

Zambia 2024 Budget Tax Highlights

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Budget Highlights

THE 2024 BUDGET - "UNLOCKING ECONOMIC POTENTIAL"

Budgeted Expenditure

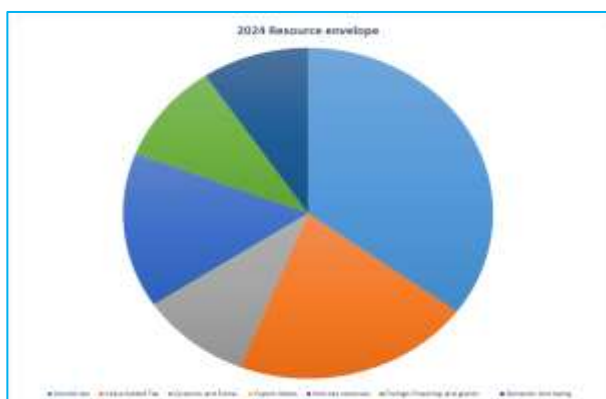
Below is the summary of budget allocation for the financial year 2024 according to the 2024 Budget Policy Statement by the National Treasury and Planning.

Figure1: Budget allocation for 2024

Function	2024 K' Million'	%	2023 K' Million'	%
General Public Services	58,930	33.1%	66,172	39.50%
Defence	9,922	5.6%	8,148	4.90%
Public Order and Safety	6,756	3.8%	5,189	3.10%
Economic Affairs	39,756	22.3%	35,013	20.90%
Environmental Protection	1,451	0.8%	1,060	0.60%
Housing and Community Amenities	2,651	1.5%	2,584	1.50%
Health	20,906	11.8%	17,395	10.40%
Recreation, Culture and Religion	493	0.3%	444	0.30%
Education	27,355	15.4%	23,189	13.90%
Social Protection	9,672	5.4%	8,128	4.90%
Grand total	177,892	100.00%	167,322	100.00%

To finance the proposed budget allocations the Government intends to raise revenues through various sources as shown in the table below; (64% of the revenues are projected to be generated from taxes, 15% from non-tax revenues, grants 2% with the remaining 19% coming from financing (51% and 49% from external and domestic financing respectively).

Figure 2: The 2024 revenue envelopes



Macro- Economic objectives set by the Zambian Government

The Government in its proposed 2024 budget has set the following macroeconomic objectives which it intends to pursue in the financial year 2024;

- ❖ Attainment of a real GDP growth rate of at least 4.8%;
- ❖ Reduction of inflation to within a band of 6-8% by end of 2024;
- ❖ Maintenance of international reserves above 3months of import cover;
- ❖ Mobilization of domestic revenue to a minimum of 22% of GDP; and
- ❖ Limiting domestic borrowing to a maximum of 2.5% of GDP.

Tax measures and proposals

DIRECT TAXES

Revision of the Pay as You Earn (PAYE) tax bands

The Minister has proposed an increase in the exempt threshold from K4, 800 to K5, 100 and a reduction of the top rate from 37.5% to 37%. The proposed bands are as follows;

Proposed PAYE Bands 2024		
From	To	Tax Rate (%)
0	5,100	0
5,101	7,100	20
7,101	9,200	30
9,200	Above	37

Local Content allowance -2%

The minister has proposed an extension of the 2% local content allowance to include income earned from value additions to sorghum and millet. Previously this was only applicable to Cassava, Mango, Pineapple and Tomatoes.

Increase in tax relief for businesses in rural areas

The Minister has proposed to increase the tax relief from 14.2% to 20% on taxable profits for the first 5 years of operations for businesses in rural areas. This will be applicable to all sectors except mining.

Introduction of accelerated depreciation of up to 100%

The Minister has proposed accelerated depreciation of up to 100% in respect of any new implement, plant or machinery for developers of Multi- Facility Economic Zones. This is meant to incentivise additional investments in these Zones. This incentive is currently available to the Investors at MFEZ but not the developers.

Introduction of Tax holidays to the cotton value chain

In order to support the growth of the cotton industry to promote the backward and forward linkages in this industry , the Minister has proposed an introduction of tax holidays on cotton value chains as follows;

- 5 years on profit for local producers of cotton seed;
- 5 years on profit from ginning of cotton; and
- 10 years on profit made from spinning of cotton and weaving of thread

OTHER MEASURES

The following measures have been proposed by the Minister under the Direct taxes to supplement the tax measures;

- ❖ Introduction of a provision under the Mines and Minerals Development Act, empowering the Commissioner General to appoint agents for the collection of Mineral Royalty.
- ❖ Replacement of the definition of electronic fiscal devices (EFDs) with electronic invoicing system (EIS) and provide for the use of electronic invoicing system.
- ❖ Introduction of an exemption from mandatory use of electronic invoicing systems.
- ❖ Revision of the definition of approved pension fund with the objective of making it clear that approval is to be

granted by the Pensions and Insurance Authority (PIA) and not the Commissioner General. This has been necessitated by the repeal of the Fourth Schedule pursuant to Income Tax (Amendment) Act, 2022.

