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LEGAL ALERT: KEY CHANGES TO TAX LEGISLATION 2025

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LEGAL ALERT: KEY CHANGES TO TAX LEGISLATION 2025

1. Introduction

1.1. Zambia's tax system has undergone reform following the legislative changes introduced through the 2024 Budget Address, delivered on 29 September 2024 by the Minister of Finance and National Planning. These reforms, effective from 1 January 2025, aim to modernise Zambia's fiscal framework, ensuring alignment with contemporary economic and technological developments while addressing key policy objectives, including climate action and digitalisation.

1.2. The amendments were implemented through several key legislative Acts, including:

(a) The Income Tax (Amendment) Act No. 22 of 2024;

(b) The Value Added Tax (Amendment) Act No. 23 of 2024;

(c) The Customs and Excise (Amendment) Act No. 24 of 2024;

(d) The Mobile Money Transaction Levy Act No. 25 of 2024;

(e) The Zambia Revenue Authority (Amendment) Act No. 26 of 2024;

(f) The Property Transfer Tax (Amendment) Act No 27 of 2024; and

(g) The Insurance Premium Levy (Amendment) Act No 28 of 2024.

1.3. This legal alert examines the core provisions within these amendment Acts and their implications for stakeholders, both within Zambia and internationally.

2. The Zambia Revenue Authority Act

2.1. The Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia, has been amended to enhance the immunity provisions. Under the previous framework, immunity from legal action was limited to the members of the Zambia Revenue Authority ("**ZRA**") Governing Board and its committees. This provision shielded board members from legal liability for actions undertaken in good faith while carrying out their official duties. While this was seen as a safeguard to encourage responsible decision-making, it did not extend this protection to personnel within the ZRA.

2.2. The 2025 amendment broadens this protection by explicitly extending immunity to ZRA staff. Now, immunity under the Act applies not only to the ZRA Governing Board members and committee members but also to ZRA staff members. This immunity covers actions or omissions carried out in good faith during the exercise of their powers or performance of their duties under the Act.

2.3. By extending immunity provisions to include staff members, the changes support a more robust governance structure and enhance the ZRA's capacity to perform its mandate effectively.

3. The Property Transfer Tax Act

3.1. The Property Transfer Tax Act Chapter 340 of the Laws of Zambia has been updated with amendments effective from 1 January 2025. These changes aim to address gaps in the legislation, refine definitions, and enhance clarity in the property taxation framework. Below are the key amendments and their implications.

3.2. Rate of Property Transfer Tax

3.2.1. The Property Transfer Tax ("**PTT**") rates applicable to various property transfers have been revised. Previously, the PTT rate was 5% for the transfer of land, shares, intellectual property, and mineral processing licenses, and 10% for the transfer of mining rights associated with mining and exploration licenses. Under the new legislation, the PTT rate for transferring land, shares, intellectual property, and mining rights for exploration licenses has been increased to 8%, while the rate for transferring mining rights under mining licenses and mineral processing licenses remains at 10%.

3.3. Tax Clearance Certificate

3.3.1. The Act has introduced a requirement for a general Tax Clearance Certificate from the seller and purchaser of property to process PTT applications. The aim of this amendment is to enhance tax compliance.

3.4. Intellectual Property

3.4.1. The definition of "*intellectual property*" has been refined. Previously, the term was broadly categorised to include patents, trademarks, copyrights, and industrial designs. The updated definition specifies that intellectual property encompasses patents under the Patents Act, 2016, industrial designs registered under the Industrial Designs Act, 2016, trademarks regulated by the Trade Marks Act, 2023, and copyrights governed by the Copyright and Performance Rights Act, Chapter 406 of the Laws of Zmabia.

3.4.2. This change ensures that the definition of intellectual property is comprehensive and reflects the latest legislative developments in intellectual property law.

3.5. Foreclosed Property

3.5.1. Taxation of foreclosed properties has also been revised. Previously, this provision applied exclusively to financial service providers, such as banks, requiring the realised value, being the actual price received at sale, to serve as the basis for calculating Property Transfer Tax. The amendment expands this provision to include building societies and money-lenders, with definitions for these entities aligned to their respective Acts.

3.5.2. By including these entities, the law ensures that all financial institutions involved in foreclosure-related property transactions are uniformly taxed.

4. The Income Tax Act

4.1. Losses

4.1.1. The Act has been amended to revise the rules governing the deduction of losses incurred by taxpayers. These changes, effective 1 January 2025, simplify and unify the treatment of losses across all income sources, including mining operations.

4.1.2. Previously, the treatment of losses depended on the source of income. Losses from non-mining operations could be fully deducted from income earned from the same source in the same charge year, while losses from mining operations could only be deducted from 50% of income derived from the mining operation.

4.1.3. The amendment eliminates the distinction between mining and non-mining income sources. Now, losses from any source can only be deducted from 50% of the income derived from the same source in the same charge year.

4.1.4. With respect to the carryforward rules, previously the Act allowed for the carryforward of excess losses, but the deduction limit differed; for non-mining losses, excess losses could be fully deducted from income in subsequent years, while for mining losses, excess losses could only be deducted from 50% of income in subsequent years.

4.1.5. The amendment unifies the carryforward rules. Now, excess losses, regardless of the source, may only be deducted from 50% of the income from the same source in subsequent charge years.

4.1.6. The key implications of the amendments are that the removal of separate rules for mining and non-mining losses creates a uniform framework for all taxpayers, streamlining compliance requirements. Mining companies, which previously operated under a more restrictive loss deduction regime, now face the same rules as other sectors. However, the restriction to 50% of income limits the speed at which losses can be offset. The 50% cap on loss deductions across all sectors require taxpayers to adjust their tax planning strategies, particularly for businesses with cyclical or high-loss operations.

