TAX

TAX ALERT

14 - JAN 2025

ZAMBIA TAX ALERT:

Important Amendments to Tax Acts Effective January 1, 2025

To our esteemed clients and partners,

We are issuing this **Tax Alert** to bring to your attention significant amendments to the tax acts that have recently been published and are effective from **January 1, 2025**. These amendments are not just routine updates; they represent crucial changes in the tax landscape, with far-reaching implications for a wide spectrum of taxpayers.

In our commitment to keep you well-informed and ahead in your financial and strategic planning, we have meticulously summarized these pivotal amendments. Understanding these changes is critical for ensuring compliance and for the strategic positioning of your business in response to these new laws.

Given the complexity and potential impact of these amendments, a nuanced analysis is necessary to fully understand how they will affect your specific business context. To navigate these changes effectively and to ensure continued compliance, we encourage you to contact us at - contacttax@bdo.co.zm

BDO Zambia Limited is equipped with the expertise and insights needed to help you adapt to these changes seamlessly. Our team of seasoned professionals is ready to offer comprehensive analyses and tailored advice, ensuring your business is not only compliant but also strategically poised to leverage any potential advantages arising from these amendments.

Please contact us for a detailed consultation. We urge you to act promptly in response to these changes. As always, we are here to provide any further information or support you may need.

Stay informed, stay compliant, and stay ahead.

Warm regards,

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TAX AMENDMENTS SUMMARY

ACT	AMENDMENT	OBJECTIVE / IMPACT
INCOME TAX	**Loss Deduction (Section 30)** - Losses incurred in a charge year can only be deducted up to **50%** of income from the same source in that year. Any excess loss is carried forward and deductible under the same **50%** limitation in subsequent charge years.	**Objective:** Introduce uniformity in the treatment of losses across income sources. Balance the deductibility of losses with the government's revenue requirements. **Impact:** May delay full utilization of significant losses, impacting cash flow for businesses with substantial losses. This risk is amplified by the fact that the time line for the expiry of carried forward losses is maintained at five years. Encourages businesses to optimize income generation from loss-making sources to fully utilize carried-forward losses.
	Skills Development Levy (Section 43E - Deduction for the Skills Development Levy is allowed as a tax-deductible expense in advance of its payment.	**Objective:** Aligns with accrual principles applied to other deductions under the Act. **Impact:** Employers benefit from improved cash flow management as deductions can be claimed without waiting for payment. Reduces discrepancies in tax reporting for businesses using accrual-based accounting
	Withholding Tax Exemption for Royalties (Section 82A) - Introduces exemptions from withholding tax on royalties.	**Objective**: Reduce tax burden in specific cases involving royalties. **Impact**: Businesses and individuals earning royalties will see reduced tax burdens, improving their financial position. May encourage investment in intellectual property and related industries
	Increase in Presumptive Taxes for Motor Vehicles (Ninth Schedule, Part I) - Tax bands for vehicles used for passenger transport increased by 20%. Updated Tax Bands: • 64 seater and above: **K15,552** • 50-63 seater: **K12,960** • 36-49 seater: **K10,368** • Other categories adjusted proportionately.	**Objective:** Enhance revenue collection from transport operators. **Impact:** Increased tax liability for operators of passenger vehicles.
	Corporate Income Tax Rate Adjustments (Charging Schedule) - Export of non-traditional products taxed at **20%** (up from 15%). Income from value addition to copper cathodes taxed at **20%**.	**Objective:** Incentivize local value addition and regulate export income taxation. **Impact:** Businesses exporting non-traditional products face higher tax burdens, potentially reducing net profits. Encourages local value addition in industries like copper processing, creating jobs and fostering economic growth.
	Waiver of Penalty for Provisional Tax Underestimation (Section 46A) - Penalty for underestimating provisional tax may be waived by the Commissioner-General.	**Objective:** Provide relief in cases where underestimation is reasonable and not intentional. **Impact:** Offers relief for honest mistakes in tax estimations, reducing financial strain on taxpayers.
	Mandate for Agents to Remit Withheld Tax (Section 84) - Agents must remit withheld tax two days before the due date for payment. Failure to remit on time attracts a penalty of 1% per month on the outstanding tax amount.	**Objective:** Strengthen compliance and timely tax remittance. **Impact:** Increased administrative pressure on withholding agents to ensure timely compliance. Promotes better cash flow planning and reduces late payments to the tax authority.
	Tax Clearance Certificate Requirements Expanded (Section 81B) - Tax clearance certificates now mandatory for, Property transfers and vehicle registration, Issuance of trading and exploration licenses, mineral permits, and other regulated activities, and Local authorities for title deeds and professional bodies for membership renewals.	**Objective:** Promote accountability and compliance in high-risk sectors. **Impact:** Taxpayers face increased administrative requirements and delays if they fail to meet clearance standards. Encourages adherence to tax compliance, improving overall collection rates.
	Collective Investment and Private Fund Taxation (Second Schedule) - Income distributed to participants in approved collective investment schemes and private funds is tax-exempt.	**Objective:** Encourage investments through these schemes. **Impact:** Encourages investments in these funds, providing a tax-efficient way for participants to grow their wealth.
	Definitions (Section 2) - Amendment: Revised and added definitions, including changes to "approved fund," "pensionable terms," and the introduction of "private fund."	**Objective:** Align terminology with the Pension Scheme Regulation Act and Securities Act, 2016. **Impact:** Clarifies legal references and ensures consistency across related legislation