- ❖ Removal of the mandatory requirement for the tax payers to give a notice to the Commissioner General within 30 days when they are in receipt of their first income. This measure seeks to clarify that businesses or individuals need to obtain a Taxpayer Identification Number (TPIN) and ultimately register for the appropriate tax types when the business commences and not wait until actual income is received. Currently, businesses that register with the Patents and Companies Registration Agency (PACRA) are automatically assigned a TPIN at the time of registration and, thereafter register for applicable tax types.
- ❖ Amendment of the Income Tax Act to provide for Large and Specialised taxpayers to submit audited financial statements as may be required by the Commissioner General.

OTHER INCOME TAX AND TRANSFER PRICING REGULATIONS

The Minister proposes the following;

- ❖ Alignment of specific penalties for offences in respect of omission or understatement of income arising from acts of negligence, wilful default or fraud in the artisanal and small-scale mining tax regime with those for Turnover Tax.
- ❖ Clarification on date of assessment in Section 97A (11A) of the Income Tax Act to include that for cases under litigation, the date of determination or the final ruling shall be considered as the date of assessment.
- ❖ Removal of the statutory limitation of not assessing a taxpayer after the prescribed six years for transfer pricing tax audits that are delayed due to exchange of information between the taxpayer and the Authority.

The Minister has also proposed a mandatory requirement for tax payers to obtain permission from the Commissioner General for the use of a pricing method that is not among the transfer pricing method recommended by OECD for pricing transactions between related parties.

VALUE ADDED TAXES (VAT)

Increase of period of claim for pre-operations VAT input in the hydro-electricity generation

The Minister proposes an increase in the period in which businesses can claim VAT incurred on eligible goods and services before commencement of commercial operations from 4 to 7 years. The objective of this proposal is to allow the investments to materialize.

OTHER MEASURES UNDER VAT

The Minister has proposed the following housekeeping measures under the Value Added Tax;

- ❖ Deletion of Section 8A of the VAT Act on the supply and accounting of an electronic service by removing the requirement for non-resident taxpayers to appoint a tax agent to account for VAT on electronic services
- ❖ Introduction of a provision under Section 18(3) that allows taxpayers to use prescribed invoicing system to issue a tax invoice for the purpose of VAT input credit or deductions.
- ❖ Introduction of a provision to allow mining companies to keep their books of accounts in US\$ if their gross income is not less than 75% in the form of foreign exchange earned outside the Republic of Zambia.
- ❖ Introduction of a provision for the conversion rate of the Kwacha against the United States Dollar to be used for purposes of translating the books of accounts for VAT purposes referred to under Section 44(3) as the spot rate prevailing on the date of transaction.

CUSTOMS AND EXCISE MEASURES

Removal of customs duty on machinery, equipment and other goods

The Minister has proposed to remove customs duty on machinery, equipment and other goods designed for geothermal energy activities

Relief on customs duty on selected media, film and music equipments

The Minister has proposed to increase the list of selected media, film and music equipments that are exempted from customs duty for a period of 3 years. The proposal is not specific as to the list of items exempted.

Removal of customs duty on importation of electric motorcycles and tricycles

The Minister has proposed a removal of customs duty on the importation of electric motorcycles and tricycles imported in complete knock down for companies that assemble and source at least 5% inputs locally.

Introduction of Surtax

The Minister proposes introduction of Goods Surtax on the following products;

Item	HS Code	Current rate	Proposed rate
Mattresses	9404.21.00	5%	20%
Laminated panels for building and cold storage insulation	9406.10.10	0%	5%
	7005.10.00 7005.29.00 7003.19.00 7003.30.00 7004.90.00	0%	5%
Glass			
Baby diapers	418.10.10	0%	5%

Increase of Surtax

The Minister proposes increase of Goods Surtax on the following products;

Item	HS Code	Current rate	Proposed rate
	6904.90.10	5%	30%
Tiles	6907	20%	30%
Mattresses	9404.21.00	5%	20%

The introduction/ increase in Selected Goods Surtax aims to harmonize the rates of Selected Goods Surtax on similar products to prevent misclassification

Increase of customs duty rate to 25% on electrical panels

The Minister proposes to increase the customs duty rate to 25% from 15% on all imported electrical panels of HS code 8537.10.00.

Reduction of excise duty on locally produced clear beer

The Minister proposes to reduce excise duty rate by 50% on locally produced clear beer for small and medium manufacturers that produces less than 500,000 litres per annum.