4.2. Deduction of the Skills Development Levy in Advance of Payment

4.3. The Act has altered the criteria for deducting levies under the Skills Development Levy Act, 2016. Previously, the provision stipulated that a deduction was permissible only if the levy was both "*payable and paid*" within the charge year, necessitating actual payment for the deduction to be claimed. The revised wording changes this to "*payable or paid*," allowing businesses to claim a deduction if the levy is either due or has been paid within the charge year.

4.3.1. This modification offers greater flexibility in tax planning, enabling businesses to deduct levies that are due but not yet paid by year end. Consequently, companies can better align their tax deductions with their financial planning and obligations under the Skills Development Levy Act, 2016.

4.4. Advance Income Tax on Remittances and Exports

4.4.1. Prior to the recent amendment, the Act imposed an advance income tax ("**AIT**") on individuals or partnerships importing goods for commercial purposes without proof of tax compliance. This AIT was payable at the port of entry, at the rate of 15% of the value for duty purposes, of the goods. However, the provision explicitly excluded goods imported for personal use, ensuring that only commercial imports were subjected to this tax. To facilitate tax compliance, taxpayers who paid AIT on imported goods were required to submit receipts issued at the point of payment alongside their annual returns. This arrangement ensured that import-related income was accounted for within the taxpayer's annual tax obligations.

4.4.2. The scope on the framework of AIT has been expanded. While AIT continues to apply to commercial imports, the amendment introduces two additional categories of transactions now subject to AIT:

(a) **Exports of Goods for Commercial Purposes at the Port of Entry** - The amended provision now mandates that exporters who lack a valid tax clearance certificate must pay AIT at the point of export. This change is aimed at closing gaps in tax compliance, particularly in the export sector, which was previously not subject to AIT.

(b) **Remittances Exceeding USD 2,000 (or Kwacha Equivalent) Through Commercial Banks** - Individuals or partnerships remitting

amounts above this threshold through commercial banks must also pay AIT if they lack a valid tax clearance certificate. This new requirement addresses potential revenue losses from large financial outflows and aligns with efforts to combat undeclared income and illicit financial flows..

4.5. Corporate Income Tax

4.5.1. The recent amendment to the Act raised the maximum corporate income tax rate from 15% to 20% on income earned by companies engaged in the manufacture of products from copper cathodes and the export of non-traditional products. However, when the Commissioner General of the ZRA determines that the income originates from the export of non-traditional products derived from farming or agro-processing, the maximum tax rate applicable to such income is limited to 10%.

4.6. Approved Fund Contributions

4.6.1. Previously, employers were allowed a deduction for contributions made to an "*approved fund*" during the charge year. However, the definition of "*approved fund*" was broader, encompassing various types of funds. The recent amendments simplify the provisions by removing the detailed reference to specific fund categories. Now, the deduction applies to any amount paid by an employer to an approved fund during the charge year, as long as the fund continues to be "approved" for that year. Additionally, the amendment clarifies the definition of an "*approved f*und" to mean a pension scheme that is registered under the Pension Scheme Regulation Act. This change focuses the scope of deductions on pension schemes registered under specific regulatory frameworks, providing clearer guidance for employers.

4.7. Expanded Income Exemption for Approved Collective Investment Schemes and Private Funds

4.7.1. Previously, the Act provided an exemption from tax for income derived from an approved collective investment scheme, but only to the extent that the income was distributed to participants in the scheme. The amendment extends this exemption to include not only approved collective investment schemes but also private funds.

4.7.2. The updated provision now provides that income from an approved collective investment scheme and private fund is exempt from tax to the extent that it is distributed to participants in these respective investment vehicles. The inclusion of private funds in the tax-exempt category is significant, as it opens up favourable tax treatment for investments in private funds, which are authorised by the Securities and Exchange Commission under the Securities Act, 2016.

4.8. Tax Rates for Turnover from Letting of Property

4.8.1. The amendment to the Act introduces changes to the tax rates applicable to turnover received by a person or partnership from the letting of property. Previously, the Act prescribed a simpler structure for turnover from property letting, but the new amendment introduces additional brackets to better capture turnover across different ranges.

(a) The turnover from property letting that did not exceed ZMW 12,000 per annum was exempt from tax (0% rate). The tax rate remains zero percent per annum on turnover not exceeding ZMW 12,000. This retains the existing benefit for smaller property letting businesses, ensuring that low-turnover individuals and partnerships continue to be exempt from tax.

(b) The amendment introduces a four percent (4%) tax rate on turnover that falls between ZMW 12,000 and ZMW 800,000 per annum. This new tax bracket introduces a more progressive structure for businesses with moderate turnover from property letting.

(c) Another new addition is that, for turnover exceeding ZMW 800,000, the tax rate is set at sixteen percent (16%) per annum. This increase aims to target larger property letting businesses that generate higher income, ensuring that the tax structure captures more substantial turnovers more effectively.

4.9. Presumptive Taxations for Gig Economy, Artisanal Mining, and Public Service Vehicle Operations

4.9.1. The recent amendments introduce changes to the presumptive tax regime, particularly impacting small businesses and individuals operating within specific sectors. The key change involves the increase in the annual turnover threshold for presumptive taxation from eight hundred thousand Kwacha (ZMW800,000) to five million Kwacha (ZMW5,000,000). This amendment has broad implications for businesses, especially those in the gig economy, small-scale mining, and public service vehicle operations.

4.9.2. Previously, a person conducting any business (other than public service vehicle operations) with an annual turnover of eight hundred thousand Kwacha (ZMW800,000) or less was required to pay tax on turnover. The turnover threshold for businesses subject to presumptive tax has now been raised to five million Kwacha (ZMW5,000,000). This means that businesses with an annual turnover of up to ZMW5,000,000 will now be eligible for the presumptive tax regime rather than being subject to standard income tax reporting requirements.

