EY Zambia, 2026 National Budget Analysis

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Zambia's 2026 Budget Economic Overview

Zambia's macroeconomic performance, as outlined in the 2026 National Budget Speech presented by the Minister of Finance and National Planning, Hon. Dr. Situmbeko Musokotwane, reflects a notable recovery and strengthening of fundamentals despite recent global and domestic challenges. The 2026 Zambia National Budget marks a pivotal moment in the country's economic trajectory, reflecting a deliberate shift towards consolidating macroeconomic stability and social progress. With a projected GDP growth of 6.4%, the budget is anchored on robust performance in mining, agriculture, and Information and Communication Technology ("ICT") sectors. This growth is underpinned by a stable macroeconomic environment, declining inflation, and improved fiscal credibility following successful debt restructuring under the G20 Common Framework.

Macroeconomic Performance

Zambia's economy is forecast to grow by 6.4% in 2026, building on a 5.8% growth in 2025 and 3.8% in 2024. This growth is driven by increased mining output, agricultural recovery, and expansion in the ICT sector. Inflation has declined from a peak of 16.7% in 2024 to 12.3% in 2025. The target for 2026 is 6–8%. The noted decline in inflation is attributed to a bumper maize harvest, currency appreciation, and tight monetary policy. The fiscal deficit has narrowed significantly from 9.0% of GDP in 2021 to a projected 3.1% in 2025 and 2.1% in 2026, reflecting improved fiscal discipline and debt management. Export earnings and foreign direct investment have both risen, and international reserves now provide 4.8 months of import cover, from 4.3 months as of July 2024, signaling improved external sector stability. However, challenges remain, including high borrowing costs, persistent unemployment, and poverty.

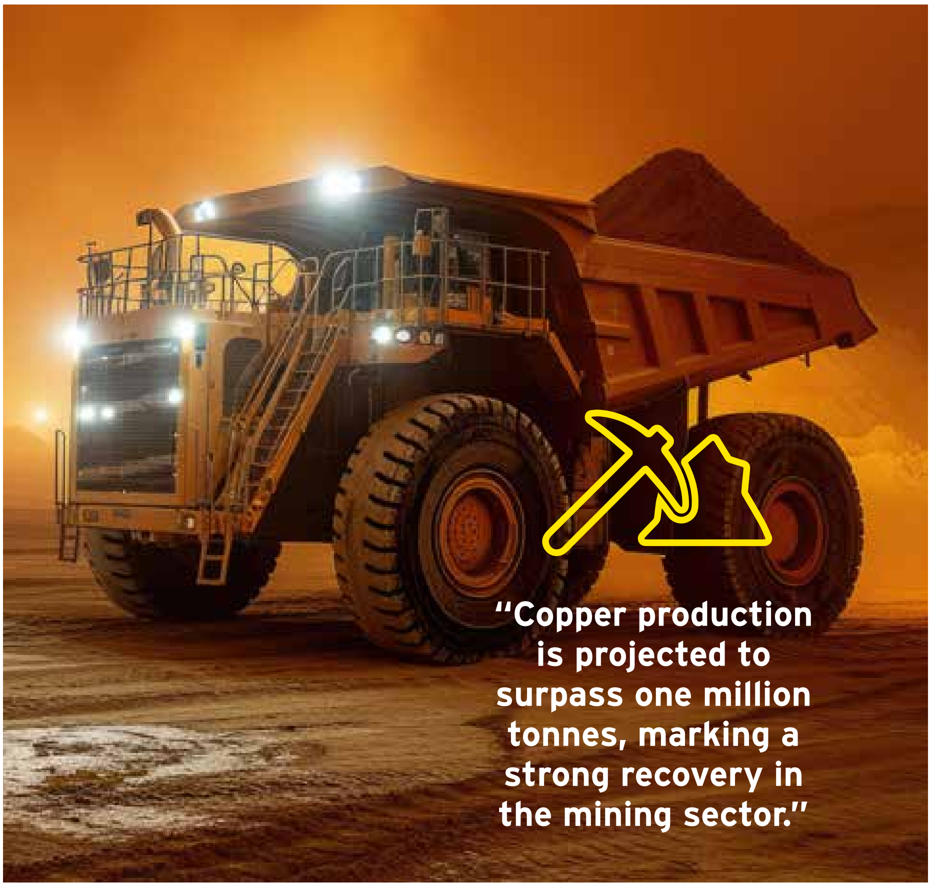
Revenue and Expenditure

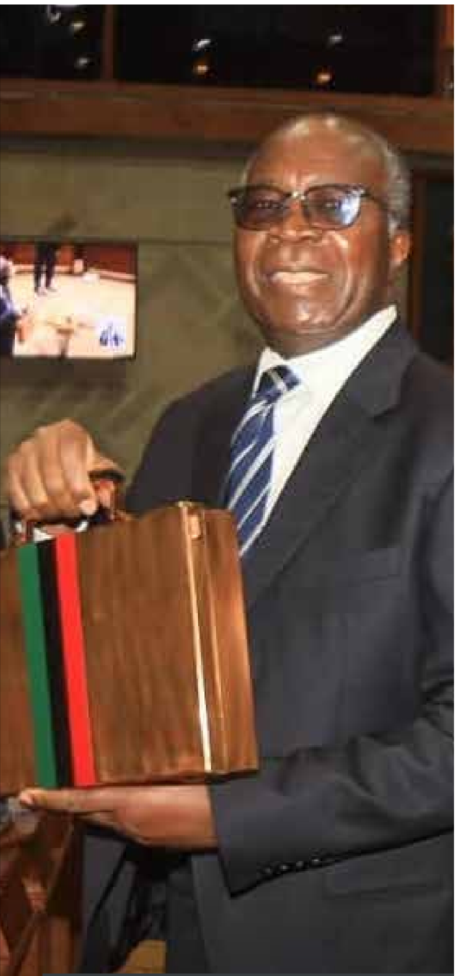
The 2026 budget totals K253.1 billion, representing 27.4% of GDP. Of this, 81.6% will be financed through domestic revenue, with tax revenue contributing 65.5% and non-tax revenue 16.8%. Key expenditure allocations include K33.0 billion for education, K26.2 billion for health, and K58.6 billion for economic affairs. Debt servicing remains a significant burden, with K52.0 billion allocated to domestic debt interest and K21.7 billion to external debt obligations. The budget also allocates K6.2 billion to the Constituency Development Fund ("CDF") and K15.7 billion to social protection programs.

Sectoral Highlights

The mining sector is on the path to recovery, with copper production projected to surpass one million tonnes. This growth is being driven by increased investment in both new and existing mines, the reopening of previously closed sites, and the formalisation of artisanal mining activities.

Agriculture has made a strong comeback, recording a bumper maize harvest of 3.7 million metric tonnes. This success is attributed to timely distribution of farming inputs and enhanced irrigation infrastructure. The sector is now focused on boosting production and expanding its export potential. In livestock and fisheries, efforts are underway to strengthen the industries through the establishment of disease-free zones to support beef exports and improved vaccination coverage.





Picture: Ministry of Finance and National Planning

"Over the next 12 months, Zambia expects to add 1,500 MW of mainly solar power to the national grid."

The energy sector is diversifying, with 1,500 MW of power and 300 MW of thermal energy expected to be added to the grid. Recently, the government commissioned 125 MW of solar power, and over the next 12 months, an additional 1,500 MW—mainly from solar—are anticipated. Furthermore, 300 MW from the new Maamba thermal power plant is scheduled to come online in 2026.

Transport infrastructure is expanding through public-private partnerships, with major road and rail projects currently in progress. Tourism has experienced significant growth, with international arrivals doubling from 1.1 million in 2022 to 2.2 million in 2024. Manufacturing is also gaining momentum, marked by the development of new economic zones and the revival of key industries such as Mulungushi Textiles.

