



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

# 2017 BUDGET

## Overview of Tax Changes





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## 2017 BUDGET OVERVIEW OF TAX CHANGES

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## INTRODUCTION

I am pleased to present an overview of the major changes in the tax legislation and other relevant information to our taxpayers and stakeholders 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, 2017 to 31<sup>st</sup> December, 2017.

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. However, it is worth noting 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.**

## 1.0 DIRECT TAXES

### 1.1 Concessions

- 1.1.1 Increase the exempt threshold for PAYE from K3, 000 to K3, 300 per month, adjust the income bands accordingly and increase the top marginal tax rate from 35 percent to 37.5 percent as specified below.

Current PAYE Regime		Proposed PAYE Regime	
Income Band	Rate	Income Band	Rate
K0 – K3,000.00	0 %	K0 – K3,300.00	0%
K3,000.01 – K3,800.00	25%	K3,300.01 – K4,100.00	25%
K3,800.01 – K5,900.00	30%	K4,100.01 – K6,200.00	30%
Above K5,900	35%	Above K6,200.00	37.5%

The measure is intended to give relief to low wage earners and increase the progressivity of the PAYE system.

- 1.1.2 Increase the capital allowance rate to 100 percent from 50 percent for implements, plant and machinery used in Farming and Agro-Processing.

The measure is intended to support economic diversification and promote capital investment in farming and the agro-processing industry.

### 1.2 Compensating Measures

- 1.2.1 Restructure the current turnover tax regime by introducing bands and presumptive amounts as follows:

	Monthly Turnover Category	Proposed Regime
1	K1-K4,200	K100 per month+3% of monthly turnover above K3,000
2	K4,200.01-K8,300	K225 per month+3% of monthly turnover above K4,200
3	K8,300.01-K12,500	K400 per month+3% of monthly turnover above K8,300
4	K12,500.01-K16,500	K575 per month+3% of monthly turnover above K12,500
5	K16,500.01-K20,800	K800 per month+3% of monthly turnover above K16,500
6	Above K20,800	K1,025 per month+3% monthly of turnover above K20,800

The measure is intended to improve compliance and curb the under-

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declaration of taxes by some small taxpayers especially in the retail and wholesale sectors.

### **1.2.2 Increase the Advance Income Tax (AIT) rate from 6 percent to 15 percent.**

This measure is intended to increase voluntary compliance from businesses or individuals whose tax compliance status has not yet been established.

### **1.2.3 Remove the exemption from tax on rental income received by Statutory Bodies.**

The measure is aimed at providing for the taxation of passive income received by Statutory Bodies from letting of property. This measure is also intended to broaden the tax base. Currently, all income received by statutory bodies is exempt from income tax except for income arising from interest on treasury bills, government bonds, corporate bonds, among others.

### **1.2.4 Introduce a skills development levy which will be computed at the rate of 0.5 percent on total gross emoluments paid by an employer to employees.**

The measure is intended to raise resources which will go towards developing diversified skills relevant to the needs of industry. This levy will be borne by the employers as a contribution towards enhancing skills development in the country.

## **1.3 House Keeping Measures**

### **1.3.1 Make it mandatory for a person purchasing and changing ownership of a motor vehicle to obtain a Tax Clearance Certificate.**

The measure is intended to enhance tax compliance through the issuance of a Tax Clearance Certificate for any transfers of motor vehicles in line with the requirements for transfers of other properties.

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**1.3.2 Introduce Specific Penalties on late submission of Turnover Tax returns at the rate of 500 penalty units (K150) per month or part of the month thereof.**

This measure is intended to reduce the burden of late return submission penalties on payers of Turnover Tax. Currently, the Income Tax Act provides for a general penalty of 1,000 penalty units (K300) for individuals and 2,000 penalty units (K600) (company) per month or part thereof on late return submission.

**1.3.3 Make it mandatory for financial institutions registered under the Banking and Financial Services Act to require all bank account holders to obtain a Taxpayer Identification Number (TPIN).**

The measure will assist in increasing taxpayer compliance and make it easy for the revenue authority to identify individuals that are in receipt of undeclared income such as foreign dividends and interest currently taxable. The proposal will further facilitate the provision of information from financial institutions to the Zambia Revenue Authority.