4.9.3. Previously gig economy workers and holders of small-scale mining licenses with an annual turnover of ZMW800,000 or less were required to pay tax on turnover. The turnover threshold for both gig economy businesses and small-scale mining operations has been increased from ZMW800,000 to ZMW5,000,000. This aligns with the general increase in the turnover limit for presumptive taxation, ensuring that more businesses in these sectors can benefit from the simplified tax reporting process.

4.9.4. The increase in the turnover threshold will result in more small businesses, including those in the gig economy, artisanal mining, and public ser-

vice vehicle operations, being able to qualify for the presumptive tax regime. This is expected to ease the tax compliance burden for businesses that may not have the infrastructure or capacity to deal with more complex tax filings. The amendment also has the potential to increase the tax base by bringing more small businesses into the tax net. As more businesses are included in the presumptive tax regime, the government's ability to generate revenue from informal sectors is strengthened, which may lead to greater overall tax compliance.

4.10. Presumptive Taxations for Motor Vehicles Used for the Carriage of Persons

4.10.1. As part of the revenue generating measures to strengthen domestic resource mobilisation, the Act has been amended to increase the bands for presumptive taxes by 20% for motor vehicles used for the carriage of persons. The updated bands are as follows:

Type of vehicle (sitting capacity)	Amount of tax per vehicle (per annum) - Previous bands	Amount of tax per vehicle (per annum) – Current bands
64 seater and above	ZMW12,960.00	ZMW15,552.00
50 - 63 seater	ZMW10,800.00	ZMW12,960.00
36 - 49 seater	ZMW8,640.00	ZMW10,368.00
22 - 35 seater	ZMW6,480.00	ZMW 7,776.00
18 - 21 seater	ZMW4,320.00	ZMW 5,184.00
12 - 17 seater	ZMW2,160.00	ZMW 2,592.00
Below 12 seater (including taxis)	ZMW1,080.00	ZMW1,296.00

4.11. Waiver for a Penalty Arising from an Understated Return

4.11.1. Another notable amendment to the Act is the introduction of the provision granting the Commissioner-General of the ZRA the authority to waive penalties arising from understated income in tax returns. Under the amended provision, where the Commissioner-General receives a return of income and reasonably believes that the income is understated, resulting in an underpayment of tax by at least one-third, the Commissioner-General is empowered to impose a penalty of 25% of the underpaid tax.

4.11.2. However, the amendment also allows the Commissioner-General discretion to remit, in whole or in part, the imposed penalty. This change enhances the administrative flexibility of the ZRA by enabling the Commissioner-General to consider mitigating circumstances in cases of understated returns, fostering a more equitable tax enforcement framework..

4.12. Remission of Withheld Tax by Agent

4.12.1. To ensure prompt revenue remittance and compliance by tax agents, the Act has introduced a mandatory provision for a person or partnership declared to be an agent to remit withheld tax before the return is due. Agents are required to remit the tax not later than two (2) days before the due date specified for the respective category of tax under the Act. Failure to comply with the foregoing requirement by the agent means the agent shall be liable to pay a penalty of 1% of the amount, in respect of each month or part of the month for which the contravention continues during which that amount or any part is due.

4.13. Introduction of Exemption on Withholding Tax on Royalties

4.13.1. The Act has been amended to revise the provisions related to exemptions from withholding tax on certain payments. The change modifies the conditions under which the Commissioner-General of the ZRA may grant exemptions, enhancing clarity and expanding the scope of eligible payments.

4.13.2. Under the prior framework, the Commissioner-General could, on a case-by-case basis, exempt certain payments from withholding tax obligations, specifically management or consultancy fees from sources within or deemed to be within Zambia, interest and royalties, but limited strictly to interest arising from a property-linked unit of a property loan stock company, rent from sources within Zambia and commissions, other than commissions earned as employment income. Such exemptions were formalised through written notifications, which specified the extent and period for which the exemption applied.

4.13.3. The amendment refines this framework by expanding the scope of exemptions to royalties under the category of interest and royalties, as previously, exemptions were restricted to interest arising from a property-linked unit of a property loan stock company. The new provision now includes royalties in addition to such interest, broadening the categories of eligible payments for exemption.

4.13.4. By including royalties under eligible payments for exemption, the amendment benefits industries such as mining, natural resources, and intellectual property where royalties are prevalent.

4.13.5. This change reduces withholding tax obligations for eligible businesses and aligns with Zambia's strategy to attract investment in critical sectors.

4.14. Special Purpose Vehicles

4.14.1. The recent amendment to the Act regarding the taxation of Special Purpose Vehicles ("**SPVs**") engaged in Public-Private Partnership ("**PPP**") projects introduces a notable change aimed at enhancing clarity and encouraging private sector participation in infrastructure development.

4.14.2. Previously, the Act stipulated that SPVs engaged in PPP projects under the Public-Private Partnership Act, 2009, were subject to a reduced tax rate of 15% on income for the first five years of profitability. This provision was designed to encourage private sector participation in infrastructure development by offering a tax concession during the early, often financially challenging, years of

such project.

4.14.3. The amendment revises this provision to state that the maximum tax rate on income earned by an SPV undertaking a PPP project under the Public-Private Partnership Act, 2023, shall be 15% from the first profitable year, continuing for a period of five years. The five-year period includes the year of the SPV's first year of declaring a profit, followed by the next four consecutive years after notwithstanding any loss made within the five years. This change replaces the earlier wording with a clearer specification of the tax rate and its applicability.

4.14.4. The significance of this amendment is that it explicitly defines the tax rate as a "maximum" of 15%, eliminating any ambiguity regarding potential variations. This ensures that SPVs can anticipate a consistent tax rate during the initial five-year profit period. Also that, by referencing the Public-Private Partnership Act, 2023, the amendment aligns the tax provision with the most recent legislative framework, ensuring coherence between related laws and reflecting current legal standards.