Together, these sectoral initiatives aim to consolidate recent progress, tackle persistent challenges like unemployment and poverty, and lay a solid foundation for inclusive and sustained economic growth.

Social Development

Education and health remain central to Zambia's development agenda. Over 42,000 teachers and 18,000 health workers have been recruited since 2022. Free education has increased school enrolment by 2.3 million learners, while health infrastructure has expanded with over 280 new facilities. Social protection has been scaled up, with 1.3 million households benefiting from the Social Cash Transfer and 2.4 million households from the Cash-for-Work program. Water and sanitation access has improved through borehole drilling and piped water schemes.

Risks and Challenges

Despite the positive outlook, Zambia faces several risks. These include high domestic debt servicing costs, unemployment, climate change impacts, and global economic uncertainties. The energy crisis, driven by drought, highlights the need for accelerated diversification. Structural reforms in public finance, governance, and state-owned enterprises remain critical to sustaining progress.

Conclusion

The 2026 Budget positions Zambia on a path of inclusive and sustainable development. With strategic investments in key sectors, enhanced social protection, and prudent fiscal management, the country is poised to consolidate its economic gains. Continued reforms and resilience-building will be essential to navigate emerging challenges and achieve long-term prosperity.

2026 National Budget Tax and Related Measures

1

2026 National Budget Tax and Related Measures

Corporate Income Tax

Proposed Change: Extend the 2 percent local content allowance to income earned from value addition to milk, raw hides and skins.

Business impact:

Currently, the local content allowance is applicable to value addition to mango, pineapples, cassava, tomatoes, sorghum and millet. The measure extends the allowance to cover income earned from value addition to milk, raw hides and skins.

Strategic recommendation:

Considering the extension of the local content allowance to include income earned from value addition to milk, raw hides, and skins, businesses should strategically consider diversifying their product offerings to capitalize on this tax incentive. By investing in value-added processes for these newly included commodities, companies can enhance their profitability while benefiting from reduced tax liabilities. For instance, businesses can focus on value addition to milk by producing products like cheese, yogurt, and butter, which can significantly increase profit margins. It is advisable for businesses to conduct market research to identify potential opportunities in the dairy and leather sectors, develop partnerships with local suppliers, and implement efficient production practices to maximize the advantages of the local content allowance. This proactive approach will not only improve financial performance but also contribute to the growth of local industries.

Proposed Change: Exclude buses with seating capacity of 50 and above, from presumptive tax, and register them under turnover tax or corporate income tax.

Business impact:

Currently, bus operators pay ZMW12,960 for buses with 50–63 seats and ZMW15,552 for those with 64 seats and above. However, under this new measure, these operators must now register for turnover tax if the annual turnover is below ZMW5 million and register for corporate income tax if the annual turnover is above ZMW5 million. It's essential to note that the turnover tax is set at 5% and is applied to gross sales or turnover, while the corporate income tax is calculated based on annual taxable profits at the rate of 30%.

Strategic recommendation:

In view of the above change, it is recommended that businesses review their financial records and ensure accounting systems are in place to accurately track turnover and profits. Those close to the ZMW 5 million threshold should assess whether restructuring or operational changes could help them benefit from the turnover tax regime.

Proposed Change: Remove the five-year carry-forward limitation period of disallowed interest expense.

Business impact:

Currently, there is a time limitation of 10 years for the mining and electricity generation sectors and 5 years for all other sectors, on the excess interest expense that a business can deduct subject to the carry forward time limitation. This measure removes the time limitation and caps the amount of interest expenses that is allowed for deduction at 30 percent of the business' Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA).

Strategic recommendation:

The removal of the interest expense limitation allows businesses to claim interest expenses beyond the currently capped period, improving long-term investment viability. This change encourages companies to pursue larger, capital-intensive projects—such as infrastructure development or long-term equipment financing—without the fear of losing tax deductibility on interest costs. For example, a manufacturing firm investing in a new plant with a 10-year loan can now fully deduct interest over the loan's life, enhancing cash flow and project return on investment. It is imperative for businesses to reassess their financing strategies and consider leveraging longer-term debt to fund growth initiatives, as the extended deductibility improves financial planning and tax efficiency. Businesses need to reassess their financing strategies and consider leveraging longer-term debt to fund growth initiatives, as the extended deductibility improves financial planning and tax efficiency. Proposed Change: Increase the Turnover Tax and Rental Income Tax exempt threshold to ZMW2,500 from ZMW1,000 per month.

Business Impact:

The current exempt threshold for Turnover Tax and Rental Income Tax stands at ZMW1,000 per month. This measure proposes an increase to ZMW2,500.

Strategic Impact:

Businesses operating in the informal and small-scale sectors should take advantage of the increased tax-exempt threshold and formalize their operations to benefit from reduced tax obligations. This change presents an opportunity to improve cash flow and enhance compliance. Enterprises are encouraged to reassess their tax status and ensure alignment with the new threshold.

Proposed Change: Increase the turnover threshold for Artisanal and Small-Scale mining from ZMW800,000 to ZMW5,000,000 to align with the standard Turnover Tax threshold.

Business Impact:

Currently, the turnover threshold for Artisanal and Small-Scale Mining is set at ZMW800,000. This lower threshold has currently created a disparity with the broader turnover tax framework, potentially complicating compliance and limiting growth opportunities for small-scale miners.

Strategic Impact:

This significant adjustment reflects the Government's commitment to supporting the formalization and growth of small-scale mining enterprises. By increasing the threshold, more operators will qualify for the simplified tax regime, thereby reducing compliance costs and encouraging voluntary registration. This adjustment aims to harmonize the tax treatment of Artisanal and Small-Scale Mining with broader turnover tax provisions. This measure is expected to enhance tax inclusivity, improve revenue collection from the informal mining sector, and stimulate investment in local mineral production. It also aligns with broader efforts to promote sustainable and safe mining practices, as outlined in the budget's strategic focus on formalizing artisanal mining operations.

Proposed Change: Reduce the penalty for late Turnover Tax payment to 0.5 percent from 5 percent per month or part thereof.

Business Impact:

Currently, businesses that delay payment of Turnover Tax are subject to a penalty of 5 percent for each month or part thereof. This rate places a considerable financial strain on small enterprises, particularly those with limited cash flow and basic administrative systems.

Strategic Recommendation:

Businesses operating under the Turnover Tax regime should take advantage of the reduced penalty rate by strengthening their internal tax compliance processes. The adjustment to 0.5 percent per month significantly lowers the cost of late payment, offering relief to small enterprises with limited cash flow. However, timely filing and payment should remain a priority to avoid unnecessary penalties and maintain good standing with the tax authorities.

Proposed Change: Increase the allowable income tax deduction for companies employing persons with disabilities to ZMW2,500 from ZMW2,000.

Business Impact:

This measure will provide greater tax relief to businesses that actively support inclusive employment. This adjustment reduces the taxable income for each qualifying employee, thereby lowering the overall tax liability for companies that prioritize hiring persons with disabilities. The change not only incentivizes inclusive hiring practices but also helps to offset some of the associated employment costs, making it more attractive for businesses to expand opportunities for persons with disabilities.

Strategic Recommendation:

Businesses should review their current workforce and recruitment policies to ensure they are fully leveraging this enhanced deduction. By actively seeking to employ more people with disabilities, companies can benefit from increased tax savings while also demonstrating a commitment to social responsibility and diversity. It is advisable to maintain accurate records of qualifying employees and consult with tax professionals to maximize the benefit of this deduction under the updated regulations.

