Dam Agency Fees	11	<u>33,430</u>	<u>29,314</u>
		<u>550,204,295</u>	<u>456,019,002</u>
Total revenue		<u>2,998,594,312</u>	<u>2,101,359,943</u>
Expenditure			
Personnel expenses	12	(1,788,198,047)	(1,443,025,682)
Administrative expenses	13	(144,367,972)	(111,056,918)
Other operating expenses	14	(411,073,808)	(196,970,848)
Gain/(loss) on foreign exchange transactions	15	21,210,321	90,041,925
Depreciation and amortisation expenses	16, 17	<u>(128,289,807)</u>	<u>(122,995,476)</u>
Total expenses		<u>(2,450,719,313)</u>	<u>(1,784,006,999)</u>
Surplus for the year		<u>547,874,999</u>	<u>317,352,944</u>

The financial statements on pages 8 to 40 were approved by the Governing Board on 25/04/2023 and were signed on its behalf by:

)
) Chairperson of the Governing Board
)
) Member of the Governing Board
)
) Commissioner General

ZAMBIA REVENUE AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 K	2021 K
ASSETS			
Current assets			
Inventories	18	10,420,338	4,329,788
Employee loans and advances (exchange transactions)	19	151,201,330	48,807,131
Other assets	20	107,317,963	49,917,623
Cash and cash equivalents	21	767,011,010	130,675,899
Customs deposit bank accounts	25	3,870,484	1,009,945
Tax refunds bank accounts	26	<u>190,469,706</u>	<u>220,110,938</u>
		<u>1,230,290,831</u>	<u>454,851,324</u>
Non-current assets			
Property, plant and equipment	16	984,168,235	986,037,826
Intangible assets	17	51,259,012	134,007,186
Employee loans and advances (exchange transactions)	19	<u>50,400,443</u>	<u>73,210,697</u>
		<u>1,085,827,690</u>	<u>1,193,255,709</u>
TOTAL ASSETS		<u>2,316,118,521</u>	<u>1,648,107,033</u>
Liabilities			
Current liabilities			
Deferred income	10	917,732	1,324,947
Post employment benefits	22	81,228,746	108,290,846
Payables	23	408,237,993	186,431,680
Borrowings	24	82,973,319	95,486,116
Customs deposits bank accounts	25	3,870,484	1,009,945
Tax refunds for taxpayers	26	<u>190,469,706</u>	<u>220,110,938</u>
Total current liabilities		<u>767,697,980</u>	<u>612,654,472</u>
Non-current liabilities			
Deferred income	10	10,357,676	2,926,751
Post employment benefits	22	460,296,228	613,648,128
Borrowings	24	<u>149,955,225</u>	<u>234,669,269</u>
Total non-current liabilities		<u>620,609,129</u>	<u>851,244,148</u>
TOTAL LIABILITIES		<u>1,388,307,109</u>	<u>1,463,898,620</u>
NET ASSETS		<u>927,811,412</u>	<u>184,208,413</u>
Capital surplus/(deficiency)		563,634,148	(187,681,811)
Revaluation reserve		<u>364,177,264</u>	<u>371,890,224</u>
NET ASSETS/EQUITY		<u>927,811,412</u>	<u>184,208,413</u>

ZAMBIA REVENUE AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Capital (deficiency) /surplus K	Revaluation reserve K	Total K
At 1 January 2021	(130,261,715)	379,603,184	249,341,469
Surplus for the year	317,352,944	-	317,352,944
Other comprehensive income:			
Loss on employee retirement benefit plan	(382,486,000)	-	(382,486,000)
Amortisation of revaluation surplus	<u>7,712,960</u>	<u>(7,712,960)</u>	<u>-</u>
Total comprehensive income for the year	<u>(57,420,096)</u>	<u>(7,712,960)</u>	<u>(65,133,056)</u>
At 31 December 2021	<u>(187,681,811)</u>	<u>371,890,224</u>	<u>184,208,413</u>
At 1 January 2022	(187,681,811)	371,890,224	184,208,413
Surplus for the year	547,874,999	-	547,874,999
Other comprehensive income:			
Gain on employee retirement benefit plan	195,728,000	-	195,728,000
Amortisation of revaluation surplus	<u>7,712,960</u>	<u>(7,712,960)</u>	<u>-</u>
Total comprehensive loss for the year	<u>751,315,959</u>	<u>(7,712,960)</u>	<u>743,602,999</u>
At 31 December 2022	<u>563,634,148</u>	<u>364,177,264</u>	<u>927,811,412</u>

