



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

2014 BUDGET

DIRECT TAXES

*Overview of
Tax Changes*

CUSTOMS & EXCISE

VALUE ADDED TAX

2014 BUDGET OVERVIEW OF TAX CHANGES

Table of Content	Page
INTRODUCTION	2
1.0 DIRECT TAXES	3
1.1 Concession	3
1.2 Compensating Measures	3
1.3 Housekeeping	4
2.0 VALUE ADDED TAX	6
2.1 Compensating Measure	6
2.2 Housekeeping	6
3.0 CUSTOMS AND EXCISE	8
3.1 Concession	8
3.2 Compensating Measures	8
3.3 Housekeeping	8
4.0 CROSSCUTTING MEASURE	12
4.1 Compensating Measure	12
4.2 Housekeeping	12

INTRODUCTION

I am pleased to present an overview of the major changes in the tax legislation and other relevant information to our taxpayers as announced by the Minister of Finance in his Annual National Budget Address for the fiscal year 1st January 2014 to 31st December 2014 presented to the National Assembly on 11th October 2013.

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. The finer details are contained in the published legislation. However, it is worth noting that some measures in this pamphlet are subject to Parliamentary approval.

May I also recommend visiting the ZRA website, which includes all the information enclosed in this pamphlet and other useful tax details: www.zra.org.zm



Berlin Msiska

Commissioner General

1.0 DIRECT TAXES

1.1 Concession

1.1.1 Amend the Pay-As-You-Earn (PAYE) regime by increasing the income tax free threshold from K2, 200.00 to K3, 000.00 per month and adjust the tax bands as shown below:

Current regime		Proposed regime	
Monthly Income Bands	Rate %	Monthly Income Bands	Rate %
0 – K2, 200.00	0	0 – K3, 000.00	0
K2,200.01 – K3,000.00	25	K3,000.01 – K3,800.00	25
K3,000.01 – K5,900.00	30	K3,800.01 – K5,900.00	30
Above K5,900.00	35	Above K5,900.00	35

This measure is intended to increase workers' disposable income and cushion their take-home-pay from the effects of inflation.

1.1.2 Provide for the Commissioner General to direct the non-deduction of withholding tax on interest arising from the debenture part of a property linked unit paid to a Zambian resident shareholder in any Property Loan Stock Company listed on the Lusaka Stock Exchange.

This measure is intended to encourage investment in real estate development as it will encourage people and other business to invest in Property Loan Stock Companies. A Property Loan Stock Company is one whose capital structure consists of property linked units, which are basically instruments that consist of both equity and debenture. The measure therefore will enable Zambian resident investors to receive interest income from their investment without the deduction of withholding tax.

1.2 Compensating Measures

1.2.1 Introduce withholding tax on profits distributed by branches of foreign companies at the standard rate of 15 percent.

The measure is intended to provide for similar tax treatment of profits distributed by branches and subsidiaries of foreign companies at the rate of 15 percent so as to curb tax avoidance by some foreign companies that set up branches as opposed to subsidiaries in order to avoid paying withholding tax on distributed profits.

1.2.2 Increase withholding tax to 20 percent from 15 percent on payments made to non-residents on commissions, public entertainment fees and non-resident contractors.

This measure is intended to align withholding tax rates on all similar payments made to non-residents in order to remove discrimination and also curb tax planning.

Currently withholding tax on payments to non-residents on royalties, management and consultancy fees is at the rate of 20 percent.

1.2.3 Introduce withholding tax at the rate of 20 percent on winnings from gaming, lotteries and betting and make it a final tax.

This measure is intended to broaden the tax base by capturing winnings from gaming, lotteries and betting into the tax net which are currently outside the tax net.

1.2.4 Reduce the withholding tax rate on rental income to 10 percent from 15 percent and make it a final tax.

This measure is intended to foster infrastructure development and in particular real estate development. Consequently, turnover tax on rental income shall not be applicable.

1.2.5 Increase the property transfer tax to 10 percent from 5 percent.

This measure is intended to raise additional revenue for Government.

1.3 Housekeeping

1.3.1 Amend the Income Tax Act to empower the Commissioner General to access any type of information required for tax purposes held by Legal Practitioners Accountants and financial institutions.