S/No	Measure	Period	Proposed Rate (%)
1.	Reduce the Corporate Income Tax rate from 30 percent of the SPV during the operation period as follows:	Year 1 - 5 Year 6 - 15 Year 16 - 25 Year 26 - 28	0 10 12 30
2.	Exemption from the Minimum Alternative Tax for the first 12 years of operation;		
3.	Deductibility of losses incurred in a charge year to 70 percent from the current 50 percent of income tax from the same source.		
4.	Increase the carry forward period of losses from the current 5 years to 12 years.		
5.	Increase the capping on interest deduction from 30 percent to 70 percent of EBITDA.		
6.	Increase the carry-forward period of disallowed interest from the current 5 years from 12 years, subject to Section 29 (4) of Income Tax Act.		

Proposed Change: Introduce Income Tax concessions for Railway sub-sector Public-Private Partnership.

Business Impact:

The introduction of a dedicated fiscal regime for the TAZARA Special Purpose Vehicle (SPV) under the amended Income Tax Act will significantly enhance the attractiveness of investing in the rehabilitation and operation of the railway business. Businesses involved in the SPV will benefit from a reduced corporate income tax rate—0% for the first five years, 10% for years six to fifteen, 12% for years sixteen to twenty-five, and 30% thereafter. There will also be an exemption from the Minimum Alternative Tax for the first twelve years, increased deductibility of losses (up to 70% of income from the same source), an extended loss carry-forward period of twelve years, and a higher cap on interest deductions (70% of EBITDA). Collectively, these measures will lower the tax burden, improve cash flow, and provide greater certainty for long-term financial planning, making the project more viable and appealing to private sector participants.

Strategic Recommendation:

Businesses considering participation in the TAZARA SPV should review their investment models and tax planning strategies to fully leverage the new incentives. It is advisable for businesses to ensure compliance and to optimise the benefits from the reduced tax rates, enhanced loss utilisation, and increased interest deductibility. While the carry-forward period for disallowed interest has been removed from other sectors, a twelve-year limitation still applies specifically to this sector. This restriction may deter investors, as the capital-intensive nature of this sector could lead to unutilized interest deductions after the twelve-year period. To fully benefit from the new fiscal framework, companies should align their strategies early, but they must also carefully consider the implications of the disallowed interest carry-forward restriction when evaluating long-term participation in this sector.

Proposed Change: Extend the charging of Advance Income Tax (AIT) on foreign remittances above US$2,000 or equivalent to other financial institutions and platforms.

Business Impact:

At present, individuals transferring funds exceeding US$2,000 or equivalent outside Zambia via a banking institution are required to present a valid Tax Clearance Certificate prior to remittance.

Strategic Recommendation:

Businesses utilizing non-bank remittance platforms should prepare for the extended AIT requirements by reviewing their cross-border payment processes and ensuring timely access to valid Tax Clearance Certificates. This change closes a regulatory gap and reinforces tax compliance across all financial channels. To avoid the 15 percent withholding tax on remittances exceeding US$2,000, businesses should establish internal controls for documentation and engage with tax advisors to streamline tax clearance certificate acquisition and maintain uninterrupted financial operations.

Housekeeping Measures

Proposed change: Remove the reference to the Mines and Minerals Development Act, 2015 in the Income Tax Act and replace it with "Mineral Regulation Commission Act, 2024" wherever the reference is made.

Explanation of the change against current regulations:

This measure updates the Income Tax Act by replacing references to the repealed Mines and Minerals Development Act, 2015 with the new Minerals Regulation Commission Act, 2024. This ensures legal consistency and reflects the current legislative framework governing the mining sector.

Impact on businesses:

Businesses operating in the mining sector will benefit from improved clarity and reduced ambiguity in tax compliance. Alignment with the new regulatory framework will facilitate smoother interactions with ZRA and reduce the risk of misinterpretation.

Strategic recommendation:

Taxpayers in the mining sector should review their documentation and systems to ensure references are updated to the Minerals Regulation Commission Act, 2024. Legal and tax teams should be briefed to avoid reliance on outdated legislation.

Proposed change: Allow mineral processing businesses to keep books of accounts in US dollars

Explanation of the change against current regulations:

The measure extends the option to maintain books of accounts in US dollars to mineral processing businesses, previously available only to mining operations earning at least 75% of income in foreign currency.

Impact on businesses:

This change will simplify financial reporting for mineral processors dealing predominantly in foreign currency, improving accuracy and reducing conversion-related discrepancies.

Strategic recommendation:

Eligible mineral processing entities should assess their foreign exchange earnings and consider transitioning to USD-based accounting. Coordination with tax advisors is essential to ensure compliance with ZRA requirements.

Proposed change: Allow taxpayers on voluntary VAT registration scheme to register for Turnover Tax

Explanation of the change against current regulations:

This measure allows taxpayers on the voluntary VAT registration scheme to also register for Turnover Tax, following the increase of the Turnover Tax threshold to K5 million. Previously, such taxpayers were required to register for Income Tax.

Impact on businesses:

Small businesses will benefit from simplified tax compliance and reduced administrative burden, as they can now operate under both schemes without mandatory Income Tax registration.

Strategic recommendation:

Small businesses should evaluate their eligibility and transition to the new structure where beneficial. Guidance from ZRA should be sought to ensure proper registration and reporting.

Proposed change: Remove penalties chargeable to a taxpayer that has made a voluntary disclosure.

Explanation of the change against current regulations:

This measure eliminates penalties for taxpayers who voluntarily disclose errors or omissions to the Zambia Revenue Authority, encouraging proactive compliance.

Impact on businesses:

Businesses will be incentivized to correct historical tax issues without fear of punitive charges, improving overall tax compliance and reducing audit risks.

Strategic recommendation:

Companies should conduct internal tax health checks and disclose any discrepancies to ZRA. Establishing a voluntary disclosure policy can mitigate future liabilities and foster a culture of compliance.

Proposed change: Replace reference to subsection (7) with subsection (6) in Section 84(7) of the Income Tax Act

Explanation of the change against current regulations: The amendment corrects a drafting error by replacing the incorrect reference to subsection (7) with subsection (6), clarifying the penalty for agents who fail to remit withheld tax on time.

Impact on businesses:

The change will provide Tax agents and withholding entities with clearer guidance on penalty provisions, reducing disputes and improving compliance.

Strategic recommendation:

Withholding agents should update their compliance manuals to reflect the corrected subsection and these agents should ensure timely compliance to avoid penalties in future.

Proposed change: Exempt Private Funds from Income Tax

Explanation of the change against current regulations:

A Private Fund is defined as "a private fund authorized by the Securities and Exchange Commission under the Securities Act, 2016. The measure exempts income earned and retained by private funds from Corporate Income Tax, extending the current exemption which applies only to distributed income.

Impact on businesses:

Private funds will benefit from reduced tax liabilities, encouraging reinvestment and growth within the fund structure.

Strategic recommendation:

Fund managers should review fund structures to maximize retained earnings under the exemption. Taxpayers should seek tax advice from Tax advisors to ensure compliance with fund classification criteria. Proposed change: Broaden the definition of 'Commodity Royalty'

Explanation of the change against current regulations:

This measure expands the definition of Commodity Royalty to include financing arrangements without a purchase price and recharacterized dividend payments, enhancing tax coverage.

Impact on businesses:

Businesses involved in commodity financing may face increased tax obligations due to the broader scope of royalty classification.

Strategic recommendation:

Companies should review financing arrangements and dividend policies to assess exposure under the new definition. Taxpayers should seek professional advice from Tax advisors to assist in reclassifying payments and ensuring accurate reporting.

Proposed change: Remove the term limit of tax collection agency contracts

Explanation of the change against current regulations: The amendment removes the two-term limit (maximum four years) for tax collection agency contracts, allowing for continuous service provision.

Impact on businesses:

This provides continuity and stability for appointed agents, improving efficiency in local tax collection.