ZAMBIA REVENUE AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 K	2021 K
Cash flows from operating activities			
Surplus for the year		547,874,999	317,352,944
Adjustments for:			
Amortisation of capital grant	10	(4,223,131)	(4,651,173)
Depreciation and amortisation	16,17	128,289,807	122,995,477
Amortisation of staff benefits	22	-	14,979,652
Impairment (gain)/loss on employee loans and advances	19	(26,684)	109,125
Impairment loss on intangible asset	17	26,369,587	-
(Gain)/loss on disposal of equipment		(1,029,917)	99,639
Net exchange (gain)/losses on borrowings	24	(2,981,186)	(87,946,022)
Unrealised exchange (gains)/losses		(27,016,763)	21,513,275
Interest paid on borrowings	24	(2,983,155)	(4,457,749)
Net finance income	9	(9,389,510)	(2,350,828)
Capital work in progress written off	16	-	2,651,915
Defined benefit obligation expense	22	<u>277,510,000</u>	<u>255,184,000</u>
Operating cash flows before movements in working operating funds		932,394,047	635,480,255
Changes in operating funds:			
(Increase) decrease in inventories	18	(6,090,550)	4,713,059
Increase in employee loans and advances	19	(79,557,261)	(46,625,925)
(Increase)/decrease in other assets	20	(57,400,340)	886,286
Increase in payables	23	<u>221,806,313</u>	<u>71,310,308</u>
		78,758,162	30,283,728
Employee benefits paid from plan	22	<u>(262,196,000)</u>	<u>(231,372,000)</u>
Net cash generated from operating activities		<u>748,956,209</u>	<u>434,391,983</u>
Cash flows from investing activities			
Interest received	9	9,389,510	2,350,828
Acquisition of property and equipment and intangible assets	16, 17	(70,312,613)	(336,384,069)
		1,300,901	62,860
Proceeds from disposal of equipment	10	<u>11,246,842</u>	<u>6,390,711</u>
Capital grant received		<u>(48,375,361)</u>	<u>(327,579,670)</u>
Net cash used in investing activities			
Cash flows from financing activities	24	<u>(91,262,500)</u>	<u>(103,969,250)</u>
Repayment of borrowings		<u>(91,262,500)</u>	<u>(103,969,250)</u>
Net cash used in financing activities			
		609,318,348	2,843,063
Net increase in cash and cash equivalents		130,675,899	149,346,111
Cash and cash equivalents at beginning of the year		<u>27,016,763</u>	<u>(21,513,275)</u>
Effect of foreign exchange rate changes	21	<u>767,011,010</u>	<u>130,675,899</u>
Cash and cash equivalents at end of the year			

ZAMBIA REVENUE AUTHORITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Approved budget K	Revised budget K	Actual amounts K	Performance difference K
Revenue					
Government grants	30.1.1	2,450,623,079	2,450,623,079	2,444,166,886	(6,456,193)
Asycuda processing fees	30.1.2	521,379,071	521,379,071	524,816,433	3,437,362
Other income	30.1.3	6,479,720	6,479,720	9,259,991	2,780,271
Finance income	30.1.4	2,958,904	2,958,904	9,389,510	6,430,606
Deferred income	30.1.5	-	-	4,223,131	4,223,131
Commission – Tax Agents and POS		1,400,000	1,400,000	-	(1,400,000)
Kasumbalesa Agency Fees	30.1.6	7,422,285	7,422,285	6,704,931	(717,354)
Kariba Dam Agency Fees	30.1.7	-	-	33,430	33,430
		<u>2,990,263,059</u>	<u>2,990,263,059</u>	<u>2,998,594,312</u>	<u>8,331,253</u>
Expenditure					
Personnel expenses	30.2.1	2,004,553,437	1,883,838,437	1,788,198,047	(95,640,390)
Administrative expenses	30.2.2	161,832,585	170,485,907	144,367,972	(26,117,935)
Other operating expenses	30.2.3	550,060,119	654,071,797	411,073,808	(242,997,989)
Depreciation and amortisation expenses	30.2.4	-	-	128,289,807	128,289,807
Net exchange gains	30.2.5	-	-	(21,210,321)	(21,210,321)
		<u>2,716,446,141</u>	<u>2,708,396,141</u>	<u>2,450,719,313</u>	<u>(257,676,828)</u>
Total expenditure					
Surplus/(deficit) for the year		<u>273,816,918</u>	<u>281,866,918</u>	<u>547,874,999</u>	<u>266,008,081</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General Information

The Zambia Revenue Authority ("the Authority") was established following the 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. Statement of Compliance

The financial statements of the Authority have been prepared in accordance with and comply with International Public Sector Accounting Standards ("IPSAS"), the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia and the Public Finance Management Act No.1 of 2018. The financial statements are presented in Zambian Kwacha (K), which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

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 IPSAS 13 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IPSAS 21 Impairment of non-cash generating 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, 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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

- Level 3 inputs are unobservable inputs for the asset or liability.

The Authority had a capital surplus of K563,634,148 (2021: K187,681,811 deficit) as at the reporting date. On the basis that the Authority is grant aided and funding by the Government has continued in the subsequent period, the Governing Board is of the opinion that the preparation of these financial statements on going concern basis remains appropriate.

(b) New standards

The International Public Sector Accounting Standards Board (IPSASB) approved the following standards:

	Effective Date
• <i>IPSAS 5, Borrowing Costs – Non-Authoritative Guidance</i> (issued November 2021)	On or After 1 January 2023
• <i>Improvements to IPSAS, 2021</i> (Issued January 2022)	Date noted in the Standards
• <i>IPSAS 43, Leases</i> (issued January 2022)	On or After 1 January 2025

These Standards resulted in a number of consequential amendments to other IPSAS. These amendments are effective from the dates noted in the Standards.

