



**ZAMBIA  
REVENUE  
AUTHORITY** | *Working  
To Serve You  
Efficiently*

# **BUDGET** | 2018 *Highlights*

## **Overview of Tax Changes**





---

## 2018 BUDGET OVERVIEW OF TAX CHANGES

<b>Table of Contents</b>	<b>Page</b>
<b>INTRODUCTION</b>	2
<b>1.0 DIRECT TAXES</b>	
1.1 Revenue Concessions	3
1.2 Compensating Measures	3
1.3 House Keeping Measures	4
<b>2.0 PROPERTY TRANSFER TAX</b>	
2.1 Compensating Measures	8
2.2 House Keeping Measures	8
<b>3.0 VALUE ADDED TAX MEASURES</b>	
3.1 House Keeping Measures	10
<b>4.0 CUSTOMS AND EXCISE MEASURES</b>	
3.1 Revenue Concessions	11
3.2 Compensating Measures	12
3.3 House Keeping Measures	13
<b>5.0 CROSS-CUTTING MEASURES</b>	
5.1 Compensating Measures	15
5.2 House Keeping Measures	15
<b>6.0 NON-TAX REVENUE MEASURES</b>	
6.1 Compensating Measures	16

---

## INTRODUCTION

I am pleased to present an overview of the major changes in the tax legislation and other relevant information as announced by the Minister of Finance in his Annual National Budget Address to the National Assembly for the fiscal year 1<sup>st</sup> January, 2018 to 31<sup>st</sup> December, 2018.

The overview gives a guide on the measures announced in the Budget as reflected in the various Bills, Statutory Instruments and Commissioner General's Rules that contain the enabling legislation. The details are contained in the published legislation. It is important to note that some measures in this pamphlet are subject to Parliamentary approval.

Kindly visit the ZRA website ([www.zra.org.zm](http://www.zra.org.zm)) which includes all the information contained in this pamphlet and other useful tax details. You may also contact our Call Centre on +260 211 381111 or +260 971 281111 or 5972.



Kingsley Chanda  
**Commissioner General.**

---

## 1. DIRECT TAXES

### 1.1 CONCESSIONS MEASURES

#### 1.1.1 Remove the Insurance Premium Levy on re-insurance.

This measure is intended to streamline taxation of insurance products. This will enhance insurance risk management for both the insured and the insurer and ultimately spur growth of the insurance sub-sector.

### 1.2 COMPENSATING MEASURES

#### 1.2.1 Increase the Base Tax rate to K365 per year from K150 per year.

This measure is intended to adjust the Base Tax rate for inflation as it has not been adjusted in over 10 years. The measure is also designed to expand the tax base and will be implemented through smart partnerships with stakeholders.

#### 1.2.2 Adjust upwards the presumptive tax rates applicable on buses and taxis.

The measure intends to adjust the presumptive rates upwards as follows:

Vehicle Sitting Capacity	Current Tax Rate per Annum	Proposed Tax per Annum
64 seater and above	K 7,200	K 10,800
50-63 seater	K 6,000	K 9,000
36-49 seater	K 4,800	K 7,200
22-35 seater	K 3,600	K 5,400
18-21 seater	K 2,400	K 3,600
12-17 seater	K 1,200	K 1,800
below 12 seater	K 600	K 900

This measure is intended to adjust Presumptive Tax on buses and taxis for inflation as it has not been adjusted in over 10 years. It is worth noting that the consumer price index (CPI) increased by over 180 percent during the period 2003 to 2017, however, the presumptive tax rates have only been adjusted upwards by 50 percent.

#### 1.2.1 Remove the monthly deduction of K255 on an employee's salary that is used to provide relief for the pension contribution.

The proposed change intends to remove the exemption of the K255 on an employee's salary that is used to provide relief for the pension contribution as the terminal benefits are now tax free. Following the Constitutional

---

provision which excludes terminal benefits from taxation, it is no longer necessary to exclude part of pension contributions from tax. The measure will align the provisions in the Income Tax Act to the provisions in the Constitution.

### **1.3 HOUSEKEEPING**

#### **1.3.1 Amend Section 2 of the Income Tax Act to redefine the term “management or consultancy fees” to make it clearer as regards services relating to Information Technology.**

Currently, the definition of management or consultancy services is not clear as regards what “programme or system” relates to. The proposal aims at linking “programme or system” to the creation, design, development, installation and maintenance of any information technology, solution, programme or system.

The proposed definition will read as follows:

*“management or consultancy fee” means payment in any form, other than an emolument, for or in respect of any administrative, consultative, managerial, technical, or any service of a like nature or any creation, design, development, installation and maintenance of any information technology solution, programme, system, or a combination.*

#### **1.3.2 Amend the definition of Incapacitated Person in Section 2 of the Income Tax Act to change the age for legal capacity to 19 years from 21 years.**

The measure is intended to align the provisions of Section 2 of the Income Tax Act to the Constitution as amended in 2016.