**1.3.4 Provide for the using of the average Bank of Zambia mid-rate of the Kwacha/ US Dollar exchange rate for the accounting period of an entity carrying out mining operations to be the translation rate from the US Dollar to Kwacha.**

Currently, there is no provision for the exchange rate to be used for entities carrying out mining operations in the translation of accounts held in foreign currency. The proposal will prescribe the exchange rate to be used as is the case for indexation of losses and capital allowances, where the Bank of Zambia average mid-rate is used.

**1.3.5 Amend the Income Tax Act on Indexation of Capital Allowance to correct the wording in Section 33 (3) by replacing the word “loss” with the words “capital allowance”.**

The proposal is meant to correct the wording in the law.

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## **2.0 VALUE ADDED TAX**

### **2.1 Concessions**

#### **2.1.1 Include copper concentrates and ores on the VAT deferment scheme.**

This measure is intended to provide cash flow relief to the mining sector and promote local mineral processing.

### **2.2 Compensating Measures**

#### **2.2.1 Extend the list of items for which VAT is not claimable to include:**

- a) Petrol (from 80% to 100%), except when for resale;**
- b) 10% of diesel, except when for resale; and**
- c) Domestic refrigeration equipment, air conditioners, mobile phones, motor vehicle parts, television set, digital satellite TV, decoders, video players, window blinds and curtains. However, where the products are meant for resale or are a main input in the business, then input VAT can be claimed.**

#### **2.2.2 Provide for non-claiming of input VAT on all supplies including capital goods acquired by an entity prior to their registration for VAT.**

Measures 3.2.1 and 3.2.2 are intended to limit the items on which VAT input claims can be made.

#### **2.2.3 Provide for the Commissioner General to appoint taxpayers as withholding agents to withhold VAT on payments made to suppliers of taxable goods and services.**

The measure is intended to safeguard Government revenue by withholding VAT at source.



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## 2.3 House Keeping Measures

### 2.3.1 **Remove the provisions which provides for a Government agency which is not engaged in providing taxable supplies to claim input VAT from Ministry of Finance. Chapter 6(3) of the VAT Act.**

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

### 2.3.2 **Amend the VAT Regulations to extend the period for which a person carrying on exploration can claim input VAT refunds from 7 years to 10 years in line with the maximum period for which an exploration licence is valid.**

This measure is intended to align the period within which a firm carrying on exploration can claim input VAT refunds with the maximum period for which an exploration licence is valid.

### 2.3.3 **Provide for a definition of “Transportation Services” in the Exemption Order to clarify that the exemption of transportation services excludes supplies of a sporting or leisure character and change the heading of Group 5 of the Exemption Order to “Transportation of Persons”.**

This measure is intended to clarify the definition of “Transportation Services” by changing the heading of Group 5 of the Exemption Order to “Transportation of Persons” and excluding sporting and leisure related transportation activities. The current interpretation of “Transportation Services” is ambiguous in relation to the VAT treatment of tourism services of a sporting and leisure character.

### 2.3.4 **Clarify that fish seed and fish feed are exempt for VAT purposes.**

The measure is intended to provide clarity with regard to the VAT treatment of fish seed and fish feed.

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### **2.3.5 Abolish the VAT Group Registration Scheme.**

This measure is intended to remove the challenges in risk profiling of individual members of the group.

### **2.3.6 Reduce the validity period of supporting documentation for input VAT claims to three from six months.**

This measure is intended to enhance efficiency in VAT administration.

### **2.3.7 Provide for the submission of three VAT returns and payments per month by Oil Marketing Companies on fuel uplifts, to align with the Customs and Excise (General) Regulations.**

This measure is intended to align the provisions of the VAT legislation to those in the Customs and Excise (General) Regulations.

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## **3.0 CUSTOMS AND EXCISE**

### **3.1 Concessions**

#### **3.1.1 Remove customs duty of 25 percent on articles of plastics, tubes, pipes, hoses and fittings thereof, used in irrigation.**

This measure is intended to promote agriculture and make use of the vast water resource endowment the country possesses.