ACT	AMENDMENT	OBJECTIVE / IMPACT
INCOME TAX	**Betting and Gaming Tax Adjustments (Ninth Schedule, Part III) -** The separation of lottery winnings between brick and mortar, and online with the former taxed at **15%** of net proceeds, the latter is maintained at **35%** of net proceeds.	**Objective:** Harmonize tax rates across different types of gaming activities. **Impact:** Increases operational costs for betting and gaming operators, potentially reducing profit margins. Aligns taxes with revenue generated in the gaming industry, ensuring equitable contributions.
	Turnover Tax Threshold (Section 64A - Standard Assessment) - Increase of the threshold from **K800,000** to **K5,000,000**.	**Objective:** To enable more businesses, especially small and medium enterprises (SMEs), to qualify for the simplified turnover tax regime, reducing administrative and compliance burdens. **Impact:** Reduces the need for complex accounting and financial reporting for businesses within the expanded threshold.
	Turnover Tax Rate (Ninth Schedule) - Tax bands for Turnover Tax adjusted as follows: • **K0** to **K12,000** per annum - **0%** • Above **K12,000** to **K5,000,000** - **5%** (from 4%)	**Impact:** Increased tax liability.
	Rental Tax Rate (Ninth Schedule) - Tax bands for Rental Tax adjusted as follows: • Less than **K12,000** per annum - **0%** • **K12,000** to **K800,000** - **4%** • Above **K800,000** - **16%** (from 12.5%)	**Impact:** Increased tax liability.
VALUE ADDED TAX	**Exemptions for Using the Electronic Invoicing System (Section 7A) -** Allows the Commissioner-General to approve the use of alternative documents, devices, or equipment instead of the electronic invoicing system for taxable suppliers, under prescribed conditions.	**Objective:** To provide flexibility for suppliers who face legitimate challenges in adopting the electronic invoicing system, ensuring inclusivity and adaptability in VAT administration. **Impact:** Taxpayers with infrastructural or technical challenges can comply without being penalized for non-usage of the system. Potential risks of inconsistencies in VAT reporting if alternative systems are not properly monitored.
	Revision of Conditions for Input Tax Claims in Cross-Border Electronic Services (Section 8) - Limits input tax claims or deductions to services within the prescribed scope of cross-border electronic services.	**Objective:** To align VAT claims with the scope of services eligible for taxation, ensuring clarity and compliance in cross-border service provisions. **Impact:** Businesses offering cross-border electronic services outside the prescribed scope may face reduced eligibility for VAT input claims, increasing their tax burden. Encourages compliance with stricter definitions and regulations.
	Input Tax Claims with Electronic Invoicing (Section 18) - Specifies that input tax claims must be supported by invoices issued via the electronic invoicing system unless the supplier is exempt under Section 7A(2).	**Objective:** To enhance accuracy and traceability in VAT claims by ensuring the use of standardized invoicing systems. **Impact:** Promotes greater transparency and accuracy in VAT administration, reducing the risk of fraudulent claims. Taxpayers relying on exemptions may face additional scrutiny or administrative burdens.
	Change in Designation of Officials (Section 38A) - Replaces the designation "Assistant Commissioner" with "Assistant Director" in subsections (1) and (2).	**Objective:** To reflect organizational changes and updates in roles within the tax authority. **Impact:** This is an administrative change with no direct effect on taxpayers.