This measure is intended to enhance compliance and combat tax evasion.

1.3.2 Revoke and replace the PAY As You Earn (PAYE) Regulations in order to:

- remove the requirements for submission of the annual employer's return;
- provide for monthly remittance of tax deducted by individuals on direct payment schemes as opposed to quarterly remittance as is currently the case for Zambian Nationals working for institutions that fall under the Diplomatic Immunities and Privileges Act.
- provide for signing of the monthly return by taxpaying Agents.
- update the regulations so as to align them with current practice.
- consolidate the various amendments that have been made in the past so as to ease the administration and interpretation of the Regulations.

1.3.3 Amend the existing Anti-Avoidance Provisions in the Income Tax Act and Transfer Pricing Regulations to align them to international best practices.

This measure is intended to strengthen existing anti-avoidance provisions by among other changes, provide for the Minister of Finance to prescribe Transfer Pricing documentation rules.

1.3.4 Amend Section 46A of the Income Tax Act so as to align it to sub-paragraph (c) of paragraph 2 of the charging schedule.

This measure is intended to link Section 46A to sub-paragraph (c) of the Charging Schedule, so as to remove the administrative requirement of passing amendments to Section 46 (A) every time the PAYE threshold is adjusted.

1.3.5 Amend Regulation 7(2) prescribe by gazette notice the return for Turnover Tax.

This measure is intended to provide for flexibility in terms of tax administration relating to updates on turnover tax return forms and requirements.

1.3.6 Amend the First Schedule of the Income Tax Act to redefine income from share options.

Employee benefits arising from share options in an Unapproved Employer's Share Option Scheme are taxable as emoluments in the hands of the employees. However, the current definition of the income from share options is only linked to an approved share option scheme. The measure is therefore intended to provide clarity on the definition of the 'benefit' (value) arising from the share options and the applicable tax points.

1.3.7 Amend the Income Tax Act to provide for collection of assessed tax within any period as determined by the Commissioner General in the notice of Assessment.

This measure is intended to align Section 78 of the Income Tax Act to Section 77 of the same Act on the due date of an assessment.

1.3.8 Provide for the definition of "Branch Profits".

This measure is intended to provide for the definition of "Branch Profits" following the introduction of withholding tax on profits distributed by a branch of a foreign company.

1.3.9 Provide for the definition of "Property Linked Unit"

This measure is intended to provide for the definition of "Property Linked Unit" following the measure to provide for the non-deduction of withholding tax on interest arising from the debenture part of a property linked unit paid by a company listed on the Lusaka Stock Exchange to a Zambian resident shareholder.

1.3.10 Amend the Income Tax Act to remove the requirement for the Commissioner General to include an assessment on rental income on which withholding tax has been deducted.

This measure is intended to remove the requirement to include an assessment on rental income on which withholding tax on rental income has been deducted.

2.0 VALUE ADDED TAX

2.1 Compensating Measure

2.1.1 Standard rate the supply of the following:

- a. ancillary services provided at a port of export;**
- b. green gel;**
- c. all distinct tourism services, such as game viewing, bungee jumping; and**
- d. pre-booked tourism tour packages with the except of those booked prior to the effective date 1st January 2014.**

This measure is intended to standard rate the above supplies as the zero-rating of these items has eroded the tax base.

2.2 Housekeeping

2.2.1 Amend the VAT Act to empower the Commissioner General to place a caveat on land until taxes are paid.

This measure is intended to empower the Commissioner General to place a caveat on land for purposes of security in the recovery of taxes.

2.2.2 Amend the VAT (Zero-Rating) Order Group 2 (d) to include the Government of the Republic of Zambia's contribution on a co-financed donor project.

This measure is intended to extend the VAT zero-rating to cover the Government's portion on a co-financed project. Currently the Zero Rating Order limits VAT zero rating of supplies to those paid through donor funds.

2.2.3 Amend the VAT (Exemption) Order to provide for the exemption of uncirculated Zambian coins.

This measure is intended to provide for the exemption of uncirculated Zambian coins following the re-introduction of coins as legal tender.