#### **3.1.2 Reduce customs duty rate to zero percent from five (5) percent on Acrylic or modacrylic synthetic staple fibres.**

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.

#### **3.1.3 Suspend customs duty on aquaculture equipment for a period of 3 years.**

This measure is intended to enhance food security in Zambia and diversification of economic activity by boosting fish production in the country.

#### **3.1.4 Reduce customs duty rate to 5 percent from 25 percent on sausage casings made from plastic and edible collagen.**

This measure is intended to complement Government efforts towards the promotion of agro-processing in order to accelerate diversification of the economy and create decent employment for the citizens.

#### **3.1.5 Remove customs duty on the following items used in the shoe industry: Steel midsole plates; steel toe caps with rubber, caps and rivets, unit shoe sole, vamp lining non-woven and counter material.**

This measure is intended to accelerate growth of the leather sub-sector and encourage value addition to leather products.

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**3.1.6 Reduce customs duty rate to zero percent from 15 percent on pulley tackle and hoists, other than skip hoists; winches and capstans; jacks and other lifting, handling, loading or unloading machinery.**

This measure is intended to facilitate the growth of the local industries that utilise the listed machinery in their production process. The measure is also expected to lead to increased job creation.

**3.2 Compensating Measures**

**3.2.1 Increase the customs duty rate to:**

- i. 15 percent from 5 percent on spare parts for various machinery and equipment;**
- ii. 40 percent from 25 percent on plastic carrier bags for shopping; and**
- iii. 15 percent for both single and multiple yarn (acrylic yarn) from zero percent and 5 percent, respectively.**

These measures are intended to stimulate local production and support Government's efforts towards promoting local value addition and diversification.

**3.2.2 Increase the motor vehicle carbon emission surtax rates as follows:**

<b>Engine Capacity</b>	<b>Current Rates (K) per Annum</b>	<b>Proposed Rate (K) per Annum</b>
Less than 1500cc (including motor cycles)	50	70
1501cc - 2000cc	100	140
2001cc - 3000cc	150	200
3001cc and above	200	275

The measure is intended to adjust the Carbon Emission Surtax charges for inflation. The charges have not been adjusted since introduction of the surtax in 2006 and hence have been eroded by inflation.

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**3.2.3 Modify the Excise regime on Opaque beer to the higher of amount payable based on a formula premised on the capacity of the manufacturer or the 14.5 ngwee per litre of the quantity produced.**

The measure is intended to improve the administration of excise duty on opaque beer. The proposed regime will exclude manufacturers with annual turnover above K800,000 who will remain at 14.5 ngwee per litre for the quantity produced.

**3.2.4 Introduce a surtax at the rate of 5 percent on selected imported items that are produced locally.**

The measure is intended to safeguard Government revenue on importation of selected risky goods.

**3.2.5 Introduce export duty at the rate of 10 percent on maize.**

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

**3.2.6 Restructure the export duty regime on timber as follows;**

- a) K10/Kg or 40 percent of the export value, whichever is higher for unprocessed timber; and**
- b) K5/Kg or 20 percent of the export value, whichever is higher for semi-processed timber.**

The measure is intended to encourage local value addition on timber.

**3.2.7 Increase the specific excise duty rates on cigarettes to K240 per mille from K200 per mille and remove the ad valorem rate of 145 percent.**

This measure is intended to induce a reduction in the consumption of cigarettes by increasing the price, in line with the recommendation of the World Health Organisation – Framework Convention for Tobacco Control.

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### **3.2.8 Introduce customs duty at the rate of 7.5 percent on copper concentrates.**

This measure is intended to increase revenue collection for the Government's development agenda.

### **3.2.9 Increase customs duty on semi-processed edible oils to 15 percent from 5 percent.**

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

### **3.2.10 Increase excise duty on air time from 15 percent to 17.5 percent.**

The measure is intended to raise additional revenue for Government

## **3.3 House Keeping Measures**

### **3.3.1 Update the Harmonised Commodity Description and Coding System (HS) (The First Schedule of the Customs and Excise Act) to align the current schedule to the HS 2017 version.**

The measure is intended to align goods descriptions with the World Customs Organisation updates of the HS structure that is updated every five years.