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MOBILE MONEY LEVY	**Exemptions from the Levy (Section 6) -** The Minister may, by statutory instrument, exempt a person from payment of a levy. No statutory instruments to this order have been issued to date.	**Objective:** To provide relief on specific transactions, minimizing the financial burden on these areas and ensuring mobile money remains accessible for some services. **Impact:** Reduces transaction costs for services and specific mobile payments.
	Penalties for Non-Compliance (Sections 5 & 7) - Penalties for failure to remit levies or maintain proper records include: **K40,000** per month for failing to remit levies. **K80,000** for not maintaining records. The Commissioner-General may waive penalties in certain circumstances..	**Objective:** To enforce compliance with the levy system and record-keeping requirements by imposing significant penalties on non-compliant providers. **Impact:** The introduction of high penalties places pressure on mobile money providers to adhere strictly to regulations, increasing the risk of financial loss for those who fail to comply
	Inspection and Enforcement Powers (Section 8) - The Commissioner-General is granted authority to inspect mobile money providers' premises, verify returns, and request further information as needed.	**Objective:** To ensure the integrity of the levy system and verify the accuracy of transactions and remittances through unannounced inspections. **Impact:** Strengthens enforcement of mobile money transaction rules, ensuring providers follow the levy guidelines. Providers may face operational disruptions due to unannounced inspections, leading to potential delays or inefficiencies.
	Administrative Rules and Regulations (Sections 9 & 10) - The Commissioner-General may issue administrative rules governing the mobile money transaction levy, including requirements for accounting, returns, and other operational matters. The Minister may make regulations for better implementation of the Act's provisions.	**Objective:** To provide further clarity on the implementation of the Act and streamline processes for mobile money service providers and the ZRA. Impact: Simplifies the regulatory environment and makes compliance easier for mobile money service providers. The issuance of new rules or regulations may create uncertainties until they are fully understood and adopted.

CHARGEABLE RATES:

AMOUNT RANGE (ZMW)	LEVY (ZMW)
Between 1 - 150	0.16
Between 151 to 300	0.20
Between 301 to 500	0.40
Between 501 to 1,000	1.00
Between 1,001 to 3,000	1.60
Between 3,001 to 5,000	2.00
Between 5,001 to 10,000	3.00
Above 10,000	3.60

ACT	AMENDMENT	OBJECTIVE / IMPACT
ZRA ACT	**Immunity for Members of the Zambia Revenue Authority (Section 18) -** Provides immunity for members of the Authority, committees, or staff from lawsuits or proceedings for acts or omissions done in good faith while exercising their powers, functions, or duties under the Act. Repeals and replaces the existing provisions of Section 18 of the Zambia Revenue Authority Act.	**Objective:** To protect ZRA members, committee members, and staff from legal liability when carrying out their duties in good faith. To ensure that staff can perform their roles without fear of personal legal repercussions, fostering efficiency and decisiveness in tax administration. **Overall Implications:** This amendment strengthens the operational security of ZRA staff, ensuring that their focus remains on enforcing tax laws without undue concern about personal liability. However, it underscores the importance of checks and balances to prevent abuse of this immunity.