Strategic recommendation:

Current and prospective agents should engage with ZRA to understand the new contractual framework and explore long-term service opportunities. Further, ZRA should implement monitoring mechanisms to evaluate long-term agent effectiveness.

Proposed change: Amend the Registration of Business Names Act to comply with Global Forum recommendations

Explanation of the change against current regulations:

This measure mandates disclosure of beneficial ownership information under the Registration of Business Names Act, aligning Zambia with international transparency standards.

Impact on businesses:

Businesses will be required to disclose ownership structures, enhancing transparency and reducing risks of tax evasion and illicit financial flows.

Strategic recommendation:

Entities should prepare to submit beneficial ownership data and update internal records accordingly.

Compliance teams must monitor regulatory updates and ensure timely disclosures.

Proposed Change: Align the legal framework governing disclosure of information received pursuant to Exchange of Information Agreements, with the international standards in Section 74 of the Income Tax Act

Explanation of the change against current regulations:

The measure strengthens Section 74 of the Income Tax Act by treating information received under Exchange of Information (EOI) agreements as confidential and restricting its disclosure to treaty-specific conditions.

Impact on businesses:

This enhances Zambia's credibility in international tax cooperation and protects taxpayer confidentiality, reassuring multinational entities.

Strategic recommendation:

Multinational entities should review their compliance with EOI provisions and ensure data handling practices align with global standards. Legal teams must be aware of the confidentiality protections now embedded in Zambian law.

Proposed Change: Introduce an Anti-Fragmentation Rule for permanent establishment determination

Explanation of the change against current regulations:

The measure introduces an Anti-Fragmentation Rule that treats related business activities at multiple locations as a single permanent establishment if their combined functions exceed preparatory or auxiliary tasks.

Impact on businesses:

This aligns Zambia's tax laws with OECD BEPS Action 7, preventing artificial avoidance of permanent establishment status and ensuring fair taxation of cross-border operations.

Strategic recommendation:

Multinational enterprises should reassess their operational structures in Zambia to determine if activities may be consolidated under the new rule. Tax advisors must be engaged to evaluate exposure to permanent establishment risks in advance.

"Zambia will introduce an Anti-Fragmentation Rule to prevent avoidance of permanent establishment status, aligning with OECD BEPS Action 7."

2

Property Transfer Tax

Property Transfer Tax

Property Transfer Tax Measures

Proposed Change: Extend the relief applicable to group reorganisation under Section 5(2)(A) of the Property Transfer Tax Act to cases that result in change of shareholding with respect to a company incorporated in Zambia, where companies involved in the transfer have been part of the group for three years or more, preceding the transfer.

Business Impact:

Currently, property transfer tax (PTT) relief for group reorganisations applies only if there is no change in shareholding and the companies have been in the group for at least three years. The proposed change now allows relief even where there is a change in shareholding, provided the three-year group membership condition is met. This offers more flexibility for internal restructurings.

Strategic Recommendation:

Businesses should review group structures and historical shareholding records to identify opportunities for tax-efficient reorganisations under the extended relief. This change may also encourage more flexible internal restructuring and investment planning within corporate groups operating in Zambia.

Proposed Change: Limit the types of surrender or forfeiture that are exempt for PTT purposes. However, there has been no clear guidance provided on which types of surrender or forfeiture will remain exempt under the revised framework

Business Impact:

All instances of surrender or forfeiture of shares are generally exempt from PTT. The only specific limitation was under Section 6(1)(h), which exempted transfers where surrendered shares were subsequently transferred to another person. The proposed change seeks to limit the scope of these exemptions, meaning that not all forms of surrender or forfeiture will automatically qualify for PTT relief. This could increase the tax exposure for businesses involved in restructurings, enforcement actions, or distressed asset management.

Strategic Recommendations:

Businesses, especially in the finance and investment sectors, should closely monitor developments and reassess transaction structures to manage potential PTT liabilities. Legal and tax teams should ensure proper documentation and seek clarification from the Zambia Revenue Authority where necessary.

"Property Transfer Tax relief for group reorganisations will now extend to cases involving a change in shareholding, provided companies have been in the group for at least three years."

3

Value Added Tax

Value Added Tax

Value Added Tax Measures

Proposed Change: Increase the intending trader period to 10 years from 7 years for hydro-electricity generation for VAT purposes.

Business Impact:

Under current regulations, businesses investing in hydroelectric projects can claim VAT refunds on qualifying inputs for up to 7 years while preparing to commence taxable supplies. This proposed change will allow these entities an additional three years to remain registered as intending traders, thereby continuing to claim input VAT during the extended development phase. The extension of the intending trader period will benefit investors and developers in the hydroelectric sector by improving cash flow and reducing the financial strain associated with upfront capital expenditure, making Zambia a more attractive destination for energy infrastructure investment. For taxpayers, particularly those involved in renewable energy, this measure enhances fiscal predictability and supports long-term planning.

Strategic Recommendation:

Businesses in the hydro-electricity sector should take advantage of the extended 10-year VAT intending trader period by aligning their investment and development timelines accordingly. This change allows for longer VAT recovery on project inputs, improving cash flow and making large-scale energy projects more financially viable. Strategic planning and professional tax guidance will help maximise the benefits of this extended window. The ZRA, however, should ensure that VAT refunds are paid on time for businesses in the hydro-electricity sector to actualize this benefit.

Proposed Change: Zero Rate the supply of mains water.

Business Impact:

Under current VAT regulations, the supply of mains water is classified as exempt, meaning suppliers do not charge VAT on sales, and cannot reclaim VAT on related inputs. The proposed change seeks to reclassify mains water as zero-rated. This means suppliers will charge VAT at 0% on water supply, unlike exempt supplies, they will now be able to reclaim input VAT on purchases related to the provision of mains water. This shift improves tax efficiency and enhances the cash flow of water supply operations.

Strategic Recommendation:

Water utility companies should take full advantage of the shift from exempt to zero-rated VAT treatment on mains water. This change allows them to reclaim input VAT on operational and capital expenditures, such as infrastructure, equipment, and maintenance costs, which were previously non-recoverable.

Proposed Change: Zero rate supplies to Government projects funded through loans.

Business Impact:

Under current regulations, supplies made to government projects funded through loans are subject to Value Added Tax (VAT) while supplies made to donor funded projects are zero-rated. The proposed change seeks to zero-rate these supplies, presenting a strategic advantage for suppliers. Under this regime, businesses will not charge VAT on their sales to these projects but will still retain the right to claim input VAT on related purchases. This will help businesses improve cash flow and reduce the effective cost of doing business.

Strategic Recommendation:

Businesses supplying goods and services to government projects funded through loans should proactively position themselves to benefit from the zero-rating of these supplies.

Picture: Lusaka Water Supply and Sanitation Company

Housekeeping Measures

Proposed Change: Amend Regulation 12 of the VAT regulation by inserting the word "taxable" before the word "supplier"

Change from Current Regulations

The proposed amendment to Regulation 12 of the VAT regulation seeks to clarify the scope of suppliers subject to VAT compliance by inserting the word 'taxable' before 'supplier'. Under the current regulation, the term 'supplier' is ambiguous and may inadvertently include non-taxable entities, leading to interpretational challenges and potential misapplication of VAT obligations.

Impact on Businesses

This change will provide clarity for businesses by explicitly limiting the regulation's applicability to taxable suppliers. It will reduce compliance uncertainty and ensure that only entities registered for VAT are subject to the obligations prescribed under Regulation 12. This will also streamline audit and enforcement processes for the Zambia Revenue Authority (ZRA).

Strategic Recommendation

Businesses should review their supplier classifications and ensure that only transactions with taxable suppliers are treated for VAT purposes. Internal training and updates to compliance manuals are recommended to reflect this change and avoid future disputes with ZRA.