### **3.3.2 Remove the prescribed fee unit payable as a penalty for late clearance of goods on Removal in Bond (RIB), provided under the Customs and Excise Act and introduce the penalty under the Customs and Excise (General) Regulations, where all penalties are prescribed.**

This measure is intended to move the penalty fees on RIBs from the Customs and Excise Act to the Customs & Excise (General) Regulations where other penalties are contained.

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**3.3.3 Revise the commencement date of the five (5) day transit period from date of entry to the date of release.**

The measure is intended to ensure that the five day transit period commences when the goods are released by customs.

**3.3.4 Clarify the exemption of export duty on goods that are re-exported in their un-used state.**

The proposal is intended to align our regulations with the provisions of the Revised Kyoto Convention, to which Zambia is a party.

**3.3.5 Provide for Advance Ruling on Origin of goods in both the Customs and Excise Act and the Customs and Excise (General) Regulations.**

This measure is intended to align the customs legislation to Article 3 of the Trade Facilitation Agreement under the World Trade Organisation, to which Zambia is a party.

**3.3.6 Make the electronic applications for licensing clearing agents mandatory.**

The measure is intended to streamline the Clearing Agents licensing process and also promote the uptake of the implemented ICT platforms for customs administration for enhanced efficiency in service provision.

**3.3.7 Increase minimum penalty provisions as follows:**

- a) to 20,000 fee units from 10,000 fee units for failure to avail records for inspection;
- b) to 2,000 fee units from 1,000 fee units per record for failure to provide missing records within the time stipulated in the Act; and
- c) to 20,000 fee units from 8,000 fee units for offences where there are no special penalties provided for in the Act.

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This measure is intended to make the penalty regime more punitive as a deterrent and encourage compliance.

**3.3.8 Provide for the definition of the terms “currency note” and “bearer negotiable instrument” in the Customs and Excise Act.**

The measure is intended to introduce the definitions of currency notes and bearer negotiable instruments in the Customs and Excise Act.

**3.3.9 Amend the Tariff Codes to provide for a separate tariff line for “sections of cathodes” from “Cathodes” and for “Cobalt Mattes” from “Other Intermediates products of cobalt metallurgy; unwrought cobalt; powders”.**

This measure is intended to ease the monitoring of exports of minerals under the Mineral Value Chain Mechanism.



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## **4.0 CROSS-CUTTING MEASURES**

### **4.1 House Keeping**

#### **4.1.1 Amend the tax laws to provide for the installation, connection, fixing and mounting of transaction monitoring devices, equipment or systems to suppliers dealing in excisable goods and services.**

This measure will enable ZRA have an interface with the suppliers of excisable goods and services and have direct access to the transaction data to ease tax administration.

#### **4.1.2 Amend the due-dates for filing of the returns and making payments as follows;**

- a) from 14<sup>th</sup> to 10<sup>th</sup> of every month for PAYE;**
- b) from 14<sup>th</sup> to 10<sup>th</sup> of the month following end of every quarter for provisional income tax;**
- c) from 21<sup>st</sup> to 16<sup>th</sup> of every month for VAT;**
- d) from 20<sup>th</sup> to 15<sup>th</sup> of every month for Excise Duty; and**
- e) from 30<sup>th</sup> June to 21<sup>st</sup> June for submission of the final Income Tax return and payment of balance of tax.**

This measure is intended to provide enough time to conduct debt management activities and follow-ups within the month of filing.

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## 5.0 NON-TAX REVENUE MEASURES

### 5.1 Compensating Measures

#### 5.1.1 Introduce a border infrastructure fee to be applied on vehicles exiting and entering any border as follows:

Description	Rate per crossing
Trucks with abnormal loads,laden or empty	US\$75 or Kwacha equivalent
Commercial trucks, laden or empty	US\$60 or Kwacha equivalent
Passenger buses	US\$40 or Kwacha equivalent
Passenger vehicles	US\$20 or Kwacha equivalent

This measure is intended to contribute to the development and maintenance of border and related water and sanitation infrastructure.