#### **1.3.3 Amend Section 4 of the Income Tax Act to increase the scope of the definition of “Resident” by replacing referencing to “central management and control” with “place of effective management”.**

This measure is intended to broaden the conditions under which a foreign entity qualifies as a resident entity which will lead to broadening of the income tax base as regards taxing income streams that are based on residence.

---

**1.3.4 Amend Section 7 (3) of the Income Tax Act to broaden the scope of taxes that the Agents appointed by the Commissioner-General may collect to include presumptive tax, turnover tax and withholding tax on rent.**

Currently, Section 7 (3) provides for the Commissioner General to appoint tax agents for the collection of Base Tax, as prescribed under section 64 (1) of the Income Tax Act. This proposal will extend the powers of the Commissioner General under this provision to appoint tax agents for the collection of other tax types governed by the Income Tax Act.

**1.3.5 Amend Section 46 of the Income Tax Act to introduce specific penalties on late Turnover Tax return submission of 250 penalty units per month or part of the month thereof.**

This measure is intended to harmonise the penalties charged under Section 46 of the Income Tax Act regarding Turnover Tax with penalties charged under Section 100 which separates penalties for Turnover Tax and omitted income.

Currently, penalties on late monthly return submission for Turnover Tax are charged in the same manner as those for Annual Income Tax returns. These penalties are too punitive for taxpayers under Turnover Tax. Applying an “annual” penalty on to a monthly obligation is an anomaly that leads to excessive penalty amounts.

**1.3.6 Amend the Act to provide for a due date for filing a provisional return in the case of a person who registers after 31<sup>st</sup> March of the charge year to which the return relates.**

**The proposal to state “90 days from the date of registration for income tax.”**

The measure is intended to create certainty when a provisional return is due for a person that registers for income tax after the 31<sup>st</sup> of March of a given charge year.

**1.3.7 Amend Section 82A of the Act to provide for the 14<sup>th</sup> day as a due date for the submission of a return and payment of Withholding Tax.**

This measure is intended to harmonise the due dates for filing of returns and payment of withholding tax to the 14<sup>th</sup> day after the month of transactions.

---

Currently, the due date for payment of withholding tax is the 10<sup>th</sup> of the month following the month of transactions, while the return is due on the 14<sup>th</sup> day.

### **1.3.8 Amend Section 82A of the Act to provide clarity regarding the tax point for the deduction of withholding tax.**

This proposal seeks to provide clarity as to the tax point when withholding tax should be deducted and remitted to the Zambia Revenue Authority (ZRA) in cases where a payment is made in advance or has not been made but only accrues to the recipient. To avoid this misinterpretation the measure proposes to provide for a specific tax point that should guide taxpayers when to deduct withholding tax and remit it to ZRA.

The time at which payment shall be deemed to have been made shall be whichever is earlier of the following times:

- (a) The time when income is paid;
- (b) The time when income accrues to a person; and
- (c) The time when income is in any way due to a person or held to that person's order or on their behalf, or it is in any way disposed of according to that person's order or in that person's favour.

### **1.3.9 Amend paragraph 10(6) of the Fifth Schedule to the Income Tax Act to remove the 20 percent capital allowance incentive on new plant and machinery acquired by a soft drinks manufacturer that sets up in a rural area.**

This measure intends to remove Paragraph 10 (6) from the Income Tax Act as the manufacturers it was meant to provide relief to are catered for under Paragraph 10 (5) of the Fifth schedule. Furthermore, they enjoy a greater benefit under Paragraph 10 (5) with a rate of 50 percent on wear and tear allowances versus a rate of 20 percent under this provision.

### **1.3.10 Introduce a specific provision in the Income Tax Act to specify that for the purposes of obtaining a Taxpayer Identification Number (TPIN) (that is not linked to any tax accounts), the legal age shall be the age at which a person can obtain a National Registration Card (NRC).**

The measure is intended to provide for any person holding an NRC to qualify for TPIN registration.



---

**1.3.11 Amend Section 45B (B) of the Income Tax Act to replace “financial institutions” with “banks and financial institutions”.**

This measure is intended to clarify the institutions required to demand for a TPIN from their account holders.

**1.3.12 Provide clarity that approved donors and persons who are covered under Diplomatic Immunities and Privileges Act are exempt from paying Skills Development Levy.**

This measure is intended to provide clarity in the law and also align the provisions for the Skills Development Levy with those in the Diplomatic Immunities and Privileges Act.