Amendments to existing Standards

A number of IPSAS were amended as a result of the International Public Sector Accounting Standards Board's (IPSASB) improvement to IPSAS, 2021 project. This project involves making non-urgent but necessary changes to IPSAS. The following IPSAS have been amended:

- *IPSAS 17, Property, Plant and Equipment;*
- *IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets;*
- *IPSAS 22, Disclosure of Financial Information About the General Government Sector;*
- *IPSAS 29, Financial Instruments: Recognition and Measurement;*
- *IPSAS 30, Financial Instruments: Disclosures;*
- *IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs);*
- *IPSAS 39, Employee Benefits; and*
- *IPSAS 41, Financial Instruments.*

The IPSASB's narrow scope project *IPSAS 5, Borrowing Costs- Non-Authoritative Guidance* amended this IPSAS to provide Implementation Guidance and Illustrative Examples to assist entities in determining the extent to which borrowing costs can be capitalized.

ZAMBIA REVENUE AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****3. Summary of Significant Accounting Policies (continued)****(c) 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.

(d) Revenue recognition

Revenue from non-exchange transactions

Government grants

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

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 capital 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 income 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.

Revenue from exchange transactions**Other income**

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

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).

Sale of cigarette stamps

Revenue from the sale of cigarette stamps is recognised 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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(d) Revenue recognition (continued)

Interest income

Interest income is recognised using the effective interest rate method.

(e) **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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(e) Property and equipment (continued)

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.

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 those assets 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 sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) 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.

(g) 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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(h) **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.

(i) **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.

ji) **Financial instruments**

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

(i) **Financial assets**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as loans and receivables or held-to-maturity investments, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Authority commits to purchase or sell the asset. The Authority's financial assets include: cash and short-term deposits, employee loans and advances and other receivables.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(i) Financial assets (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.

(c) 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;
- default or delinquency in interest or principal payments;
- 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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(i) Financial assets (continued)

(d) De-recognition of financial assets (continued)

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 financial performance.

(ii) Financial liabilities

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

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

The Authority's financial liabilities include payables, other payables and borrowings.

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.

(k) 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.

(l) 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.

(m) 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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(n) 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 the assets of the pension plan. 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 expenses 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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. Summary of Significant Accounting Policies (continued)

(n) 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 separation from the institution 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 IPSAS 39 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary separation, 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.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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, including outstanding receivables. The Authority does not have significant concentrations of credit risk.

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.

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority undertakes certain transactions denominated in foreign currencies hence exposure to exchange rate fluctuations arise. Exchange rate exposure is managed within approved policy parameters as approved by the Board of Directors.

The Authority is exposed to foreign exchange risk which arises primarily with respect to bank and cash balances which are denominated in US Dollars. Foreign exchange risk also arises from a loan from Ministry of Finance and National Planning (a subsidiary loan which the Government of the Republic of Zambia secured from the People's Republic of China denominated in Chinese Yuan) and supplier payments denominated in US Dollars. Below is the Kwacha equivalent of the financing assets and liabilities that are denominated in foreign currencies:

	2022 K	2021 K
Assets		
US Dollar denominated	<u>38,027,464</u>	<u>14,744,514</u>
Liabilities		
Chinese Yuan denominated	232,928,544	330,155,385
US Dollar denominated	<u>15,172,608</u>	<u>16,603,563</u>
	<u>248,101,152</u>	<u>346,758,948</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. Financial risk management objectives and policies (continued)

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 24) 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
31 December 2022:			
- borrowings	41,588,094	191,340,450	-
- payables	408,237,993	-	-
- employee benefits	<u>81,228,746</u>	<u>289,986,624</u>	<u>170,309,604</u>
	<u>531,054,833</u>	<u>481,327,074</u>	<u>170,309,604</u>

Liquidity risk

	Less than 1 year K	Between 1 and 5 years K	Over 5 years K
31 December 2021:			
- borrowings	95,486,116	234,669,269	-
- payables	186,431,680	-	-
- employee benefits	<u>108,290,846</u>	<u>386,598,321</u>	<u>227,049,807</u>
	<u>390,208,642</u>	<u>621,267,590</u>	<u>227,049,807</u>

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 and National Planning.

Fair value measurements

This hierarchy requires the use of observable market data when available. The Authority considers-

- (a) relevant and observable market prices in its valuations where possible, and
- (b) fair value of the Authority's financial assets and financial liabilities that are measured at fair value on a recurring basis.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. Financial risk management objectives and policies (continued)

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

	Carrying value 2022 K	Fair value 2022 K	Carrying value 2021 K	Fair value 2021 K
Financial assets				
Employee loans and advances	201,601,773	201,601,773	122,017,828	122,017,828
Other assets	107,317,963	107,317,963	49,917,623	49,917,623
Customs deposit bank accounts	3,870,484	3,870,484	1,009,945	1,009,945
Tax refunds bank accounts	190,469,706	190,469,706	220,110,938	220,110,938
Financial liabilities				
Borrowings	232,928,544	232,928,544	330,155,385	330,155,385
Payables	408,237,993	408,237,993	186,431,680	186,431,680
Customs deposit bank accounts	3,870,484	3,870,484	1,009,945	1,009,945
Tax refunds bank accounts	190,469,706	190,469,706	220,110,938	220,110,938