Proposed Change: Amend Section 19 of the VAT Act to provide for remission of irrecoverable debt by the Minister responsible for Finance on recommendation by the Commissioner General under specific conditions.

Change from Current Regulations

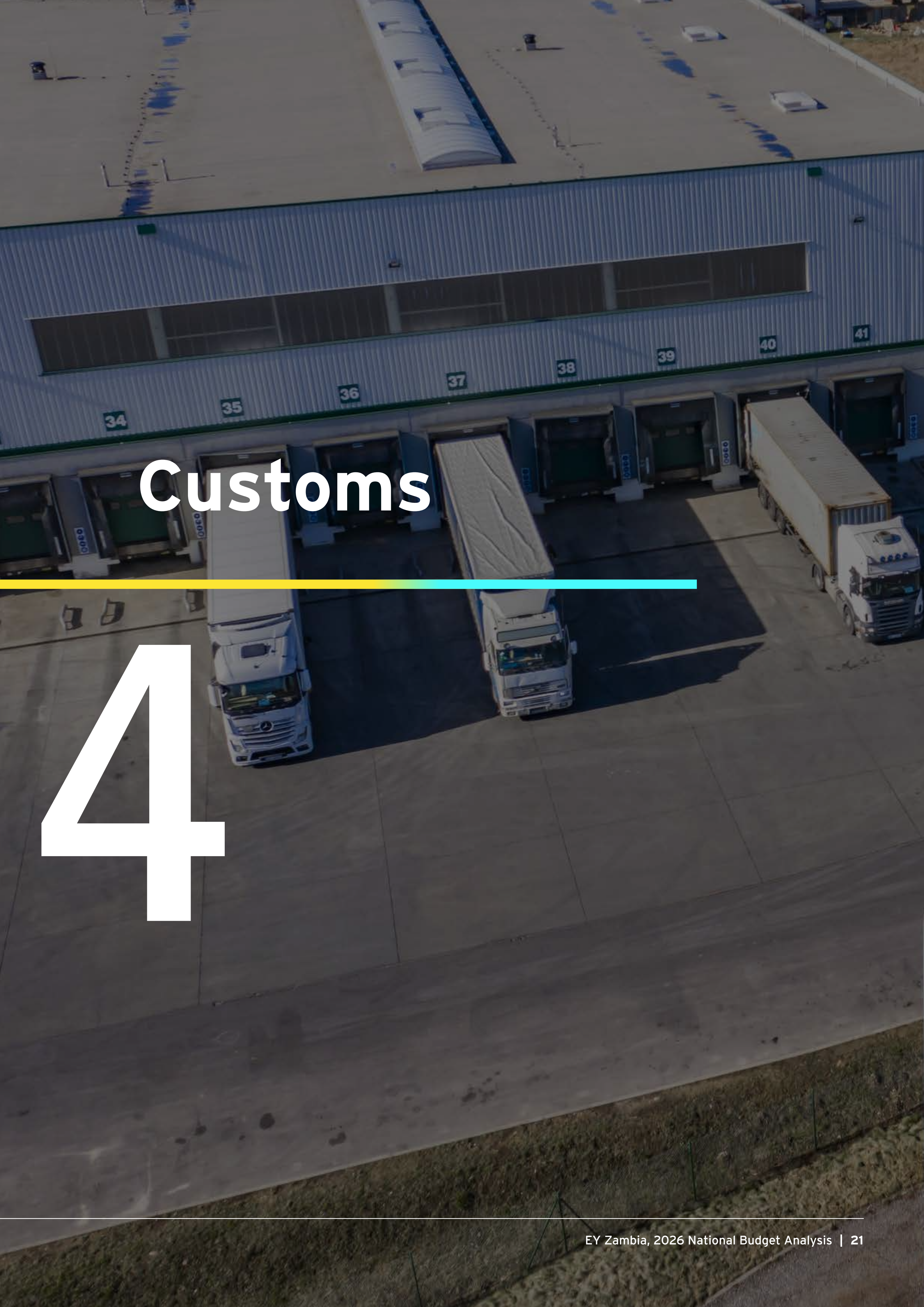
The amendment to Section 19 introduces subsections 1A and 1B, empowering the Minister of Finance to remit principal VAT liabilities deemed irrecoverable, based on recommendations from the Commissioner General. Currently, the VAT Act lacks provisions for remission of principal tax, limiting relief options for taxpayers facing insolvency, death, or prolonged dormancy.

Impact on Businesses

This measure provides a structured mechanism for businesses to seek relief from VAT liabilities that are genuinely unrecoverable. It will reduce the financial burden on insolvent or dormant entities and improve the fairness of the tax system. Additionally, it enhances ZRA's ability to manage uncollectible debts efficiently.

Strategic Recommendation

Businesses facing financial distress should prepare comprehensive documentation to support remission applications, including audited financial statements, insolvency declarations, and correspondence with creditors. Taxpayers should engage proactively with ZRA to understand the qualifying criteria and ensure timely submission of remission requests under the new provisions.



4

Customs

Customs

Customs and Excise Measures

Proposed Change: Remove the 5% Selected Goods Surtax (SGS) on float glass

Business Impact:

The proposed removal of the 5% SGS on float glass is intended to reduce the cost of this essential construction material, which is widely used in infrastructure development including windows, facades, and interior fittings. Under current regulations, the surtax increases the landed cost of float glass, impacting project profitability and pricing competitiveness for developers and contractors. Its removal is expected to lower input costs for construction firms and glass importers, improve operational efficiency for manufacturers using float glass, and stimulate investment in infrastructure and real estate development.

Proposed Change: Remove the 5% SGS on flat-rolled products of iron or non-alloy steel, painted, varnished, or coated with plastics (HS Code 7210.70.00)

Business Impact:

The proposed removal of the 5% SGS on flat-rolled steel products that are painted, varnished, or coated with plastics is intended to reduce input costs and support local manufacturing. These materials are widely used in roofing, fabrication, and industrial applications, and the current surtax has contributed to elevated production costs and limited competitiveness in regional markets. Eliminating the surtax is expected to improve margins for manufacturers and fabricators, and encourage expansion in the metal fabrication sector, in alignment with Zambia's industrialization agenda and efforts to promote local value addition.
Proposed Change: Remove Customs duty on complete knock down (CKD) components for the assembly of motor vehicles, including tipper trucks, electric vehicles, tricycles, truck trailers, and tractors.

Business Impact:

The proposed removal of customs duty on CKD components for the assembly of motor vehicles including tipper trucks, electric vehicles (EVs), tricycles, truck trailers, and tractors is intended to foster growth in Zambia's automotive industry by reducing the cost of local assembly. Under current regulations, CKD components attract customs duty, which has discouraged investment in domestic vehicle manufacturing. Eliminating this duty is expected to make local assembly more commercially viable, stimulate investment in assembly plants, create employment opportunities, and facilitate technology transfer, thereby supporting Zambia's industrial development strategy and positioning the country as a competitive regional hub for automotive production.
Proposed Change: Remove the 15% Customs duty on milk pasteurization machinery (HS Code 8419.19.00)

Business Impact:

The proposed removal of the 15% customs duty on milk pasteurisation machinery is aimed at reducing capital costs for dairy processors and encouraging investment in modern equipment. Under current regulations, this machinery attracts a 15% duty, which increases the cost of establishing or upgrading processing facilities. Eliminating this duty is expected to enable expansion and modernisation within the dairy sector, leading to increased production capacity, improved product quality, and enhanced competitiveness. The measure supports dairy sector value addition and aligns with Zambia's broader food security and nutrition objectives.