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CUSTOMS & EXCISE	**Revocation of Export Duty Suspension (S.I. No. 88 of 2024)** - The suspension of export duties on precious stones (S.I. No. 82 of 2019) has been revoked.	**Objective** - To reinstate export duties on precious stones, ensuring their contribution to national revenue generation. **Impact** - Exporters of gemstones are now subject to export duties, reinstating previous tax obligations. Increased costs for businesses engaged in the export of gemstones due to the application of reinstated duties
	Export Duty Rates on Gemstones (First Schedule) - Export Duty Rates: • Export duties on precious gemstones now structured at 6% of the gross value. • Norm values are determined by recognized market indices or actual realized prices where applicable.	**Objective** - To align gemstone export taxation with broader fiscal policies and ensure equitable contributions from mineral sectors. **Impact** - Taxpayers must calculate and remit export duties based on the gross value of their gemstone exports Encourages accurate reporting of gemstone valuations to comply with duty requirements
	Revised Rates of Customs and Excise Duty (Various Sections and Schedules) - Revises customs and excise duty rates for certain goods, including motor vehicles, oil-cake, beverages, petroleum products, and construction materials. Updates surtax rates on select imports such as garden hoses, folding cartons, and steel products.	**Objective:** To align tax rates with economic policies and incentivize or disincentivize the importation of certain goods to support local industries. **Impact:** Encourages local manufacturing and reduces reliance on imports by making them costlier. increases costs for businesses and individuals importing affected goods, which may be passed on to consumers.
	Reduction of Time for Customs Procedures (Sections 32, 32B, and 34) - Shortens timelines for customs clearance, indcluding in-bond carriage and warehousing, from five to three days in some cases.	**Objective:** To streamline customs processes and reduce delays in goods clearance. **Impact:** Accelerates the movement of goods, improving efficiency for businesses reliant on imports or exports. May pressure businesses and logistics providers to meet tighter deadlines, increasing risks of penalties for non-compliance.
	Appeals on Valuations Assessments (Section 86) - This amendment allows importers dissatisfied with a decision by the Commissioner-General regarding valuation to appeal to the Tax Appeals Tribunal within 30 days of receiving notice of the decision.	**Objective:** To provide a structured and transparent process for resolving disputes related to the valuation of imported goods, ensuring taxpayers have a clear avenue for appeal. **Impact:** Offers an opportunity to challenge unfavorable valuation decisions, promoting fairness.
	Unlicensed Manufacture (Sections 94 (1)) - The addition of "electrical energy of up to 100kWh" to the list of goods that can be manufactured without requiring a license or the payment of duty.	**Objective:** To promote small-scale and renewable energy production by reducing regulatory and financial barriers. **Impact:** Supports small-scale energy producers by lowering costs and administrative requirements.
	General Penalties (Sections 155) - This amendment introduces specific penalties for licensed manufacturers guilty of offenses under the Act. Penalties include fines up to three times the excisable value plus duty, a maximum of 20,000 penalty units, imprisonment for up to five years, or a combination of these.	**Objective:** To deter non-compliance by imposing stricter penalties for breaches of customs and excise regulations. **Impact:** Raises the stakes for compliance, particularly for licensed manufacturers, requiring more diligence in operations.
PROPERTY TRANSFER TAX	**Expanded Definition of Intellectual Property (Section 2)** - Redefines "intellectual property" (IP) to include patents , designs , trademarks , and copyrights.	**Objective:** To clarify and standardize the scope of IP subject to tax and enhance legislative precision. **Impact:** Expands the tax base by explicitly including intellectual property transactions, aiding compliance and enforcement by reducing ambiguity.
	Revised Tax Rates for Property Transfers (Section 4) - Adjusts property transfer tax rates: Mining licenses: **10%**, Exploration licenses: **8%**, Mineral processing licenses: **10%**, and Land, shares, and intellectual property: **8%**.	**Objective:** To align tax rates with economic policies and ensure equitable treatment across different property types. **Impact:** Increases costs for transferring certain properties, incentivizing proper valuation and reporting. Generates additional government revenue.

YOUR BDO TEAM

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