Fair value hierarchy as at 31 December 2022

	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets				
Employee loans and advances	-	-	201,601,773	201,601,773
Other assets	-	-	107,317,963	107,317,963
Customs deposit bank accounts	-	-	3,870,484	3,870,484
Tax refunds bank accounts	-	-	190,469,706	190,469,706
Financial liabilities				
Borrowings	-	-	232,928,544	232,928,544
Payables	-	-	408,237,993	408,237,993
Customs deposit bank accounts	-	-	3,870,484	3,870,484
Tax refund bank accounts	-	-	190,469,706	190,469,706

Fair value hierarchy as at 31 December 2021

	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets				
Employee loans and advances	-	-	122,017,828	122,017,828
Other assets	-	-	49,917,623	49,917,623
Customs deposit bank accounts	-	-	1,009,945	1,009,945
Tax refunds bank accounts	-	-	220,110,938	220,110,938
Financial liabilities				
Borrowings	-	-	330,155,385	330,155,385
Payables	-	-	186,431,680	186,431,680
Customs deposit bank accounts	-	-	1,009,945	1,009,945
Tax refund bank accounts	-	-	220,110,938	220,110,938

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. Government Grants	2022 K	2021 K
Annual budgetary allocation	1,700,307,979	918,664,001
Supplementary funding	<u>743,858,907</u>	<u>722,025,767</u>
	<u>2,444,166,886</u>	<u>1,640,689,768</u>

The funding received in the period includes an operational grant of K1,306.5 million, modernization funding of K333.5 million and Kasumbalesa profit sharing amounting to K60.3 million.

7. Asycuda processing fees

Asycuda processing fees are derived from the charge of K500.10 per transaction for the processing of imported goods at the borders. This income is partly used to maintain the scanners that are used to process imported goods.

2022 K	2021 K
<u>524,816,433</u>	<u>440,725,747</u>

8. Other income

Cigarette stamps sales proceeds	3,664,485	2,919,420
Rental income	2,530,307	2,559,647
(Gain)/loss on disposal of property and equipment	1,764,298	(99,639)
Sundry income	<u>1,300,901</u>	<u>1,252,941</u>
	<u>9,259,991</u>	<u>6,632,369</u>

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

9. Finance income

Relates to interest income on short term bank deposits.	<u>9,389,510</u>	<u>2,350,828</u>
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10. Deferred income

At beginning of the year	4,251,698	2,512,160
Receipts during the year	11,246,814	6,390,711
Recognised in the statement of financial performance	<u>(4,223,131)</u>	<u>(4,651,173)</u>
At end of the year	<u>11,275,408</u>	<u>4,251,698</u>
Amounts falling due within one year	917,732	1,324,947
Amounts falling due after one year	<u>10,357,676</u>	<u>2,926,751</u>
	<u>11,275,408</u>	<u>4,251,698</u>

In May 2018, the Authority received various 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 in accordance with IPSAS, revenue from non-exchange Transactions. The grant assets are being depreciated over their estimated useful lives of 5 years with the associated deferred income being amortised accordingly.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 202210. **Deferred income (continued)**

In 2019, the Authority received various assets from the World Bank which included handheld scanners, sirens and drones all valued at K1.5 million. The German Development Cooperation donated various office furniture and ICT equipment valued at K952,411. The Public Financial Management Reform Program (PFMRP) donated Canon document scanners valued at K154,104. The World Customs Organisation donated ICT equipment valued at K66,833. These have been treated as deferred income and are being depreciated over their respective estimated useful lives with associated deferred income being amortised accordingly.

During the year 2020, the Authority received K2.3 million worth of seals from the World Bank for use in the management of transit cargo vehicles for customs purposes, Laptops worth K0.4 million from the German Development Agency, GIZ, and Laptops worth K0.14 million from the Ministry of Commerce Trade and Industry.

During the 2021 financial year, the Authority received assets valued at K6.0 million from the German Agency for International Corporation, GIZ. These consisted of computers and related accessories. The Authority also received donations of furniture and equipment from UNCTAD and Ministry of Transport valued at K400,000.

During the 2022 financial year, the Authority received assets valued at K11.2 million from GIZ, the World Customs Organization and the Ministry of Commerce, Trade and Industry. These consisted of computers (including related accessories) and office furniture.

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 K6,704,931 (2021: K6,280,744) reported in the statement of financial performance represents 10% administrative fees for collecting Government's share of profits during the year.