Proposed Change: Reduce Excise duty to 15% from 30% on new Hybrid Motor Vehicles of HS Heading 8703 Business Impact:

The proposed reduction of excise duty on new hybrid vehicles from 30% to 15% is a significant policy shift aimed at promoting environmentally sustainable transport. The current rate has been a barrier to the adoption of hybrid technology, which offers lower emissions and improved fuel efficiency. Lowering the duty is expected to reduce import costs for automotive dealers and fleet operators, thereby increasing demand and encouraging businesses to transition to greener fleets. This measure aligns with Zambia's climate change mitigation strategy and may attract green investment and innovation within the transport sector, while supporting broader ESG objectives.

Proposed Change: Introduce Specific Duties on second hand Hybrid Motor Vehicles in order to align the treatment with the second-hand petroleum propelled vehicles.

Business Impact:

The introduction of specific duties on second-hand hybrid motor vehicles aims to standardise their treatment with second-hand petroleum-powered vehicles, creating a uniform taxation framework. This measure seeks to make environmentally friendly hybrid vehicles more affordable by replacing the current ad valorem (Import taxes based on value of goods) duty rates. For businesses in the automotive sector, this change could enhance the competitiveness of second-hand hybrid vehicles, potentially boosting sales as consumers find them more accessible. This initiative may ultimately promote the adoption of hybrid vehicles, supporting environmental sustainability while benefiting the automotive market.

Further guidance on specific duties to be provided by ZRA.

Proposed Change: Introduce Customs Duty at the rate of 25 percent on the importation of selected steel products under HS Codes: 7213, 7214, 7215, and 7228.

Business Impact:

The introduction of a 25 percent customs duty on the importation of selected steel products under HS Codes 7213, 7214, 7215, and 7228 aims to support and strengthen local manufacturers. This measure is designed to enhance production capabilities and promote local value addition within the steel industry. For businesses in the steel sector, this customs duty could lead to increased protection from foreign competitors, allowing local manufacturers to compete more effectively. As a result, companies may experience improved production levels and profitability, fostering growth in the local market. This initiative is expected to encourage investment in domestic manufacturing, ultimately contributing to the overall development of the steel industry.

Proposed Change: Increase the Customs Duty rate to 40 percent from 25 percent on processed meat products of bovine, sheep, goats, horses, mules, and edible offal of bovine and other animals, pig and poultry fat, meat and edible meat offal, salted, dried, or smoked, and flours, meals and pellets of meat or meat offal.

Business Impact:

The increase of the customs duty rate from 25 percent to 40 percent on processed meat products, including those from bovine, sheep, goats, horses, mules, and various edible offals, aims to harmonise the customs duty rate across all meat products. This measure is intended to promote domestic producers and enhance local value addition within the meat industry. For businesses in the processed meat sector, this increased customs duty could provide greater protection against foreign competition, enabling local producers to strengthen their market position. As a result, companies may benefit from improved sales and profitability, fostering growth in domestic production. This initiative is expected to encourage investment in local meat processing, ultimately contributing to the development of the industry.

Proposed Change: Increase and harmonise the Customs Duty rate on float glass to 25 percent from 5 percent and 15 percent.

Business Impact:

The increase and harmonisation of the customs duty rate on float glass to 25 percent, up from the previous rates of 5 percent and 15 percent, aims to create a uniform taxation framework for this product. For businesses in the float glass sector, this change could provide enhanced protection against foreign competition, allowing local manufacturers to compete more effectively. As a result, companies may experience improved market conditions and profitability, fostering growth in domestic production and encouraging investment in the industry.

Proposed Change: Increase Customs Duty on powdered milk of heading 04.02 imported for further processing from 15 percent to 25 percent and harmonise Selected Goods Surtax on imported milk and cream.

Business Impact:

This change aims to promote local value addition and reduce dependency on imported dairy products. For businesses in the dairy sector, this change could enhance protection for local producers, encouraging them to increase production and investment. Consequently, businesses may experience enhanced market conditions and increased profitability, which can stimulate growth within the local dairy sector.

Proposed Change: Increase Customs Duty on powdered milk imported for resale to 40 percent from 25 percent.
Business Impact: This measure is designed to discourage dependency on imported dairy products and foster a more competitive environment for local producers. It is also aligned with the longstanding push to increase local value addition in the dairy industry and promote the use of fresh milk produced locally rather than reconstituted milk. Under the previous duty structure, the lower rate made imported powdered milk more affordable and attractive to retailers, often at the expense of domestic manufacturers. Powdered milk is mainly used in food processing such as chocolate and ice cream, and in urban household consumption, and is also imported by supermarkets to meet demand for beverages like tea and coffee. The revised rate imposes a higher cost barrier, thereby reducing the appeal of imports and encouraging investment in Zambia's dairy sector.

Consequently, businesses engaged in importing powdered milk will face increased operational costs, potentially leading to higher consumer prices and tighter profit margins. Conversely, local dairy producers are likely to benefit from reduced competition, which could stimulate growth, promote value addition, and create employment opportunities.

Proposed Change: Increase Customs Duty on Cheese of heading 04.06 to 40 percent from 25 percent.
Business Impact: This change raises the cost of imported cheese, making it less competitive and encouraging a shift towards locally produced alternatives. Businesses that depend on imported cheese such as retailers, restaurants, and food processors may experience financial strain. Meanwhile, local producers of cheese stand to benefit from reduced competition from imported goods, sectoral expansion, attract new investments, and enhance employment prospects within Zambia's dairy industry.

Proposed Change: Increase Customs Duty on yoghurt of heading 04.03 and long-life milk of heading 04.01 to 40 percent from 25 percent.

Business Impact:

The increase in customs duty from 25% to 40% on imported yoghurt (heading 04.03) and long-life milk (heading 04.01) is expected to raise the cost of these products, thereby discouraging reliance on imports. This change will likely affect import-dependent sectors such as retail, food distribution, and hospitality, which may experience higher procurement costs unless they adjust sourcing strategies. Businesses are encouraged to pivot towards locally produced dairy alternatives to mitigate cost pressures and align with government policy. The amendment supports national goals of enhancing local value addition in the dairy sector, further reinforced by the 2% local content allowance for income earned from processing Zambian-sourced milk. This presents growth opportunities for domestic dairy producers and processors, potentially driving investment, expansion, and job creation within the local dairy value chain.

Proposed Change: Increase the Excise Duty on Single-Use Plastics to 100 percent from 30 percent.

Business Impact:

By raising the cost of producing and importing disposable plastic items, this measure aims to discourage their use and promote alternatives such as reusable bags, biodegradable packaging and paper-based products. Enterprises involved in the manufacture, importation, or use of single-use plastics, particularly within the retail, packaging, and food service sectors are expected to face increased operational costs and may need to reconsider their material choices, with these financial pressures likely to be reflected in higher prices for consumers. While this may require upfront investment, it also presents an opportunity to innovate, align with global sustainability trends and enhance brand reputation through environmentally responsible practices.

In response to the increased Excise Duty on single-use plastics, businesses should prioritise transitioning to sustainable packaging solutions. This may involve investing in research and development of biodegradable or reusable alternatives or collaborating with local producers of eco-friendly materials. Companies should also consider launching awareness campaigns to educate consumers on their sustainability initiatives, which can enhance brand reputation and customer loyalty. Early adaptation will not only mitigate cost pressures but also position businesses favourably for future regulatory changes and potential green incentives.