4.14.5. The clear stipulation of a favourable tax rate for a defined period serves as a strong incentive for private entities to engage in PPP projects. This is particularly pertinent in sectors requiring substantial initial investment, as it offers a predictable tax environment conducive to financial planning and risk assessment. By maintaining a reduced tax rate for SPVs in PPPs, the government continues to promote private investment in infrastructure projects. This strategy is essential for addressing infrastructure deficits and fostering economic growth.

4.15. Requirement for Taxpayer identification Number

4.15.1. The Income Tax Act currently requires a taxpayer identification number for the following institutions and the type of transactions the institutions are engaged in:

INSTITUTION	TYPE OF TRANSACTION
Commissioner of lands	Registration of titles
Registrar of motor vehicles	Registration and transfer of motor vehicles
Registration authority	Company, business name or other legal entity
Zambia Electricity Supply Corporation Limited	Payment of deposit for power connection
Bank or financial institution	Account opening and holding
Regulatory bodies	Registration, renewal or issuance of a licence, practicing certificate, permit or similar document

4.15.2. The Act has been amended to expand the institutions and their respective types of transaction to include the following:

INSTITUTION	TYPE OF TRANSACTION
Water utility companies	Account opening and holding
Mobile money operators	Account opening and holding
Mobile network operators and internet service providers	Account opening and holding
National Health Insurance Management Authority	Account opening and holding
National Pensions Scheme Authority	Account opening and holding
Professional bodies subscription and renewal	Membership registration
Local Authorities	Registration of title deed

4.16. Tax Clearance Certificate Requirements

4.16.1. The amendments to the Act have introduced changes to the requirements and procedures for obtaining and using a Tax Clearance Certificate ("**TCC**"). The revised provisions, effective from 1 January 2025, aim to streamline compliance and clarify obligations for various transactions and institutions.

4.16.2. Under the previous framework, the requirement to produce a TCC was broadly applied across various transactions and activities, including registering the transfer of property, registering ownership of a motor vehicle, applications for exploration and mining-related permits, businesses transacting with suppliers of goods and services subject to prescribed thresholds, and professional regulatory bodies before registering or renewing memberships or issuing licenses, except for students and non-business applicants.

4.16.3. While maintaining much of the previous structure, the revised provisions include notable new inclusions that refine the application of TCC requirements. A significant addition is the explicit requirement for government entities to ensure that applicants produce a valid TCC before issuing permits or licenses. This new provision standardises the compliance process across public institutions, enhancing the government's ability to monitor tax obligations.

4.16.4. Further, the Minister now has the authority to prescribe thresholds for goods or services that can be supplied without requiring a TCC. This inclusion introduces flexibility, particularly for small-value transactions, reducing the administrative burden for businesses while maintaining oversight for higher-value dealings.

4.16.5. While the requirement for regulatory bodies to verify TCCs for members remains, the amendment retains exemptions for students and non-business applicants. Additionally, the Minister is empowered to exempt specific categories of members via statutory instrument. This ensures that non-revenue-generating individuals or entities are not unnecessarily burdened by TCC obligations.

4.16.6. The amendment also simplifies the requirement for motor vehicle registration. It specifies that the

registration of ownership, rather than transfer alone, is contingent upon the provision of a TCC. This closes potential loopholes and reinforces compliance in the motor vehicle sector.

4.16.7. These amendments signal the government's strategic focus on broadening tax compliance across multiple sectors while balancing administrative efficiency. By emphasising oversight in government permits, supplier transactions, and regulatory processes, the changes target areas of potential non-compliance and reinforce accountability.

5. The Customs and Excise Act

5.1. Harmonisation of the Customs and Excise Act with the Tax Appeals Tribunal Act

5.1.1. The Act has been amended to update references from the "Revenue Appeals Tribunal" to the "Tax Appeals Tribunal," ensuring consistency with the Tax Appeals Tribunal Act of 2015.

5.1.2. Previously, the Act defined "Tribunal" as the "Revenue Appeals Tribunal" established under the now-repealed Revenue Appeals Tribunal Act. The Tax Appeals Tribunal Act of 2015 replaced the former tribunal with the Tax Appeals Tribunal. To reflect this change, the Act has been amended by deleting references to the "Revenue Appeals Tribunal" and substituting them with "Tax Appeals Tribunal."

5.1.3. These amendments aim to ensure consistency across the Customs and Excise Act and the Tax Appeals Tribunal Act of 2015, reflecting the renaming of the Tribunal and reinforcing clarity in the application of tax laws. By recasting the "Revenue Appeals Tribunal" as the "Tax Appeals Tribunal" throughout the Act, the amendments promote legal coherence and modernise the Customs and Excise Act.

5.1.4. The Act has also been amended to align the appeal period for valuation assessments with the Tax Appeals Tribunal Rules. Previously, the Act did not specify a uniform timeframe for appeals, leading to inconsistencies and potential delays in the resolution of disputes. The amendment now provides that an importer who is dissatisfied with a decision of the Commissioner-General with respect to valuation assessments has thirty days from the date of the decision notice to appeal to the Tax Appeals Tribunal. This change ensures consistency with the Tax Appeals Tribunal Rules, which also allow a 30-day period for appeals.

5.2. Enhancing Seizure Procedures and Appeal Mechanisms

5.2.1. Amendments have been made to the Act, which govern the powers of officers to seize goods. These changes aim to streamline the seizure process, clarify procedures for affected parties, and establish a more structured appeal mechanism. Some key amendments include the following:

(a) Officers are now required to provide a written notice to the person from whom goods have been seized or the owner of the goods within ten days of the seizure. This notice must specify the goods seized and inform the individual of their right.

(b) Officers must report the circumstances and grounds for seizure to the Commissioner-General within the same ten-day period.

(c) Affected persons receiving a notice of seizure now have the right to appeal to the Commissioner-General within fifteen days of receiving the notice.