(b) **Kariba Dam Agency Fees**

In January 2013, the Authority signed a memorandum of understanding with Zambezi River Authority for the collection of toll fees on the Kariba Dam on its behalf. The income of K33,430 (2021: K29,314) reported in the statement of financial performance represents 10% agency fees on the toll fees collected on behalf of Zambezi River Authority during the year.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Personnel expenses	2022 K	2021 K
Basic pay	662,139,196	574,085,212
Retirement benefit expenses	397,265,547	258,485,257
Housing allowance	186,720,650	166,281,976
Leave pay	168,452,072	133,400,507
Other allowances	80,507,789	69,335,746
Bonuses	79,557,892	68,151,246
Overtime	58,259,341	49,386,842
Pension Scheme contributions	57,473,278	42,649,981
Medical expenses	33,571,067	31,626,071
NAPSA contributions	30,927,142	28,369,682
Staff welfare and professional subscriptions	13,163,920	10,116,773
Insurance	8,644,390	5,652,041
Training	10,303,103	3,970,620
ART/Employee wellness contributions	1,212,660	1,513,728
	<u>1,788,198,047</u>	<u>1,443,025,682</u>
13. Administrative expenses		
Travel expenses	35,453,210	20,304,422
Repairs and maintenance - buildings	21,512,606	17,322,818
Office rentals	8,473,754	10,952,945
Motor vehicle repairs	9,081,074	9,094,238
Electricity, water and rates	10,187,407	9,197,916
Postage and telephones	7,683,579	5,896,206
Subscriptions and publications	6,229,322	5,771,805
Fuel	8,464,166	5,352,931
Advertising and public relations	8,433,858	4,934,300
Staff uniforms	1,234,446	4,878,535
Printing and stationery	8,211,253	4,812,021
Conferences and seminars	8,567,757	3,998,950
Motor vehicle insurance and licences	3,470,705	3,307,258
Board expenses	3,560,252	2,428,768
Audit expenses	1,263,500	950,000
Corporate social responsibility	557,943	856,964
Insurance	1,764,956	799,772
Bank charges	218,184	197,069
	<u>144,367,972</u>	<u>111,056,918</u>
14. Other operating expenses		
Repairs and maintenance - IT	203,599,243	105,576,046
Travel/relocation	74,316,684	43,046,716
Security	29,377,976	26,995,340
Field work - fuel	9,906,356	5,976,447
Advertising/promotional material and conferences	11,375,200	4,319,208
Cigarette stamps	4,406,904	3,846,141
Scanner operations	71,314,724	2,550,682
Printing and stationery	2,341,363	2,319,307
Tender Expenses	2,348,678	1,823,893
Legal and professional expenses	1,692,186	382,677
Other professional fees	394,494	134,391
	<u>411,073,808</u>	<u>196,970,848</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Net exchange losses

	2022	2021
Net exchange gains/(losses)	<u>21,210,321</u>	<u>90,041,925</u>

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

Mid market exchange rate at 1 January	16.7	21.2
Mid market exchange rate at 31 December	18.1	16.7
Average (appreciation)/depreciation	8%	(21%)

The Zambian Kwacha 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 incurred some net unrealised exchange losses on its foreign currency denominated monetary liabilities.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16. Property, plant and equipment

Cost/valuation	Leasehold land K	Leasehold buildings K	Plant and machinery K	Office equipment K	Motor Vehicles K	Furniture fixtures and fittings K	Capital work in progress K	Total K
At 1 January 2021	39,570,402	511,682,557	437,512,282	177,403,967	74,332,848	35,549,867	17,147,838	1,293,199,761
Additions	-	-	288,005	35,281,631	-	2,328,765	242,547,306	280,445,707
Disposals	-	-	(2,320)	(334,926)	(6,463,372)	(223,135)	-	(7,023,753)
Transfers	-	249,722,390	-	-	-	-	(249,722,390)	-
Expensed	-	(770,135)	-	-	-	-	(1,881,780)	(2,651,915)
At 31 December 2021	39,570,402	760,634,812	437,797,967	212,350,672	67,869,476	37,655,497	8,090,974	1,563,969,800
Additions	-	252,207	2,238,759	29,063,062	16,066,755	7,614,788	15,077,042	70,312,613
Disposals	-	(78,000)	-	(258,454)	(276,915)	(1,172,644)	-	(1,786,013)
Transfers	-	9,429,439	-	-	-	-	(9,429,439)	-
Transfer*	-	-	-	-	-	-	25,649,690	25,649,690
At 31 December 2022	39,570,402	770,238,458	440,036,726	241,155,280	83,659,316	44,097,641	39,388,267	1,658,146,090
Depreciation and impairment losses								
At 1 January 2021	-	39,478,506	283,298,518	92,864,637	56,403,079	20,050,508	-	492,095,248
Depreciation charge	-	10,430,935	41,112,191	26,785,814	8,934,294	5,434,747	-	92,697,981
Eliminated on disposal	-	-	(2,321)	(180,177)	(6,463,372)	(215,385)	-	(6,861,255)
At 1 January 2022	-	49,909,441	324,408,388	119,470,274	58,874,001	25,269,870	-	577,931,974
Depreciation charge	-	10,423,682	41,300,802	32,948,008	7,379,448	5,508,970	-	97,560,910
Eliminated on disposal	-	(21,120)	-	(141,789)	(276,915)	(1,075,205)	-	(1,515,029)
At 31 December 2022	-	60,312,003	365,709,190	152,276,493	65,976,534	29,703,635	-	673,977,855
Carrying amounts								
At 31 December 2022	39,570,402	709,926,455	74,327,536	88,878,787	17,682,782	14,394,006	39,388,267	984,168,235
At 31 December 2021	39,570,402	710,725,371	113,389,579	92,880,398	8,995,475	12,385,627	8,090,974	986,037,826