---

## **2.0 PROPERTY TRANSFER TAX**

### **2.1 COMPENSATING MEASURES**

#### **2.1.1 Introduce a Property Transfer Tax on the transfer of Intellectual Property at a rate of 5 percent and provide for a definition of “Intellectual Property” in the Income Tax Act.**

This measure is intended to provide for the taxation of the transfer of intellectual properties. Intellectual properties such as trademarks, patents and brands are assets that can be sold on the market. However, the transfer of such property is not taxed as is done for other properties. This measure will therefore broaden the tax base.

#### **2.1.2 Introduce property transfer tax at the rate of 5% of the transaction value attributable to the Zambian entity (for instance, using the share of the Zambian entity in the total stock of the group) in a case where direct or indirect ownership or control of a company incorporated or registered in Zambia and carrying out business in Zambia changes outside the Republic of Zambia and introduce relevant collection and declaration modalities thereof.**

Currently, the property transfer tax applies on all transfers of shares except where the transfers or assignments are in a company which is not incorporated in Zambia. This has resulted in loss of revenue as a number of multi-national investments in the country do not pay tax on the transfer of shares for businesses whose value is also attributable to assets of companies domiciled in Zambia. This measure will enable Zambia to tax income arising from the sale of shares outside Zambia as is done for shares sold locally.

## **2.2 HOUSEKEEPING**

#### **2.2.1 Amend the Property Transfer Tax Act to provide for waiver of penalties and interest by incorporating corresponding provisions that are in the Income Tax Act.**

This measure intends to provide for waiver of penalties and interest that may be charged on Property Transfer Tax transactions.

---

**2.2.2 Introduce a Section that makes it mandatory for a company to make a disclosure of any company that becomes related to it and further provide for sanctions for failure to comply.**

This measure intends to make provisions for mandating companies to disclose to the Commissioner General any companies that become related to it. Transactions between related companies need special consideration due to possibility of revenue leakages where there is no information of the composition of the entire group of companies.

**2.2.3 Amend the Property Transfer Tax Act to include intellectual property to the definition of property.**

The measure is intended to amend the definition of property to include intellectual properties.

---

### **3 VALUE ADDED TAX**

#### **3.1 HOUSEKEEPING**

##### **3.1.1 Amend Section 16 of the VAT Act to provide for the following:**

- i) Amend the due date for the VAT Return to the 18<sup>th</sup> day after the month of transactions from the 16<sup>th</sup> day; and**
- ii) Provide for the due date of the 16<sup>th</sup> day after the month of transactions with respect to withholding VAT Agents.**

The measure is intended to allow for time for the withholding VAT agents to file the transactions from their suppliers before the due date for the suppliers' returns. This is in order to avoid penalties and interest being charged on the suppliers to the agents.

##### **3.1.2 Amend the Act by introducing a provision to impose penalties for a supplier that fails to issue a tax invoice from an approved computer package, a pre-printed tax invoice book or Fiscalised Cash Register.**

***The proposed structure shall be a fine of 10,000 penalty units for the first offence, 25,000 penalty units for the second offence and 50,000 penalty units for the third and any subsequent offence***

This measure intends to introduce penalties for VAT registered suppliers who fail to issue tax invoices in order to complement ZRA's administrative initiatives in enhancing compliance to VAT such as the implementation of electronic fiscal devices.

##### **3.1.3 Amend the Exemption Order to exempt unprocessed and semi-processed Tobacco from VAT.**

This proposal is meant to align the treatment of unprocessed and semi-processed Tobacco with the treatment of other agricultural produce that is exempt for VAT purposes. This proposal also aims at encouraging local value addition as the processed tobacco will be liable to VAT.

##### **3.1.4 Introduce penalties for failure to furnish records for inspection.**

This measure is intended to provide for penalties in order to make it punitive for taxpayers who fail to make available supporting documentation during inspections and audits.

---

## **4 CUSTOMS AND EXCISE MEASURES**

### **4.1 CONCESSIONS**

#### **4.1.1 Remove customs duty on Point of Sale Machines, Electronic Fiscal Devices and Simcards.**

The measure is intended to promote the use of electronic transactions and facilitate the implementation of the use of fiscal registers.

#### **4.1.2 Reduce Customs Duty from 15 percent to 0 percent on imports of Refractory (Foundry Core).**

The measure is intended to promote the growth of the local industries that use the products as inputs in their production process and thereby contribute to employment creation. Currently, there are no local manufacturers of this product.

#### **4.1.3 Reduce Customs Duty from 5 percent to 0 percent on imports of Ladle Bricks for Steel Manufacturing Plants.**

The measure is intended to promote the growth of the local industries that use the products as inputs in their production process and thereby contribute to employment creation. Currently, there are no local manufacturers of this product.

#### **4.1.4 Extend the exemption schedule for the surtax to accommodate the inputs that are not locally available.**

The measure is intended to promote the growth of the local industries that use the products as inputs in their production process and thereby contribute to employment creation. Currently, the local supply for these products does not meet the local demand.