2.2.4 Amend the VAT Act to provide for tax and interest to be recoverable within the period of review where a determination of that review has been made.

This measure is intended to facilitate the timely collection of taxes due from a taxpayer who has applied for a review of an assessment and the Commissioner General has made a determination prior to the expiry of the review period. Currently, the law provides that tax should not be paid until the end of the review period of 30 days.

2.2.5 Amend subsection (9) of Section 21 of the VAT Act by replacing the words 'appeal period' with the words 'review period' to align the provision with amendments made under Section 30.

This measure is intended to align the provision with the amendment made to part VI on Reviews and Appeals.

2.2.6 Amend the VAT Exemption Order (Group 10 (a)) to align the exemption of VAT at importation of goods where rebates are provided for under the Customs and Excise Regulations.

This measure is intended to provide for VAT exemption for supplies imported under international conventions.

2.2.7 Amend the VAT Act to provide for off- setting of any tax credit due to a person against any tax due under any Act administered by the Commissioner General.

This measure is intended to enable the Commissioner General off-set any tax credit due to a person against any tax due under any Act from the person.

3.0 CUSTOMS AND EXCISE

3.1 Concession

3.1.1 Remove customs duty on crude oil

This measure is intended to reduce the cost of petroleum products.

3.2 Compensating Measures

3.2.1 Increase excise duty on airtime to 15 percent from 10 percent

This measure is intended to raise additional revenue to finance the Government's development agenda.

3.2.2 Introduce customs duty on copper blister, copper powders and flakes, and lamellar structures and flakes at the rate of 15 percent.

This measure is intended to harmonise the tariff treatment of similar products and curb misclassification and consequent avoidance of paying customs duty. Currently customs duty on the above metals is free while other metals of similar nature attract customs duty at 15 percent.

3.2.3 Introduce an export duty on semi-processed metals and base metals at the rate of 10 percent

This measure is intended to encourage local value addition and create employment.

3.2.4 Revoke Statutory Instrument No. 23 of 2010 which suspended the excise duty rate on clear beer from 60 percent to 40 percent.

This measure is intended to restore the substantive excise duty rate of 60 percent on clear beer.

3.3 Housekeeping

3.3.1 Amend the Second Schedule to the Customs and Excise Act to delete 'HS 3304.99.00' that denotes 'other cosmetics' and replace it with 'HS 3304.99.90' to denote other cosmetics.

This measure is intended to correct a drafting error.

3.2.2 Amend the description of goods under tariff heading 3304.99.10 by the deletion of the word "Vaseline".

The measure is intended to delete the trade name "Vaseline" and describe the product in generic terms as "petroleum jelly".

3.2.3 Amend the description under the Customs Tariff Schedule of heading 3923.21.91 “bags” and 3923.29.91 “bags” in order to clarify that the bags described under the above mentioned HS codes should be secondary plastic packaging used as shopping bags.

This measure is intended to clarify the descriptions of headings 3923.21.91 and 3923.29.91 to separate carrier bags for shopping from other bags made from plastic for the purpose of imposing excise duty on carrier bags for shopping.

3.2.4 Convert excise duties charged on selected petroleum products under the Second Schedule to the Customs and Excise Act from ad-valorem rates to specific rates.

This measure is intended to convert excise duties charged on selected petroleum products from ad-valorem rates to specific rates.

3.2.5 Amend Sections 20, 21, 22 and 23 of the Customs and Excise Act on inward reporting and pre-clearance of imported goods in order to provide for the advance lodgment of an electronic manifest.

This measure is intended to provide for the advance electronic submission of inward reports and or manifests by persons' in-charge of any vessel with imported goods destined for or transiting through Zambia where facilities for electronic lodgment exist.

3.2.6 Amend Section 32B (1) (a) and (b) of the Customs and Excise Act on Pre-clearance.

This measure is intended to substitute the words “description in writing” with the words “declaration in a prescribed manner” with the view to providing a standardized Declaration Form as opposed to the requirements for a taxpayer to submit the relevant information, in writing.