Proposed Change: Introduce, increase, and harmonise the Selected Goods Surtax on selected locally available goods as follows:

S/No	Goods Description	HS Code	Current Rate (%)	Proposed Rate (%)
1.	Selected steel products	7213, 7214, 7215, and 7228	5 & 10	20
2.	Flexible PVC hoses	39.17	N/A	20
3.	Carbon Dioxide	2811.2110 and 2811.2190	N/A	10
4.	Polyester Fibre	5503.20.00	N/A	10
5.	Mechanically deboned meat	0201,0202,0203 and 0204	10	20

Business Impact:

For steel products under HS Codes 7213, 7214, 7215, and 7228, the surtax is raised from 5 and 10 percent to a uniform 20 percent, while new rates of 10 and 20 percent are applied to the other listed items. These adjustments aim to establish a consistent tax structure and encourage the use of locally produced alternatives. Importing these goods is likely to drive up operational expenses, potentially leading to increased retail prices and reduced narrower profitability. Affected sectors such as construction, manufacturing, and food processing may need to reassess procurement approaches. Nonetheless, the measure is anticipated to create a more favorable environment for domestic industries by limiting external competition.

Housekeeping Measures

Proposed Change: Clarify that machinery and equipment required in mining and exploration are Customs Duty exempt.

Business impact:

This measure clarifies that machinery and equipment used in mining, geothermal, oil, and gas exploration are exempt from Customs Duty, providing certainty for businesses in these sectors and reducing the risk of disputes or delays at the border.

Strategic recommendation:

Businesses in these sectors should ensure their import documentation clearly specifies the intended use to benefit from the exemption.

Proposed Change: Provide for Customs conversion of foreign-currency amounts at the daily spot exchange rate published by the Bank of Zambia.

Business impact:

By requiring customs foreign-currency conversions to use the Bank of Zambia's daily spot exchange rate (instead of a bi-weekly median), this measure ensures that customs valuations reflect real-time market rates, reducing discrepancies and making the process more transparent and predictable for importers and exporters.

Strategic recommendation:

Importers and exporters should monitor daily rates and adjust their pricing and documentation accordingly to avoid unexpected valuation differences.

Proposed Change: Provide for a 30-day period within which an assessment of Domestic Excise Duty can be objected or subjected to review by the Commissioner-General.

Business impact:

Introducing a statutory 30-day period for taxpayers to object or request a review of Domestic Excise Duty assessments gives businesses a clear and fair window to challenge assessments, improving predictability and aligning with best practices in tax administration. Strategic recommendation: Taxpayers should promptly review assessments and lodge objections within the stipulated period to safeguard their rights.

Proposed Change: Reduce the number of days to 3 from 5 within which a payment has to be made after assessment under Regulation 31 of the Customs and Excise (General) Regulations, 2000.

Business impact:

Reducing the payment window after assessment from 5 days to 3 days accelerates government revenue collection and aligns regulatory timelines but also requires businesses to act more quickly to avoid penalties, necessitating efficient internal processes. Additionally, this shortened timeframe can create cashflow challenges for businesses, especially those with limited liquidity or longer receivable cycles. The need to mobilize funds more rapidly may strain capital, forcing companies to reprioritize payments or seek short-term financing to meet obligations within the tighter window.

Strategic recommendation:

Businesses should streamline internal processes to ensure timely payments and avoid late fees.

Proposed change: Provide for special disposal of goods that may be considered to be perishable or dangerous in nature by the Commissioner General.

Business impact:

Allowing the Commissioner General to order special disposal of perishable or dangerous goods helps prevent wastage and mitigates risks associated with storing such items during forfeiture or appeals, protecting both public safety and business interests. Strategic recommendation: Importers should be aware of these provisions and act quickly to resolve disputes involving such goods.

Proposed change: Provide clear procedural guidance for effecting the arrest of individuals suspected of committing offences under the Customs and Excise Act.

Business impact:

Providing clear procedures for arresting individuals suspected of offences under the Customs and Excise Act enhances legal certainty and transparency, reducing the risk of procedural errors and ensuring fair enforcement.

Strategic recommendation:

Businesses should educate their staff on these procedures to ensure compliance and protect their rights.

Proposed change: Empower the Commissioner General to restrict disposal of taxpayers' property and bank accounts.

Business impact:

Empowering the Commissioner General to issue "Restraining Notices" to restrict disposal of property and bank accounts strengthens enforcement and revenue protection, enabling swift action against non-compliant taxpayers and safeguarding government interests.

Strategic recommendation:

Taxpayers should maintain compliance to avoid asset freezes and related disruptions. Further, it is important for company staff to be educated on the implications of these notices and ensure early engagement with ZRA if under investigation to resolve issues before enforcement escalates.

Proposed change: Empower the Commissioner General to suspend or withhold any tax refunds due to a taxpayer who is under investigation for a suspected offence under any Tax Act.

Business impact:

Allowing the Commissioner General to suspend or withhold tax refunds for taxpayers under investigation prevents dissipation of funds that may be subject to recovery, protecting government revenue and encouraging compliance.

Strategic recommendation:

Taxpayers under investigation should engage proactively with authorities to resolve issues and expedite refund processing

Proposed change: Permit the Zambia Revenue Authority to submit records of unresolved tax liabilities to the Credit Reference Bureau

Business impact:

Permitting the Zambia Revenue Authority to share records of unresolved tax debts with credit bureaus means that non-compliance can negatively affect a taxpayer's credit rating and access to finance, incentivizing timely settlement of tax liabilities.

Strategic recommendation:

Businesses should prioritize settling outstanding tax liabilities to protect their credit standing

Proposed change: Allow use of the Mineral Valuation Certificate issued under the Minerals Regulation Commission Act, 2024 as an alternative basis for determining the Free-On-Board (FOB) value of exported minerals.

Business impact:

Allowing the use of the Mineral Valuation Certificate as an alternative basis for determining the Free-On-Board (FOB) value of exported minerals harmonizes customs valuation with the Minerals Regulation framework, reducing disputes and streamlining export processes. Strategic recommendation: Exporters should ensure they obtain the Mineral Valuation Certificate well in advance of export activities. In addition, exporters should update internal systems and documentation to reflect the valuation methodology prescribed by the Minerals Regulation Commission. It is important to establish clear communication channels with both the ZRA and the Minerals Regulation Commission (MRC) to resolve any discrepancies between mineral valuation and customs assessments.

Proposed change: Require valid Tax Clearance Certificate for all Customs Incentives

Business impact:

Requiring a valid Tax Clearance Certificate to access Customs and Excise incentives ensures that only compliant taxpayers benefit from duty reliefs and rebates, promoting a culture of compliance.

Strategic recommendation:

Taxpayers should maintain up-to-date compliance to access incentives without delays.

Proposed change: Harmonise pre-clearance requirements with regard to time limit.
Business impact: Aligning legal provisions for pre-clearance standardizes the time limits across different customs procedures, removing inconsistencies that previously caused confusion for importers.

Strategic recommendation:

Importers should review updated timelines and adjust their logistics planning accordingly

Proposed change: Include Saturdays, Sundays and public holidays when counting calendar days with regard to assessment notices.

Business impact:

Including Saturdays, Sundays, and public holidays in the calculation of days for assessment notices and duty payments shortens the effective time available for compliance, requiring businesses to act more quickly to meet deadlines.

Strategic recommendation:

Businesses should monitor deadlines closely and avoid last-minute actions.

Proposed change: Remove the exclusion of Saturdays, Sundays and public holidays in the counting of 3 days in which additional Duty should be paid after issuance of assessment notice.

Business impact:

It shortens the time businesses have to pay additional duty after an assessment notice, since weekends and public holidays now count toward the 3-day deadline. This means payments must be made more quickly to avoid penalties.

Strategic recommendation:

Businesses should set up internal reminders and payment processes to ensure duty payments are made within the new, shorter 3-day deadline including weekends and holidays to avoid late penalties.

Proposed change: Explicitly provide for non-collection of fees on the issuance of an electronic Certificate of Origin.

Business impact:

Exempting electronic Certificates of Origin from payment of the prescribed fee reduces costs for exporters and importers using electronic documentation, encouraging digital adoption and streamlining trade.