#### **4.1.5 Suspend customs duty on inputs used in the manufacture of animal and fish feed.**

---

This measure is intended to support the growth of the agricultural sector.

## **4.2 COMPENSATING MEASURES**

### **4.2.1 Amend the Customs and Excise Act to increase the customs duty rate on unmanufactured tobacco and tobacco refuse to 25 percent or K15 per kilogram, whichever is higher, from 15 percent .**

This measure is intended to harmonise the treatment of tobacco products. Currently, all tobacco products have a customs duty rate of 25 percent except for unmanufactured tobacco and tobacco refuse which are at 15 percent.

### **4.2.2 Introduce Excise Duty at the rate of 125 percent on products in Chapter 2207.**

This measure is intended to harmonise the treatment of methylated spirits and denatured alcohol in order to avoid misclassification.

### **4.2.3 Introduce a levy at the rate of 15 percent on all imports (except petty importations) that are not accompanied by a corresponding proof of payment through the banking system.**

This measure is intended to promote the use of bank payments and curb under valuation, money laundering and illicit financial flows. This measure will however exempt petty imports that are done through the CE 7 form.

### **4.2.4 Extend Surtax on selected goods to include locally available items that are included in the Exempt Table in Fourth Schedule of the Customs and Excise Act.**

The measure is intended to include the observed omissions on the list of items subject to surtax. This is meant to encourage local value addition.

### **4.2.5 Increase customs duty on electric geysers and electric stoves to 40 percent from 25 percent.**

This measure is intended to discourage the use electric geysers and electric stoves in order to conserve hydro-electric power. The measure is also

---

intended to promote the use alternatives such as solar geysers and gas stoves.

### **4.3 HOUSE KEEPING MEASURES**

#### **4.3.1 Amend Regulation 127 by insertion of a new sub-regulation 3 and re-numbering of sub-regulations 3 and 4 as sub-regulations 4 and 5, respectively.**

**Sub-regulation 3 to read as:**

“127(3) The Commissioner General may require that risky goods transiting through Zambia as determined by him/her from time to time are conveyed by containerized transport or by vehicle delivery service as the case maybe”.

#### **4.3.2 Amend section 188(5b) of the Principal Act by the deletion of the words “upon conviction”.**

The offence of missing of records is not a criminal offence for the offender to be subjected to court litigation which normally takes long to conclude. This offence can be dealt with administratively by subjecting the offender to penalties only.

#### **4.3.3 Amend Chapter 24 by the subdivision of heading 2403.19.00 to provide a tariff line for Cutrag, provide for the statistical unit of kilogram and exempt excise duty when an import is made by a licensed manufacturer.**

This measure is intended to carter for tobacco imported for further processing into cigarettes and also to provide for the appropriate measurement of the product.

#### **4.3.4 Amend the Customs and Excise Act by the subdividing HS Code 7403.11.00 to provide a tariff line for the cathodes and sections of cathodes of refined copper.**

The measure intends to provide for a tariff split which is essential in the monitoring and recording of other copper bearing materials produced in the mineral value chain. These other minerals are also sold in this form or are sent back into the process depending on the cost structure of a particular processing facility. Further, the amount of off-grade cathodes produced will

---

be reported separately to provide statistics for the regulatory authorities to take the necessary actions.

**4.4.5 Amend the Customs and Excise Act by subdividing Heading 3923 to provide tariff lines for Bottle Closures and Sleeves for flower packaging.**

This measure is intended to provide a split the tariff in order to simplify classification of the products.

**4.4.6 Delete Section 3 (4) of the Customs and Excise Act.**

This measure is intended to remove the redundant provision in the law.

**4.4.7 Introduce a customs valuation referencing system to reduce under valuation of imports.**

The measure seeks to provide for the use of a central database to enable cross referencing of declared import values. This is aimed at curbing tax evasion resulting from undervaluation of imported products.



---

## **5 CROSS-CUTTING MEASURES**

### **5.1 COMPENSATING MEASURES**

#### **5.1.1 Discontinue the tax holiday provided under the ZDA Incentives and replace it with an accelerated depreciation.**

This measure is intended to safe guard Government revenue by ensuring that erosion of tax base through tax holidays is avoided.

#### **5.1.2 Remove tax exemptions on public works financed through commercial loans.**

The measure is intended to prevent revenue leakages through potential abuse of the tax incentive system.

### **5.2 HOUSEKEEPING**

#### **5.2.1 Streamline the tax incentives offered under various pieces of tax legislation**

The measure is intended to remove the non-performing tax incentives offered by the Government and therefore limit incentives to those that translate into the intended objective.

---

## **6 NON-TAX MEASURES**

### **6.1 COMPENSATING MEASURES**

#### **6.1.1 Introduce a charge of K2 per 50 kilogram of cement.**

The measure is intended to complement the mobilization of funds for various infrastructural development projects especially in new districts.