(d) The Commissioner-General must decide on the appeal within 30 days. The decision can include the release of all or part of the seized goods or determination of payment equivalent to the duty-paid value of unrecovered goods.

(e) If no appeal is made, the goods shall be forfeited and sold or disposed of after 30 days, following publication in the Gazette. The sale or disposal will proceed without compensation to anyone with a claim to the goods.

(f) If the Commissioner-General determines an amount payable, and no appeal is made, that amount is considered due and payable immediately. All provisions for the recovery of unpaid duty apply as if it were unpaid duty.

5.2.2. These amendments introduce a more transparent and structured process for the seizure of goods, providing clear timelines and procedures for notification, reporting, and appeals. The establishment of an appeal mechanism ensures a formal avenue to contest seizures, thereby enhancing fairness and accountability in the enforcement of customs and excise laws.

5.3. Production of electrical energy (of not more than 100KW)

5.3.1. The Act has introduced electrical energy (of not more than 100KW) as one of the goods that can be produced for personal and domestic use without a license and without payment of duty. This measure aims to provide a legal basis for exempting domestic manufacturers of electrical energy, which will promote the uptake of off-grid power solutions by households. Previously, there was no provision exempting anyone producing electrical energy in any quantity and for any purpose.

5.4. Preclearance of Goods Prior to Arrival in Zambia

5.4.1. The Act has been amended to introduce the preclearance of goods at any time prior to their arrival in Zambia. This amendment aims to enhance trade facilitation by allowing goods to be precleared at any time before reaching Zambian borders. Under the new regulation, clearing agents or importers are required to submit the necessary importation documents to the ZRA before the goods arrive in the country. This process is designed to expedite clearance procedures, reduce

processing times at the border, and improve the overall efficiency of trade operation.

5.5. Payment Deadlines for Imported Goods

5.5.1. The Act has been amended to modify the payment deadlines for imported goods. Previously, it stipulated that, unless the goods were entered to be warehoused or removed in bond, all duties due on the goods had to be paid at the lodgment of the entry. If electronic registration on the Customs Computer System existed, payment was required from the date of registration or within five days of the issue of an assessment notice. The recent amendment changes this timeframe by deleting the word "five" and substituting it with "three," thereby reducing the payment period to three days. This change aims to streamline the customs process and enhance efficiency in the clearance of imported goods. The measure is intended to expedite trade and improve the flow of traffic at borders.

5.6. Payment Period for Assessed Duties

5.6.1. The payment period for assessed duties has been reduced from five days to three days. This amendment accelerates the payment timeline for manufacturers licensed under the Act, requiring them to settle any assessed excise duties or surtaxes within three days following the issuance of a notice. The reduction from five to three days aims to enhance revenue collection efficiency and ensure prompt compliance with tax obligations.

5.6.2. Manufacturers should adjust their financial and administrative processes to accommodate this shortened payment window, ensuring that all necessary funds and approvals are in place to meet the new three-day requirement. Failure to comply with the revised timeline will result in the imposition of penalties.

5.7. Introduction of Specific Penalties for Licensed Manufacturers

5.7.1. The Act has been amended to introduce specific penalty provisions for licensed manufacturers of excisable goods, enhancing compliance measures and streamlining the penalty framework. The amendment provides clarity on penalties applicable to offences under the Act, particularly for cases where no special penalty is specified.

5.7.2. A new provision has been introduced to address penalties specific to licensed manufacturers of excisable goods. Under this provision, licensed manufacturers guilty of an offence under the Act for which no special penalty is provided shall be liable for the following penalties:

(a) A fine not exceeding treble the excisable value plus the duty payable for the goods which may be the subject matter of the offence.

(b) If treble the excisable value plus the duty payable for such goods is less than ZMW 8,000.00 or if no goods are involved in the offence, a fine not exceeding ZMW 8,000.00.

(c) Imprisonment for a period not exceeding five years.

(d) Both imprisonment and any fine provided under paragraphs (a) or (b).

5.8. Enhanced Enforcement Measures for Unpaid Duties and Fines

5.8.1. The Act has been amended to introduce a new enforcement mechanism for the collection of unpaid duties, fines, and interest owed by importers or manufacturers. The key change grants the Commissioner-General the authority to suspend the user account of a defaulting taxpayer or their agent until the outstanding debt is fully settled.

5.8.2. Prior to this amendment, the Commissioner-General's authority allowed for the issuance of a notice to third parties (such as debtors or account holders) to redirect payments owed to the defaulting importer or manufacturer towards the settlement of outstanding duties, fines, or interest. These sums were treated as debts due to the Republic of Zambia and recoverable through legal proceedings. Additionally, failure to comply with such a notice could result in fines imposed on the notified party.

5.8.3. The newly inserted provision expands the Commissioner-General's enforcement toolkit by permitting the suspension of user accounts linked to defaulting taxpayers. This measure applies to both the importer or manufacturer and their agents, thereby restricting access to customs systems or other platforms until the debt is resolved.

5.9. Enhanced Regulation of Authorised Representatives

5.9.1. The Act has been amended to introduce an additional layer of regulatory oversight for individuals transacting business on behalf of others. The amendment inserts a new provision granting the Commissioner-General the authority to establish rules governing the conditions under which one person may act on behalf of another in customs-related matters.

5.9.2. Previously, any person seeking to transact business on behalf of another was required to provide a written authority, in a form approved by the Commissioner-General. This provision empowered customs officers to deny services to anyone unable to produce such authorisation, ensuring that representatives were properly mandated.

5.9.3. The amendment retains the requirement for written authority but supplements it by authorizing the Commissioner-General to promulgate rules that define the conditions and requirements for individuals acting on behalf of others. By empowering the Commissioner-General to make rules, the amendment allows for a more structured and consistent approach to regulating representatives, ensuring transparency and compliance.