*The transferred Capital Works in Progress (CWIP) asset is for payments made to the Copperbelt University under a contract for the development of a Customs Management System (CMS) previously capitalized under Intangible Assets. This contract has since been put on hold. Total payments made to date under this contract include K12.7m for ICT equipment and K13m payment for other works. The status of this project will be reviewed in the 2023 financial year.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16. 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 a 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:

	2022	2021
	K	K
Cost	441,362,432	431,758,786
Accumulated depreciation	<u>(89,289,312)</u>	<u>(67,242,311)</u>
Carrying amount	<u>352,073,119</u>	<u>364,516,475</u>

The Authority holds title to Revenue House and a few other properties. However, the Government holds title to all other properties transferred to the Authority in 1994. There is a project committee that has been tasked with the responsibility of ensuring that all title deeds currently with the Government are transferred to the Authority. Management has engaged the Ministry of Local Government, Ministry of Lands and the respective Local Authorities and Planning Authorities to, among other things, prepare and approve site plans, number the plots and survey the plots before title deeds can be processed.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Intangible assets

COST	Software K	Capital works in progress K	Total K
At 1 January 2021	164,051,769	9,839,793	173,891,562
Additions	-	55,938,362	55,938,362
Transfers	<u>13,758,878</u>	<u>(13,758,878)</u>	<u>-</u>
At 1 January 2022	177,810,647	52,019,277	229,829,924
Additions	-	-	-
Impairment loss Provision*	-	(26,369,587)	(26,369,587)
Transfer**	<u>-</u>	<u>(25,649,690)</u>	<u>(25,649,690)</u>
At 31 December 2022	<u>177,810,647</u>	<u>-</u>	<u>177,810,647</u>
Amortisation			
At 1 January 2021	65,525,242	-	65,525,242
Amortisation charge for the year	<u>30,297,496</u>	<u>-</u>	<u>30,297,496</u>
At 1 January 2022	95,822,738	-	95,822,738
Amortisation charge for the year	<u>30,728,897</u>	<u>-</u>	<u>30,728,897</u>
At 31 December 2022	<u>126,551,635</u>	<u>-</u>	<u>126,551,635</u>
CARRYING AMOUNT			
At 31 December 2022	<u>51,259,012</u>	<u>-</u>	<u>51,259,012</u>
At 31 December 2021	<u>81,987,909</u>	<u>52,019,277</u>	<u>134,007,186</u>

* The Impairment loss provision of K26.4m is for Software development paid under a contract with the Copperbelt University for the development of a Customs Management System. The contract has been put on hold and the future status of this project is uncertain. The development may not proceed to completion.

**The reclassified balance of K25,649,690 from the previous year's figure relates to hardware and has been transferred to Tangible CWIP, Note 16.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 K	2021 K
18. Inventories		
Uniforms	7,121,624	1,772,095
Stationery	1,881,110	1,391,518
Cigarette stamps	916,671	974,127
Other consumables	<u>500,933</u>	<u>192,048</u>
	<u>10,420,338</u>	<u>4,329,788</u>

No allowance has been made for obsolescence and slow moving inventory (2021: Nil).

	2022 K	2021 K
19. Employee loans and advances		
Advances against gratuity	98,100,641	66,438,828
Vehicle ownership loans	21,603,499	24,408,814
Other loans	60,697,724	18,387,313
Personal loans	<u>21,545,564</u>	<u>13,155,212</u>
	201,947,428	122,390,167
Impairment allowance	<u>(345,655)</u>	<u>(372,339)</u>
	<u>201,601,773</u>	<u>122,017,828</u>
Amounts falling due within one year	151,201,330	48,807,131
Amounts falling due after one year	<u>50,400,443</u>	<u>73,210,697</u>
Total employee loans and advances	<u>201,601,773</u>	<u>122,017,828</u>

Interest is charged at 5% per annum for all employee loans except for senior management car loans which are charged at 18%.

House and car loans are enhanced by collateral of property. In the case of car loans, the vehicle certificate is endorsed with the Authority as the absolute owner.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

19. Employee loans and advances (continued)	2022 %	2021 %
The prevailing interest rates on staff loans were as follows:		
Personal loans	5	5
Personal Development loans	5	5
House loans	5	5
Car loans	5	5
Car loans-senior management	18	18
Movement in the impairment allowance	2022 K	2021 K
At beginning of year	372,339	263,214
Amounts recovered in the year	-	-
Impairment in the current year	(26,684)	109,125
Balance at end of the year	<u>345,655</u>	<u>372,339</u>
20. Other assets		
Funds receivable from Kasumbalesa Concession	36,356,818	14,744,514
Prepayments	59,633,355	19,904,539
Other receivables	<u>11,327,790</u>	<u>15,268,570</u>
	<u>107,317,963</u>	<u>49,917,623</u>