Removal of Customs Duty on;

- ❖ Selected machinery and equipment used in the exploration of oil and gas. This is meant to support exploration for oil and gas in Zambia.
- ❖ The importation of rolling stock, including wagons and locomotives with an objective of encouraging investment in the railway subsector.
- ❖ Electric motor vehicles designed for the transport of persons
- ❖ Electric buses (HS code 8702.40.90) and electric trucks (HS code 8704.60.90); and
- ❖ Accessories of electric motor vehicle or cycles such as charging systems.

Removal of 5% Selected Goods Surtax

The Minister proposes removal of Selected Goods Surtax on the following products in order to reduce their costs.

No.	Product	HS Code	Uses
1.	High Carbon Ferro Chrome	7202.41.00	Raw material used in the Manufacturing of cast mill balls.
2.	Mild Steel (MS) Lancing Pipe	7306.90.00	Used in the Ferro Alloy industry.
3.	Carbon Paste	3801.30.00	Raw material used as input in the manufacture of electrodes
4.	Whey Powder	0404.10.00	Used in the dairy industry.
		7005.21.00	Used in housing and construction
5.	Float Glass	7005.20.00	
6.	Flanges of stainless steel	7307.21.00	Used in the steel manufacturing subsector
7.	Wire of iron or non-alloy steel plated or coated with zinc	7217.20.00	Raw material used as input in the manufacture of steel wires
8.	Bars and rods, hot-rolled, in irregularly wound coils, of iron or steel of circular cross-section measuring <14mm in diameter	7213.91.00	Used as concrete reinforcement of concrete in the manufacture of concrete street lighting poles
9.	Flat-rolled products of other alloy steel of a width of grain-oriented silicon electrical steel	7226.11.00	Used as an input in the manufacture of transformers.
10	(IV bags) Other articles for the packing of goods, of plastics	3923.90.90	Used to administer fluids and medications intravenously. They are typically made of plastic and have a number of features that make them suitable for this purpose, such as a port for the infusion of fluids and medications, and a valve to prevent backflow.

Specific Excise Duty rates for tobacco and tobacco products to be increased to K400 per mille from K361 per mille. The measure is intended to discourage consumption of tobacco and its products

The basis of excise valuation for spirits, liqueurs and other spirituous beverages to be changed and be determined on the basis of market price and not the value of the input at importation.

Amendment of the Fourth Schedule (The Selected Good Surtax Schedule) to the Customs and Excise Act, CAP 322 by inserting the rate of "5 percent" against Malted millet or sorghum not roasted of HS Code 1107.10.30.

Specific Excise Duty on non-alcoholic beverages (including UHT juices) to be increased to K0.60 (60 ngwee) per litre from K0.30 (30 ngwee).

Amendment of Section 41(1) of the Customs and Excise Act to restrict the importation alcohol with an alcoholic content of above 80% to licensed manufacturers of alcoholic spirits and other users approved by the Commissioner General.

Introduction of Excise Duty at 5% on Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated of HS Code 2704

Section 69 of the Customs and Excise Act/Regulation 47 Customs and Excise (General) Regulations 2000 to be amended to introduce security deposit or bond guarantee on all exports from a bonded warehouse.

Sections 32(4) and 33(1) of the Customs and Excise Act to be amended to reduce the time in which goods moved in bond are to be bonded or final cleared to 5 days from 15 days.

Introduction of 1% allowance of losses on shredded tobacco

The Minister has proposed a provision of a 1% allowance of losses on shredded tobacco in the production of cigarettes.

Tourism Levy

Introduction of a provision in the Tourism Levy Act under regulation 4 to allow a tourism enterprise or tourism facility to use a prescribed invoicing system to record all transactions relating to Tourism Levy and issue an invoice, consequently tax payers in the tourism and hospitality sector who are registered for Tourism Levy will be required to use electronic invoicing system to issue tax invoices.

Other tax administration measures for efficiency gains

Amendment of section 48A of the Income Tax Act to empower the Commissioner General to request for information from regulators.

Amendment of the Zambia Revenue Authority Act to provide for the reward of Whistle-blowers.

CROSS CUTTING MEASURES

Introduction of mobile transactions levy

The Minister has proposed a levy of between 8 Ngwee and K1.80 on transactions value for mobile transfers between individuals as below;

Amount range (K)	Proposed Levy (K)
Between 1 to 150	0.08
Above 150 to 300	0.10
Above 300 to 500	0.20
Above 500 to 1,000	0.50
Above 1,000 to 3,000	0.80
Above 3,000 to 5,000	1.00
Above 5,000 to 10,000	1.50
Above 10,000	1.80