5.10. Bonded Warehouse Clearance Deadlines

5.10.1. The Act has been amended to modify the deadlines for clearing goods from bonded warehouses. Previously, goods not entered for export or consumption within fifteen days of the due date would be forfeited and could be sold or disposed of by the Commissioner-General. The recent amendment reduces this timeframe from fifteen days to ten days.

5.10.2. This change aims to expedite the clearance process, reduce the risk of congestion in bonded warehouses, and enhance the efficiency of customs operations. By shortening the deadline, the amendment limits the risk to revenue loss and ensures that goods are properly accounted for

5.11. Extended Timeframes for In-Bond Carriage by Rail under the Customs and Excise Act

5.11.1. The recent amendment extends the timeframe for moving goods in bond by rail to customs area or another customs office for clearance or warehousing. The amendment stipulates that goods entered for in-bond carriage to a customs area at another customs port or inland location for further entry must be entered for consumption or warehousing within five days. However, goods transported in bond by rail must be entered for consumption or warehousing within fifteen days. This change accounts for the longer transit times typically required for rail cargo due to various challenges currently associated with railway transportation in Zambia.

5.12. Simplification of Export Procedures for Low-Value Goods

5.12.1. The Act has been amended to exempt goods valued at or below the kwacha equivalent of two thousand United States dollars (USD 2,000) from the requirement to submit a bill of entry or other prescribed documents prior to export. Previously, the Act mandated that any person intending to export goods from Zambia had to deliver to a customs officer a bill of entry or other prescribed documents, along with necessary copies, detailing the goods and their destination. Certain exceptions existed, such as for temporarily exported goods, goods imported under special temporary clearance arrangements, and goods exported by post.

5.12.2. This amendment introduces a Simplified Trade Regime ("**STR**") for exports, aligning the value threshold for exported goods with that of imported goods under the existing STR framework. Specifically, goods valued at or below USD 2,000 equivalent can now be exported without the need for a formal bill of entry, as prescribed by the Commissioner General. This parity between import and export thresholds aims to streamline trade procedures and promote cross-border trade for low-value consignments.

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5.12.3. This amendment aligns with recent amendments to the Income Tax Act, effective 1 January 2025. Under the revised income tax framework, Advance Income Tax ("**AIT**") has been extended to include exports of goods for commercial purposes. Exporters without a valid tax clearance certificate must now pay AIT at the port of export. This measure complements the Simplified Trade Regime by ensuring tax compliance within the export sector, which was previously not subject to AIT.

5.13. Other Amendments

5.13.1. The Act has also undergone significant amendments, introducing changes aimed at addressing disparities in tariff classifications, supporting local industries, adjusting for inflation, and aligning with international trade standards. Below are some key amendments:

(a) Separate Tariff Codes for Soya Bean Cakes, Husks, and Other Solid Residues

Previously, soya bean cakes, husks, and other solid residues were classified under the same tariff code, 2304.00.00, and incurred a 5% customs duty and a 5% surtax, despite being distinct products with varying values and uses.

The introduction of separate tariff codes for these products ensures tailored treatment for policy changes, preventing unintended consequences when adjustments affect one product but not the others. This distinction allows Zambia to enhance trade accuracy and better protect its domestic market.

(b) Surtax on Paper Packaging Materials

A 5% selected goods surtax has been imposed on imported printed paper products under HS Code 4819.20.00, including folding cartons, boxes, and cases of non-corrugated paper or paperboards.

This amendment supports local manufacturers of paper packaging materials, encouraging investment and reducing reliance on imports.

(c) Surtax on Imported Garden Hoses

A 5% surtax has been introduced on imported garden hoses classified under tariff codes 3917.21.20, 3917.21.90, 3917.22.20, 3917.22.90, and 3917.23.90.

The surtax for garden hoses under 3917.23.20 has been increased from 5% to 20%.

This amendment seeks to bolster the domestic production of garden hoses, promoting further investments in the subsector and fostering self-reliance.

(d) Higher Surtax on Imported Steel U-Sections Amendment

A 30% selected goods surtax has been imposed on imported steel U-sections classified under tariff code 7216.31.00.

This aim of this amendment is to support local manufacturers of steel U-sections, creating opportunities for domestic growth and reducing dependency on foreign imports.

(e) **Increased Surtax on Imported Steel Products**

Selected goods surtax for imported steel products under tariff codes 7211.14.00, 7214.20.90, 7216.40.00, and 7216.99.00 has been raised from 5% to 30%.

The revision supports the local steel industry, incentivising investment in domestic steel production and strengthening Zambia's industrial base.

(f) **Increased Excise Duty on Beverages**

Fruit and Nut Juices (Tariff Code 2009) - Excise duty has increased from 60 ngwee to K1 per litre, to adjust for inflation while ensuring better revenue generation from the beverage sector.

Bottled Water (Tariff Code 2201) - Excise duty on natural and artificial mineral waters has increased from 60 ngwee to K1 per litre.

Sweetened and Flavored Beverages (Tariff Code 2202) - Excise duty has increased from 30 ngwee to K1 per litre.

These adjustments aim to reflect inflationary changes and ensure equitable taxation across beverage categories.

(g) **Subdivision of Tariff Subheadings in Line with International Recommendations**

The Act subdivides certain tariff subheadings in accordance with recommendations from the Customs Cooperation Council. Key changes include:

(i) 2903.89.00 (Halogenated derivatives).

(ii) 2909.30.10 & 2909.30.20 (Aromatic ethers and derivatives).

(iii) 2915.90.00 (Saturated acyclic monocarboxylic acids).

(iv) 2930.90.10 and 2930.90.20 (Organo-sulphur compounds).

By aligning with the Customs Cooperation Council's recommendations, Zambia enhances its trade policies' compatibility with international standards, improving trade facilitation and transparency.