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

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

	2022 K	2021 K
21. Cash and cash equivalents		
Cash at bank and in hand	<u>767,011,010</u>	<u>130,675,899</u>
Held as follows:		
Zambia National Commercial Bank Plc	403,264,810	102,391,850
Bank of Zambia (Asycuda Fees)	11,945,750	10,059,312
ABSA Bank Zambia Limited	130,403,764	-
Citi Bank Limited	5,867,884	8,511,331
Atlas Mara Bank Limited	212,271,974	7,681,484
Cash on hand	2,456,569	1,230,329
Indo Zambia Bank Limited	741,844	732,890
Access Bank Limited	12,936	10,000
Investrust Bank PLC	9,700	14,543
First Capital Bank Limited	10,000	11,700
First Alliance Bank Limited	10,000	10,000
Standard Chartered Bank Plc	8,301	8,901
Stanbic Bank Limited	5,390	6,390
First National Bank Limited	1,688	4,369
Eco Bank Limited	400	2,800
Total cash and cash equivalents	<u>767,011,010</u>	<u>130,675,899</u>

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

22. Employee benefits	2022 K	2021 K
End of contract gratuity and retirement benefits	<u>541,524,974</u>	<u>721,938,974</u>
Amounts falling due within one year	81,228,746	108,290,846
Amounts falling due after one year	<u>460,296,228</u>	<u>613,648,128</u>
	<u>541,524,974</u>	<u>721,938,974</u>
Movement in the present value of the defined benefit obligations:		
Defined benefit obligations at 1 January	721,938,974	315,640,974
Benefits paid by the plan	(262,196,000)	(231,372,000)
Service costs	148,278,000	168,078,000
Interest cost	129,232,000	87,106,000
Actuarial (gain)/loss	<u>(195,728,000)</u>	<u>382,486,000</u>
Defined benefit obligations at the end of the year	<u>541,524,974</u>	<u>721,938,974</u>
Expense recognised in surplus or deficit		
Service costs	148,278,000	168,078,000
Interest costs	<u>129,232,000</u>	<u>87,106,000</u>
	<u>277,510,000</u>	<u>255,184,000</u>

The significant actuarial assumptions were as follows:

	31 December 2022		31 December 2021	
	Retirement benefits	End of contract gratuities	Retirement benefits	End of contract gratuities
Discount rate	21.4%	21.4%	21.4%	21.4%
Inflation	10.7%	10.7%	10.7%	10.7%
Future salary increases	12.2%	12.2%	12.2%	12.2%

Assumptions regarding future experience are set based on the Authority's observations and experience.

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

	Change in Assumption	Impact on defined benefit obligation K
Discount rate	1%	22,914,000
Salary growth rate	-1%	25,005,000

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Payables	2022 K	2021 K
Accrued leave pay	90,862,999	75,340,699
Trade payables	232,114,096	68,763,657
Accrued expenses	<u>85,260,898</u>	<u>42,327,324</u>
	<u>408,237,993</u>	<u>186,431,680</u>

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

24. Borrowings		
Loan from Ministry of Finance and National Planning	<u>232,928,544</u>	<u>330,155,385</u>
Amounts falling due within one year	82,973,319	95,486,116
Amounts falling due after one year	<u>149,955,225</u>	<u>234,669,269</u>
Amounts the end of the year	<u>232,928,544</u>	<u>330,155,385</u>
At the beginning of the year	330,155,385	526,528,406
Loan repayments during the year	(91,262,500)	(103,969,250)
Loan interest paid during the year	(2,983,155)	(4,457,749)
Net exchange (gains)/losses during the year	<u>(2,981,186)</u>	<u>(87,946,022)</u>
At the end of the year	<u>232,928,544</u>	<u>330,155,385</u>
	CNY	CNY
At the beginning of the year	124,950,000	161,437,500
Loan repayments during the year	(35,000,000)	(35,000,000)
Loan interest paid during the year	<u>(1,137,500)</u>	<u>(1,487,500)</u>
Balance at the end of the year	<u>88,812,500</u>	<u>124,950,000</u>

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 non-intrusive scanning equipment (8 scanners) 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 set to pay annual interest amounts in two instalments in March and September starting in 2013, while principal repayments commenced in 2015.

25. Customs deposits bank accounts	2022 K	2021 K
Customs deposits bank accounts	<u>3,870,484</u>	<u>1,009,945</u>
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.	<u>3,870,484</u>	<u>1,009,945</u>
26. Tax refunds bank accounts		
Value Added Tax (VAT) refunds	155,140,418	207,905,170
Income tax refunds	26,777,316	7,415,276
Customs refunds	<u>8,551,972</u>	<u>4,790,492</u>
	<u>190,469,706</u>	<u>220,110,938</u>

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 202227. **Contingent liabilities**

There were legal proceedings outstanding against the Authority, which were awaiting ruling/judgement by the courts of law as at 31 December 2022. In the opinion of the Governing Board, these claims and lawsuits in aggregate will not have a significant adverse effect on the financial statements. All tax related litigation claims will be funded by the Government if they materialise.