Strategic recommendation:

Businesses should leverage electronic processes to minimize costs and streamline trade documentation

Proposed change: Provide for the annual renewal of the red book issued for motor vehicles imported under these provisions.

Business impact:

Requiring annual renewal of the red book for vehicles imported under rebate provisions improves compliance and monitoring, ensuring that only eligible vehicles continue to benefit from duty rebates.

Strategic recommendation:

Vehicle owners should track renewal dates to avoid penalties or loss of rebate status

Proposed change: Explicitly require Ad valorem assessment on new motor vehicles when finally cleared for home consumption after temporary importation; and introduce a five-year restriction on re-importation of the same vehicle under temporary admission.

Business impact:

Mandating ad valorem assessment for new vehicles cleared for home use after temporary importation and introducing a five-year restriction on re-importation prevents abuse of temporary import provisions and ensures fair duty application.

Strategic recommendation:

Importers should plan vehicle imports and clearances in line with the new rules

Proposed change: Provide for a break of not more than six (6) months in the four-year period under the Returning Resident tax incentive in instances where a Zambian citizen comes back to Zambia for a holiday or for any purpose.

Business impact:

Allowing a break of up to six months in the four-year period for returning residents to retain eligibility for duty rebate provides flexibility for Zambians abroad, making the incentive more accessible and practical.

Strategic recommendation:

Returning residents should document their travel and ensure compliance with the new allowance

Proposed change: Provide a definition of used high-performance Motor Bikes.

Business impact:

Defining "used high performance motorcycle" for duty purposes ensures that luxury motorcycles are taxed appropriately, preventing revenue loss and ensuring fairness in duty application.

Strategic recommendation:

Importers should classify motorcycles accurately to avoid disputes

Proposed change: Provide for the inclusion of government fees due on any imported goods that are carried by the customs carrier to be secured by a bond/ guarantee.

Business impact:

Requiring government fees on imported or warehoused goods to be secured by a bond or guarantee protects government revenue and strengthens compliance, reducing the risk of non-payment.

Strategic recommendation:

Importers and warehouse operators should arrange appropriate bonds or guarantees to facilitate smooth customs clearance

Proposed change: Provide for the inclusion of government fees due on any imported goods that are subsequently warehoused in the bonded warehouse to be secured by a bond/guarantee.

Business impact:

The business impact is that importers and warehouse operators will now be required to secure government fees on warehoused goods with a bond or guarantee. This protects government revenue by reducing the risk of non-payment, but it may increase compliance costs and administrative steps for businesses handling bonded goods.

Strategic recommendation:

Businesses should ensure they have the required bonds or guarantees in place for all warehoused goods and review their cash flow and compliance processes to accommodate this additional requirement. This will help avoid customs clearance delays and ensure uninterrupted operations.

5

Mobile Money Transaction Levy Act

Mobile Money Transaction Levy Act

Proposed Change: Amend Section 5(1) of the Mobile Money Levy Act to adjust mobile money levy rates across various transaction bands.

Explanation of the Change Against Current Regulations

The proposed change increases the levy across all transaction bands to enhance domestic revenue mobilization. This adjustment reflects the growing volume and value of mobile money transactions in Zambia and aims to align levy rates with fiscal needs.

Impact on Businesses

The increased levy rates will raise transaction costs for users, which may affect the volume of mobile money usage. Mobile money operators may experience shifts in customer behavior, particularly among low-income users. Businesses that rely on mobile money platforms for payments may need to reassess their pricing and transaction strategies to accommodate the higher costs.

Strategic recommendation.

The upward revision of Mobile Money Levy rates reflects a deliberate fiscal policy aimed at strengthening domestic revenue mobilization through digital financial platforms. In light of this, it is essential that the ZRA undertakes proactive sensitization of mobile money users. Timely communication of the revised levy structure will enable users, particularly those engaging in high-frequency or high-value transactions, to plan their financial activities effectively and avoid unexpected costs.

Table 1: Proposed Mobile Money Levy Rate

Amount Range (ZMW)	Current Levy (ZMW)	Proposed Levy (ZMW)	Increase (ZMW)	% Increase
K1 to K150	0.16	0.32	0.16	100%
Above K150 to K300	0.2	0.4	0.2	100%
Above K300 to K500	0.4	0.8	0.4	100%
Above K500 to K1,000	1	2	1	100%
Above K1,000 to K3,000	1.6	4	2.4	150%
Above K3,000 to K5,000	2	7.5	5.5	275%
Above K5,000 to K10,000	3	8	5	169%

Housekeeping Measures

Proposed change: Clarification of Person-to-Person Transfer Definition

Currently, a "Person-to-person transfer" is defined as a transfer of electronic money from one person to another person. The definition excludes the transfer where the initiator of the transaction is both the sender and the recipient of the electronic money.

New definition: a "Person-to-person transfer" means a transfer of electronic money from one person to another person and include transfers to and from the same person, where the initiator of the transaction is both the sender and the recipient of the electronic money.

Explanation of the Change Against Current Regulations

Under the current Mobile Money Transaction Levy Act, the definition of "Person-to-Person transfer" is limited to transactions involving the transfer of electronic money from one person to another. This narrow interpretation excludes scenarios where the sender and recipient are the same individual, thereby creating a loophole in the application of the levy. The proposed change seeks to broaden the definition to include transfers where the initiator is both the sender and recipient, ensuring that all electronic money transfers under the Mobile Money Transaction Levy framework are levied accordingly.

Impact on Businesses

The clarification will have a direct impact on mobile money operators and businesses that facilitate electronic money transfers. By expanding the scope of taxable transactions, businesses will need to update their systems to correctly identify and apply the levy to self-transfers. This may require enhancements to transaction monitoring and reporting mechanisms to ensure compliance. Additionally, businesses may face increased administrative obligations to educate customers and adjust internal controls to reflect the new definition.

Further, the revised levy structure, especially when applied to self-transfers may disproportionately affect low-income users and micro-entrepreneurs who rely on frequent, small value transactions. The cumulative cost of multiple levies could lead some users to reduce usage of the Mobile Money platforms and revert to cash-based transactions or seek informal alternatives.

Strategic Recommendation

It is recommended that mobile money operators and financial service providers conduct a comprehensive review of their transaction classification systems to ensure alignment with the revised definition. System upgrades should be prioritized to automate levy application on all qualifying transfers, including self-directed transactions. Furthermore, businesses should engage with the ZRA to seek guidance on implementation timelines and compliance expectations. Proactive communication with customers regarding the change will also be essential to mitigate confusion and

Cross-Cutting Housekeeping Measures

Proposed Change: Extend Energy Priority Sector Incentives to Transmission and Distribution of Electricity

Explanation of the change against current regulations

The proposed amendment seeks to extend the customs duty relief currently available under the energy priority sector to include transmission and distribution of electricity. Presently, Statutory Instrument No. 47 of 2023 limits such relief to electricity generation projects only. This change broadens the scope of the incentive framework to cover the entire electricity value chain.

Impact on businesses

This change is expected to significantly reduce the capital expenditure burden for businesses engaged in electricity transmission and distribution. By enabling access to customs duty relief on critical infrastructure, the measure will enhance the financial viability of grid expansion projects and attract private sector investment. It will also improve the bankability of transmission and distribution projects under public-private partnerships, thereby accelerating electrification and improving energy access across Zambia.

Strategic recommendation

Businesses operating or planning to invest in the energy sector should reassess their capital investment strategies to incorporate transmission and distribution infrastructure under the revised incentive framework. Taxpayers are encouraged to engage with the Zambia Development Agency (ZDA) to ensure proper classification under the priority sector and to secure the necessary approvals for customs duty exemptions.

"Energy priority sector incentives will be extended to electricity transmission and distribution, reducing capital costs and accelerating grid expansion."

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