6. The Insurance Premium Levy Act

6.1. Introduction of the electronic invoicing system

6.1.1. As of 1 January 2025, the government introduced amendments to the Insurance Premium Levy Act No. 21 of 2015, aligning with its broader efforts to modernise the tax system through digitalisation. These changes mandate the adoption of an Electronic Invoicing System ("**EIS**") within the insurance sector, which impacts the way insurance premiums and levies are recorded and processed.

6.1.2. Under the existing provisions of the Act, insurance premium levy is due when an insurance premium is paid or becomes payable. The levy must then be remitted to the ZRA by the eighteenth day of the month following the payment or due date. Prior to the amendment, insurers, insurance agents, and brokers were required to use Electronic Fiscal Devices ("**EFDs**"), which included electronic registers, fiscal printers, and electronic signature devices, to record levy payments and issue tax invoices.

6.1.3. In keeping with the broader transition towards digital tax administration in Zambia, the amendment introduces a shift from EFDs to the newly mandated EIS. Specifically, the system now known as the "*Smart Invoice*" platform will be used by all insurance-related entities to record levy payments and generate tax invoices. The Smart Invoice system enables businesses to submit invoices to the ZRA electronically and in real time, ensuring more accurate, timely, and transparent reporting of sales transactions.

6.1.4. This transition to a software-based system is designed to improve compliance, reduce fraud, and enhance overall tax transparency. Unlike the older EFD system, which required manual entry and reporting of transactions, the Smart Invoice platform automatically transmits invoice data directly to the ZRA, streamlining the tax reporting process. This digital solution not only improves the efficiency of tax collection but also enhances the security of the tax administration system.

6.1.5. For the insurance sector, the amendment mandates that insurers, brokers, and agents must now ensure their systems are compatible with the Smart Invoice platform. The shift is expected to streamline tax processes, improve accountability, and bring Zambia's tax practices in line with global standards. This is beneficial for both the businesses in the insurance sector and the ZRA, fostering greater tax compliance and reducing administrative burdens.

6.1.6. The amendments to the Insurance Premium Levy Act are part of Zambia's broader tax reform agenda, which aims to create a more transparent, efficient, and digitally driven tax environment. By embracing digital platforms such as the Smart Invoice system, Zambia is modernising its tax collection methods, reducing opportunities for tax evasion, and enhancing the overall effectiveness of its tax administration system. This reform is expected to contribute to Zambia's economic growth by improving tax compliance, fostering a more predictable business environment, and reducing the administrative costs associated with tax reporting.

7. The Value Added Tax Act

7.1. In a move to continue modernising Zambia's tax system, the government has introduced amendments to the Value Added Tax Act Chapter 331 of the Laws of Zambia, effective from 1 January 2025. These changes are designed to improve tax compliance, streamline administrative processes, and ensure that Zambia's

Value Added Tax ("**VAT**") framework aligns with international best practices. The following is an overview of the key amendments and their potential implications.

7.2. Electronic Invoicing System

7.2.1. One of the most notable amendments is the introduction of stricter requirements for taxable suppliers to utilise an EIS for recording each sale or transaction. Previously, the Act granted the Commissioner-General the authority to approve alternative methods, such as devices or documentation other than EIS, for specific categories of suppliers. This provision allowed for flexibility, particularly in cases where certain businesses faced difficulties in adopting electronic systems.

7.2.2. Under the 2025 amendment, this provision has been revised to ensure greater consistency and control. While taxable suppliers are still generally required to use an EIS, the Commissioner-General can now approve the use of alternative documentation or devices only under prescribed conditions. This change underscores the government's commitment to enhancing tax administration by reducing human error and providing more transparent, real-time data on taxable transactions.

7.2.3. This revision is expected to lead to more accurate reporting and stronger enforcement against tax evasion, as the EIS is designed to minimise manipulation and inaccuracies. By standardising the invoicing process, the amendment aims to improve the overall effectiveness of Zambia's VAT system, while also reducing the administrative burden on businesses.

7.3. Cross-Border Services

7.3.1. The Act has long addressed the tax treatment of imported services, including those relating to cross-border electronic services. These services, which are supplied in Zambia by a supplier who is either resident or conducts business outside Zambia, have been subject to specific VAT rules. Under the previous law, VAT was required to be paid on services imported into Zambia, unless those services fell within the scope of "*cross-border electronic services*." This provision effectively provided an exemption for services that were considered outside the scope of taxable services when supplied electronically across borders.

7.3.2. However, recent amendments to the VAT Act bring a significant change to the treatment of cross-border electronic services. Previously, the law allowed for the exemption of VAT on services that fell under the scope of "*cross-border electronic services*." Now, the law has been amended to state that VAT applies unless "*services supplied are not under the prescribed scope of cross-border electronic services*."

7.3.3. The key amendment here is the introduction of the term "*prescribed scope*" in relation to cross-border electronic services. This revision significantly narrows the exemption that was previously available for some digital services. Under the previous law, the definition of cross-border electronic services was somewhat broader, which allowed for greater flexibility in determining which services qualified for VAT exemption. The new amendment limits this exemption by ensuring that only services specifically defined by the ZRA under prescribed regulations will qualify for the exemption.

7.3.4. The Value Added Tax (Cross Border Electronic Services) Regulations, 2024 which were introduced in February 2024, provide a comprehensive and detailed list of services that are subject to VAT under this provision. These services include a wide range of digital offerings such as:

(a) Streaming services (films, television shows, music, games, etc.)

(b) Software services (including updates and after-sale services)

(c) Downloadable digital content (mobile applications, e-books, films, music, etc.)

(d) Online advertising and marketing services

(e) Cloud storage and data management services

(f) Subscription-based media services

7.3.5. Importantly, any services outside this prescribed list are now subject to VAT, meaning that many previously untaxed digital services are now caught under the VAT regime.