28. **Commitments**

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

	2022 K	2021 K
Property, plant and equipment	<u>91,414,540</u>	<u>72,460,897</u>
Operating lease commitments		

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

	2022 K	2021 K
Not later than 1 year	1,564,704	7,727,119
Later than 1 year and not later than 5 years	<u>6,258,816</u>	<u>8,383,941</u>
	<u>7,823,520</u>	<u>16,111,060</u>

29. **Related party transactions**

Funding received from Government	<u>2,444,166,886</u>	<u>1,640,689,768</u>
Scanner loan and interest repayments to Government	<u>94,245,655</u>	<u>108,426,999</u>

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:

	2022 K	2021 K
Salaries and other short-term employment benefits	30,636,367	34,079,296
Post-employment benefits	45,677,087	12,045,096
Directors Fees	<u>727,444</u>	<u>1,078,913</u>
	<u>77,040,898</u>	<u>47,203,305</u>
Loans to Senior Management		
Loans and advances	<u>23,431,610</u>	<u>14,101,521</u>

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

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

30. Budget information

The annual budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

30.1 Revenue

30.1.1 Government grants

The grant received in the year was as per the budget. There was a negative variance on the performance of the Kasumbalesa profit sharing budget line owing to the gain of the Zambian Kwacha against the US Dollar and the decline in the number of trucks crossing the border.

30.1.2 Asycuda processing fees

The Asycuda processing fee per transaction was maintained at K500.10 per transaction. The actual transaction volumes were more than budgeted by 6,873 transactions in the year resulting in a favourable variance of K3,437,362.

30.1.3 Other income

Other income was more than budgeted because of the higher than planned interest earned on short term fixed deposits in the period. The Authority had excess funds arising from the delayed tender processes for most of the construction projects planned in the year which were only concluded in the last quarter of the year. These funds were invested in short term fixed deposits from which interest was earned.

30.1.4 Finance income

A total of K 9.39 million was raised on short term deposits against a budget of K2.96 million. The Authority invested funds earmarked for various projects in short-term deposits whilst waiting for procurement processes to be completed.

30.1.5 Deferred income

This comprises of amortization of various assets donated to the Authority (including office equipment and motor vehicles) by Public Expenditure Management and Financial Accountability (PEMFA), Public Financial Management Reform Program (PFMRP), World Bank and World Customs Organisation (WCO). These figures are not included in the budget due to the uncertainty of the grant income from donors.

30.1.6 Kasumbalesa Agency fees

The Authority's agency fee of 10% on the Kasumbalesa profit sharing was lower than the budget in the period due to the gain of the Zambian Kwacha against the United States Dollars (US\$). The fees are paid in United States Dollars (US\$).

30.1.7 Kariba Dam Agency fees

This relates to 10% agency fee on Kariba Dam toll fees collected on behalf of Zambezi River Authority.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

30. Budget Information (continued)

30.2 Expenditure

30.2.1 Personnel expenses

Overall, the performance against the budget shows a positive variance mainly due to delayed recruitments.

30.2.2 Administrative expenses

The actual expenditure remained within budget for the year despite an increase in some operating costs.

30.2.3 Other operating expenses

The expenditure was well within budget. Most activities were carried out within the allocated budget amounts. Some ICT planned activities did not take place in the year due to delayed procurement processes as a result of late release of modernization funding from Government. These will be carried out in 2023.

30.2.4 Depreciation and amortization expenses

The actual depreciation and amortisation of both tangible and intangible assets for the year is not included in the annual budget but is shown in the final audited financial statements of the Authority. This is due to the uncertainty of the number of assets and class which the Authority will have at the end of any reporting period.

30.2.5 Net exchange gains

The Authority had assumed a subsidiary loan on non - intrusive scanning equipment from Exim Bank through the Government. As this is denominated in Chinese Yuan (CYN), the outstanding balance is translated into Zambian Kwacha at year end. Net exchange gains were recorded in the year due to movements in the exchange rate between the CYN and the Kwacha. The Scanner loan balance at the reporting date was CNY 88,812,500 (2021: CNY 124,950,000).

31 Effect of Covid 19

There was no significant impact on the operations of the Authority due to the effects of the Covid-19 pandemic. Management had put in place measures to ensure that the transmission of the disease was minimized through the use of Personal Protection Equipment (PPE) and other sanitary materials such as hand sanitizers. This was especially done at entrances to the offices and at border areas where the interaction with the public is high. All surfaces and floors were disinfected regularly using chemicals and other active reagents to ensure the Covid-19 virus was eliminated. Other interventions included encouraging staff to work from home when they are diagnosed with the Covid-19 disease to prevent spreading the disease to other members of staff. This ensured that employees were able to continue working even when not physically present at the places of work. Additionally, virtual meetings were encouraged which has continued to date. Management has continued to sensitize the staff on the need to get the Covid-19 vaccination as a way of protecting themselves from getting infected with the disease. As at 31st December 2022, a considerable number of staff had taken the Covid-19 vaccine.

ZAMBIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 202232 **Climate change**

The Zambia Revenue Authority recognizes Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. The Authority aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to its own activities in alignment with the Paris Agreement. Climate change impacts almost all the sectors within the economy. However, the Authority notes that there are certain sectors that are more vulnerable to climate risks under different Transition Risk and Physical Risk scenarios. The Authority plans to move quickly in developing identified methodologies and engage with its various stakeholders that include taxpayers and integrate Climate Risk into its mainstream risk management activities and assessments. The Authority will seek to adapt its approach as the impact from Climate Risk becomes clearer and the tools and methodologies to gather reliable data mature.

31. **Events after the reporting date**

There have been no material facts or circumstances that have occurred between the reporting date and the date of these financial statements that require disclosure in or adjustment to the financial statements.

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