Supplementary information

Non-mining operations

Category	Charge Year	
	2024	2023
Corporation tax rates	%	%
Manufacturing and other	30	30
Manufacturing of organic fertilizers	15	15
Manufacture of chemical fertilizers	15	15
Tourism	30	30
Farming	10	10
Agro processing	10	10
Companies listed on the Lusaka Stock Exchange (less 2% in first year of operation)	30	30
Public benefit organization on business income	15	15
Export of non-traditional goods	15	15
Commercial imports (Advance Income Tax)	15	15
Electronic communications business	35	35
Public-Private Partnership	20	20
Lapidary and Jewellery Facilities	25	25
Carry Forward Losses		
Electricity generation by hydro and thermo power	10 years	10 years
Electricity generation using other sources except wood	10 years	10 years
All other non-mining companies	5 years	5 years
Capital Allowances Deductions		
Investment/initial allowance on new industrial buildings	10	10
Industrial building allowance	5	5
Plant and machinery used in manufacturing and tourism	50	50
Implements, plant and machinery – farming and agro processing	100	100
Farm works/improvements and improvement allowance under MFEZ only	100	100
Implements, plant and machinery – for developers of MFEZ	100	25
Implements, machinery and plant used in generation of electricity	50	50
Commercial buildings	2	2
Commercial motor vehicles and other plant and machinery	25	25
Non-commercial motor vehicles	20	20
Development allowance period	5years	5years
Local content allowance	2%	2%
Special Purpose Vehicle for Public-Private Partnership	100%	100%

Taxation on mining

Category	ChargeYear	
	2024	2023
	%	%
Mining - Base metals/Gemstones/Precious metals	30	30
Variable Profits tax - up to	15	15
Capital Allowances Deductions		
Mining equipment and related capital expenditure(claim when asset is brought into use)	20	20
Commercial motor vehicles and other plant and machinery	25	25
Non-commercial motor vehicles	25	25
Other special incentives		
Import duty on certain mining equipment	Rebate	Rebate
VAT Deferment scheme	No	No
Carry Forward Losses		
Mining operations	10Years	10Years
Prospecting and exploration	5Years	5Years
Other Rates		
Withholding tax on dividends	0	0
Export duty on copper and cobalt concentrates	10	10
Taxation of hedging income	30	30
Property Transfer Tax on sale or transfer of Land and Shares	5	5
Property Transfer Tax on sale or transfer of mining rights	10	10
Companies involved in value addition using copper cathodes as inputs	15%	15%

PAYE tax bands

Proposed PAYE Bands 2024			Current PAYE Bands 2023		
From	To	Tax Rate (%)	From	To	Tax Rate (%)
0	5,100	0	0	4,800	0
5,101	7,100	20	4,801	6,800	20
7,101	9,200	30	6,801	8,900	30
9,200	Above	37	8,900	Above	37.5

Mineral Royalty Tax Regime

Norm Price Range	Mineral Royalty Rate 2024	Mineral Royalty Rate 2024
	Taxable amount	
Less than US\$4,000	First US\$ 4,000	4.0%
US\$4,001 but less than US\$5,000	The next US\$ 1,000	6.5%
US\$5,001 but less than US\$7,000	The next US\$ 2,000	8.5%
More than US\$7,001	The balance	10%

Withholding taxes and other taxes

Category	Charge	year
	2024	2023
Withholding tax and other rates		
Non-mining dividend pay-outs	15%	15%
Profits distribution by branches of foreign companies	20%	20%
Management and Consultancy fees for Locals	15%	15%
Management fees to non-residents	20%	20%
Royalties to non-residents	20%	20%
Debentures interest paid to Zambian investors in a property loan stock company listed on the Lusaka Stock Exchange	0%	0%
Interest for individuals on savings and deposit accounts (Final tax)	0%	0%
Interest on treasury bills for individuals (Final tax)	15%	15%
Interest on treasury bills (Final tax for Public Benefit Organizations)	15%	15%
Interest on government bonds (coupon income)	15%	15%
Interest earned by individuals of a Co-operatives or Village Banking	0%	0%
Discount income on government bonds	0%	0%
Commissions to non-residents	20%	20%
Public entertainment fees to non-residents (Final tax)	20%	20%
Non-resident contractors	20%	20%
Skills Development Levy	0.5%	0.5%
Dividends payable to non-residents	20%	20%
Dividends payable to residents	15%	15%
Dividends - Agro-processing (Corn starch) – for years 2023 to 2033	0%	-
Interest payable to non-residents	20%	20%
Re-insurance placed with non-licensed Re-Insurance Companies	0%	0%
Investment Income on Life Insurance Funds	0%	0%
Winnings from Gaming, Lotteries and Betting	15%	20%

Cautionary statement: The taxation and miscellaneous proposals set-out in this document are based on the Budget Statement presented by the Minister of Finance. The changes proposed here in are subject to parliamentary debate and enactment into law.

All the above measures other than those specified will take effect on 1 January 2024

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