7.3.6. The effect of this amendment is twofold. First, it strengthens Zambia's ability to tax cross-border digital services by eliminating ambiguity over which services qualify for exemption. The updated provisions now allow for a more precise identification of taxable services. As a result, digital services such as subscriptions, cloud storage, and online media services will consistently be taxed in line with global trends in taxing digital economies.

7.3.7. Second, this amendment ensures that the VAT system is both comprehensive and enforceable, closing potential gaps in the previous legislation. With the introduction of the "*prescribed scope*," Zambia can now apply VAT to a defined set of digital services, ensuring that international digital providers are taxed equitably.

7.3.8. For international suppliers providing digital services to Zambian customers, the amendment has important implications. Suppliers will now need to ensure compliance with the updated VAT regulations, which may include registering for VAT in Zambia and charging VAT on the qualifying services they provide. This regulatory update will likely require businesses to adjust their invoicing systems and account for VAT correctly in their dealings with Zambian consumers.

7.3.9. For consumers, especially businesses claiming input VAT, the amendments create a clearer process for determining which services are taxable and what deductions can be made. This will help reduce uncertainty and streamline the process for businesses involved in importing digital services.

7.3.10. The amendment to the VAT Act marks a significant step in modernising Zambia's tax framework

to address the growing digital economy. By narrowing the scope of VAT exemptions and prescribing a more detailed list of taxable cross-border electronic services, the Zambian government has aligned its VAT system with international standards. This change is likely to enhance the country's ability to capture VAT revenue from digital services while ensuring greater clarity and transparency for international suppliers and local businesses alike.

7.4. Input Tax Deductions

7.4.1. The VAT Act governs the conditions under which businesses can claim input tax deductions. Prior to the 2025 amendments, the process required businesses to possess a tax invoice from specific sources: either a serially numbered invoice book, a computerised package approved by the Commissioner-General, or other prescribed documentation. This system created some complexity, as businesses had to adhere to rigid documentation requirements.

7.4.2. The amendments simplify the input tax deduction process. Notably, the requirement for serially numbered invoice books has been removed, providing greater flexibility. Furthermore, the previous provision, which required businesses to issue invoices from an approved invoicing system, has been revised. Now, businesses can claim input tax deductions based on invoices issued from an EIS or from suppliers exempted from using the EIS.

7.4.3. This change centralises input tax deductions around the EIS, a move that reduces administrative burdens and enhances the accuracy and timeliness of VAT reporting. By embracing electronic invoicing, the amendment supports Zambia's transition towards a more digital and streamlined tax environment. This shift is likely to improve efficiency, reduce errors, and encourage greater compliance with VAT regulations. It also aligns Zambia with international trends that favour digitalisation in tax administration.

7.5. Clarification of Enforcement Powers in VAT Compliance

7.5.1. The recent amendments also include important revisions to the powers of ZRA officers in enforcing VAT compliance, particularly in cases of suspected non-compliance. Previously, the power to impound goods in cases of suspected VAT evasion was granted to a ZRA officer at the rank of Assistant Commissioner or higher. These officers were authorised to impound goods that were believed to be sold without the appropriate VAT charge or imported without proper VAT documentation.

7.5.2. The 2025 amendments introduce a change in terminology, replacing the rank of "*Assistant Commissioner*" with "*Assistant Director*". This change helps to improve transparency in the enforcement process, clarifying the threshold for impounding goods to ensure that only senior officers with sufficient expertise and authority are involved in such actions. This adjustment is aimed at enhancing the effectiveness and transparency of VAT enforcement.

8. The Mobile Money Transaction Levy Act

8.1. The Mobile Money Transaction Levy Act, 2024, which took effect from 1 January 2025, has repealed and replaced its predecessor, the Mobile Money Transaction Levy Act, 2023, introducing changes to the regulation and administration of the mobile money transaction levy (the "**Levy**"). This legislative overhaul is aimed to streamline the collection and enforcement of the Levy, transferring these responsibilities from the Bank of Zambia ("**BoZ**") to the ZRA

8.2. Key Changes in Administration

8.2.1. The Act now designates the ZRA as the principal body for levy administration. Under this framework:

(a) Mobile money service providers must remit total levies collected for each month directly to the ZRA.

(b) The BoZ is mandated to transmit all records, returns, or documents related to previously collected levies to the ZRA.

(c) The Commissioner-General of the ZRA is granted full enforcement powers under the Zambia Revenue Authority Act and the Income Tax Act.

8.3. Scope and Responsibilities of Mobile Money Service Providers

8.3.1. Effective 1 January 2025, mobile money service providers, entities authorised by the BoZ to issue electronic money in accordance with the National Payment Systems Act, 2007, are mandated to collect a levy on person to person transfers. These providers must remit the total levies and submit monthly returns to the ZRA within ten days after each month's end.

8.3.2. The Levy applies exclusively to the sender of electronic money, calculated as follows:

Amount Range (ZMW	Levy (ZMW)
From 1 to 150	0.16
Above 150 to 300	0.20
Above 300 to 500	0.40
Above 500 to 1000	1.00
Above 1000 to 3000	1.60
Above 3000 to 5000	2.00
Above 5000 to 10,000	3.00
Above 10,000	3.60

8.4. **Exemptions and Ministerial Powers**

8.4.1. The Minister of Finance retains the authority to exempt individuals or transactions from the Levy via statutory instrument, adding flexibility to accommodate specific economic or social considerations.

8.5. **Penalties for Non-Compliance**

8.5.1. The Act enforces penalties for non-compliance with respect to failure to remit or submit returns and failure to maintain records of operations for six years, with an option for the Commissioner-General to extend this period. The Commissioner-General, however, holds discretionary power to waive this penalty partially or entirely.

8.6. **Enforcement Powers**

8.6.1. To ensure compliance, the ZRA is empowered to inspect the operations of mobile money providers without prior notice. This includes inspecting records, documents, and articles relevant to levy compliance, verifying submitted returns and requesting additional information deemed necessary for enforcement.

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