

VI. Claiming of input tax

- The deduction of input tax by a registered supplier of CBES is not to be allowed.
- However, the input tax corresponding to the tax paid by a recipient of CBES may be claimed (Business to Business transactions) provided the TPIN and name of the recipient are captured on the simplified invoice issued by the non-resident suppliers.

VII. Tax return

- The framework provides that a registered supplier of CBES will submit a return in the prescribed form on or before the 14th day of the month following the end of the month.
- The return will be lodged electronically on the system that the Commissioner-General shall provide. The tax return shall be in Zambian Kwacha.

VIII. Payment of tax

- The tax due on each filed return will be paid to the Commissioner-General on or before the 14th day of the month following the end of the month.
- Payment shall be made in Zambian Kwacha, United States Dollars or any other currency that the Commissioner-General shall approve.

IX. Records and accounts

- The suppliers of CBES will be required to keep, in the English language, such records relating to the business carried on by the supplier and preserve them for a period of six years or such longer period as the Commissioner-General may, by notice in writing require in any particular case.
- There is no requirement to keep the records and accounts within the Republic.

X. Permanent residence

- Registration under the CBES Regulations does not create permanent establishment for income tax purposes.

XI. Intermediation

- Where an intermediary provides a cross-border electronic supply on behalf of another person, the intermediary shall be deemed to be the supplier and shall be required to register under the simplified registration regime and shall be required to charge and account for the tax on the supplies made.

XII. Scope of the CBES Regime & rate of tax

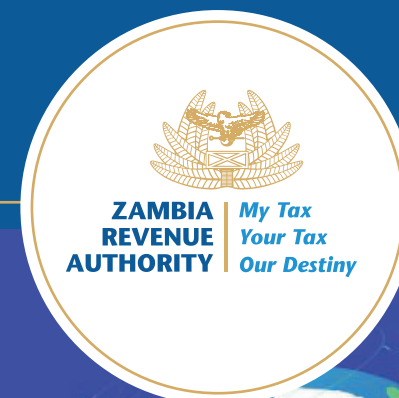
- The taxation of supplies under CBES shall be all inclusive i.e Business to Business(B2B), Business to Government (B2G)and Business to Customers (B2C).Therefore, VAT shall be charged on supplies made regardless of the customer status.
- The applicable tax rate to supplies under CBES is the rate prescribed by the VAT Act of 16%.

What are the Benefits of CBES?

- The CBES is aimed at broadening the tax base through inclusion of non-resident suppliers.
- Revenue collections will be enhanced by collections from this new tax base.
- Local suppliers competing favourably with non-resident suppliers.

For further information refer to;

ZRA website www.zra.org.zm
Call toll free call centre line 4111
Email advice@zra.org.zm



**TAXATION OF CROSS
BORDER ELECTRONIC
SERVICES**

INTRODUCTION

The supply of digital services by non-residents is on the rise. However, the taxation of digital services remains a challenge for most countries in Africa as most jurisdictions lack the requisite legal framework to tax the digital economy, and Zambia is no exception.

In 2020, the VAT Act was amended to provide for the taxation of electronic services.

The amendment prescribed that non-resident suppliers of digital services appoint a tax agent for purposes of accounting for taxes.

Where an agent has not been appointed, then the responsibility of accounting for tax falls on the recipient of the service to account for tax via the reverse VAT mechanism.

What are Cross Border Electronic Services (CBES)?

Cross-border electronic services means the supply of electronic services in the republic by a non-resident.

What is an electronic service?

An electronic service is any service provided or delivered on or through the internet, electronic or digital network.

Examples of cross border electronic services.

- Services that link sellers to buyers (e.g eBay, Alibaba, Be forward)
- Video streaming services (e.g Netflix, Showmax, Hulu, Amazon.)
- Audio streaming services (e.g Spotify, Apple, Boomplay, Audiomac)
- Digital Marketing & Online advertising services (e.g Facebook, X, Instagram, Google.)

- Customised search services & Online Presence services (e.g Google, Bing, Yandex.)
- Electronic ticketing services (e.g Computicket) Transport hailing (e.g Yango).
- Software services (e.g MacAfee, Microsoft, Oracle – Software services, Cloud storage.)
- Remote hardware support services (e.g Oracle, Microsoft)

THE CROSSBORDER ELECTRONIC SERVICES LEGISLATIVE FRAMEWORK

The CBES has put in place a best practice legislative framework for the taxation of digital services. The CBES legislative framework is provided for under the VAT Act, CBES Regulations, VAT General Rules, VAT Exemption Order and the VAT Zero-rating order. Below are extracts of the main provisions from the framework.

I. Registration

- The framework has adopted the turnover threshold under the general VAT regime of ZMW 800,000 per annum.
- Registration of suppliers of CBES is under the simplified registration regime.
- Upon registration, the non-resident suppliers will be issued with a TPIN and VAT Account.

II. Appointment of Local Tax Agent

- The framework has provided for appointment of a Tax Agent where the non-resident supplier of CBES is unable to register.
- Where the supplier fails to register and opts to appoint an Agent, the supplier will apply to the Commissioner-General stating the reasons for failure to register. The Agent shall be a Resident.

III. Place of supply

The regulation provides for place of supply to be in accordance with the VAT Administrative Rules. Rule 24A provides that if any of the criteria below is satisfied, the supply is deemed to have been made in Zambia.

- The recipient of the service is a resident person; or
- Whether the payment proxy, including credit card or debit card information and bank account details of the recipient, is in the Republic; or
- The payment to the supplier of the services is made from a bank registered under The Banking and Financial Services Act No. 7 of 2017 of Zambia; or
- Whether the access proxy, including internet address, the billing or home address, or mobile country code of the subscriber identification module card of the recipient is in the Republic.

IV. Time of Supply

The time of supply shall be in accordance with the VAT Act. i.e the earliest of:

- The time when payment for the supply is received; or
- The time when the tax invoice is issued; or
- The time when the services are actually rendered or performed.

V. Issuing of an Invoice

- The framework has provided for a simplified invoice. Therefore, the suppliers of CBES shall issue a simplified invoice on the supplies made.
- The simplified invoices should be denominated in Zambian Kwacha. The non-resident suppliers should convert the value of the services from the transactional currency to Zambian Kwacha using an exchange rate that ZRA shall provide bi-monthly.