3.2.7 Amend Section 32(4) of the Customs and Excise Act in order to reduce the number of days within which goods Removed In Bond (RIB) may be entered for consumption, warehousing or re-export from 30 days to 15 days

The measure is intended to facilitate efficient and prompt accounting of revenue and enhance compliance among clearing agents and other taxpayers.

3.2.8 Amend Section 33(1) of the Customs and Excise Act in order to reduce the period within which goods may be entered from 30 days to 15 days.

This measure is intended to facilitate efficient and prompt accounting of revenue and enhance compliance among clearing agents and other taxpayers.

3.2.9 Amend Section 62(2) of the Customs and Excise Act in order to reduce the period after which warehoused goods become liable to seizure on expiry of the warehousing period from 30 days to 15 days.

This measure is intended to align the period in which goods Removed in Bond (RIB) may be entered for consumption, warehousing or re-export from 30 to 15 days in accordance with the amendments proposed to Sections 32 and 33 of the Customs and Excise Act.

3.2.10 Amend Section 86 of the Customs and Excise Act in order to extend its application to Section 88.

This measure is intended to empower the Commissioner General to amend the valuation assessment relating to excise duty on goods imported into Zambia.

3.2.11 Amend Section 162 (9) and (10) of the Customs and Excise Act in order to reduce the period for the “Notice of Seizure” from 30 days to 15 days and the period for forfeiture from date of publication in the Gazette from 45 days to 30 days.

This measure is intended to reduce the current period of notice of seizure so as to ensure that goods are disposed of timely in order to mitigate the loss in both value and revenue.

3.2.12 Amend Section 173 (3) of the Customs and Excise Act on “burden of proof” in order to provide for acceptance of electronic documents as part of admissible evidence.

This measure is intended to provide for acceptance of electronic documents to be admissible documents following the migration by Zambia Revenue Authority from ASYCUDA ++ to ASYCUDAWORLD which will entail paperless submissions of data in the processing of customs transactions.

3.2.13 Update the Third Schedule of the Customs and Excise (General) Regulations in order to provide for the inclusion of approved organisations that provide development assistance to the Government of Zambia.

This measure is intended to gazette all international organisations that are engaged in development assistance and have been approved by the Minister responsible for finance to import their goods without the payment of duty.

3.2.14 Amend Statutory Instrument of 2009 (Public Benefit Organisations) Regulations No. 7 to enhance controls in the management of the Scheme and streamline beneficiary organisations in line with the Government policy to rationalise the incentive regime.

This measure is intended to strengthen the administration of the Scheme and minimise revenue leakages.

3.2.15 Amend the provision under Regulation 85A of the Customs and Excise (General) Regulations (1) (d) in order to extend the period within which the importation of household goods and personal effects imported by an administrator on behalf of the person deceased, may qualify for duty free importation, from 6 months to 12 months.

This measure is intended to extend the period within which goods of a deceased person can be imported by an appointed Administrator of the estate from 6 months from the date of the burial to 12 months so as to take into consideration delays that may be beyond the control of the appointed Administrator.

3.2.16 Amend Regulation 88B of the Customs and Excise (General) Regulations to provide for the submission of an amended Bill of Quantities (BOQ) to the Commissioner General.

This measure is intended to make it mandatory for all ministries and implementing agencies to communicate any amendments made to the BOQ directly to the Commissioner General in order for the Zambia Revenue Authority to facilitate the importation of goods.

4.0 CROSS-CUTTING MEASURE

4.1 Compensating Measure

4.1.1 Introduce a charge at the rate of 0.2 percent of the value on a money transfer service to a recipient within or outside the Republic of Zambia.

This measure is intended to broaden the tax base and raise additional revenue to finance Government programmes.

4.2 Housekeeping

4.2.1 Amend the Customs and Excise Act and the Income Tax Act to align the provisions of tax incentives accessed through the Zambia Development Agency to the Zambia Development Agency Act.

This measure is intended to rationalise tax incentives as part of the tax reform programme

Kalambo Road, Revenue House P.O. Box 35710 Lusaka - Zambia
Tel: +260 Tel: Landline +260 211381111 Mobile 0971281111
National Call Centre Line: 5972
Email: advice@zra.org.zm
Website: www.zra.org.zm