



2020 Budget Highlights

Zambia



kpmg.com/zm

 www.facebook.com/kpmgzambia

 twitter.com/kpmgzambia

© 2019 KPMG Zambia Limited, a Zambian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.



Contents

02

Foreword

04

**Budget
Outturn - 2019**

04

**Budget
Outlook - 2020**

04

**Macro -
economic
Targets**

05

**Economic
Indicators**



8

Policy initiatives

18

The 2020 budget

22

Domestic taxes

32

Customs and excise

33

Other information



FOREWORD

Focusing national priorities towards stimulating the domestic economy

The 2020 national budget aims, in the face of the catalogued challenges that the country is going through, to stimulate the domestic economy.

The Minister of Finance, Dr. Bwalya K.E. Ng'andu, in his maiden budget presentation informed the nation that the 2020 budget would continue to propagate the objectives of the Seventh National Development Plan, and austerity measures and key reform areas in the Economic Stabilization and Growth Programme.

These areas will continue to be adopted in the 2020 budget and in the medium term as they aim to: enhance domestic resource mobilization, refocus expenditure, narrow the fiscal deficit, reduce the pace of debt accumulation and dismantle domestic arrears.

The Minister indicated that in an attempt to enhance domestic revenue mobilization, a number of measures will be implemented in the medium term such as: continued modernization and automation of revenue collection processes and provision of Government services; continued roll out of electronic fiscal devices; development of a national policy on avoidance of double taxation; accelerating the implementation of land titling and revaluation of properties; and adjusting fees and fines to cost-reflective levels.

The Minister emphasized that for the budget to achieve its objectives it would require delivery on commitments with discipline, determination and dedication in accordance with national values and principles of ethics, patriotism, national unity and integrity as enshrined in the Constitution. He challenged public and private sectors, civil society and every Zambian to focus on prioritizing building the Zambia they want. He declared, "the time to act is now! Our resolve to do so must be firm."

Snapshot

- Inflation closed at 9.3% in August 2019 from 7.9% in December 2018. The increase attributed to higher food prices and depreciation of the Kwacha to the United States Dollar.
- Economic growth is projected to close at 2% at the end of 2019, from 3.8% in 2018. The subdued growth ascribed to poor rainfall in the 2018/2018 rain season that negatively impacted agriculture output, electricity generation and economic activity. Compounding the effects of the poor rainfall were the decline in both global copper prices and copper export volumes.
- Revenues and grants collected by August 2019 stood at K42.8 billion surpassing the budget target by 9.1%.

- Expenditure, including amortization, by August 2019 was at K60.9 billion above the budget target by 4.3%.
- The budget deficit is estimated to close at the targeted 6.5% of GDP on a cash basis.
- A decline in imports contributed to a contraction of the current account deficit in the first half of the year to US\$414.4 million (1.7% of GDP) from US\$586.1 million (2.2% of GDP) during the same period of 2018.
- Export earnings fell to US\$ 4.0 billion, a 14.7% decline compared to 2019 partly due to a 22% reduction in copper export volumes and lower copper prices.
- Non-traditional export earnings increased to US\$1.1 billion from US\$911 million during the first half of 2019 attributed to increases in gemstones, cement, lime, sugar and sulphuric acid exports.
- Gross international reserves fell to US\$1.4 billion (1.7 months of import cover) as at the end of July 2019 from US\$1.6 billion in December 2018, attributed to external debt servicing.
- External debt stock at the close of June 2019 jumped to US\$10.23 billion from US\$10.05 billion at the close of 2018.
- Government guaranteed debt stock at the end of June 2019 was US\$1 billion.
- Government securities stock increased by 4.1% to K60.7 billion at the end of August 2019 from K58 billion in December 2018.
- Domestic arrears excluding VAT refunds at the end of June 2019 were K20.2 billion from K15.6 billion in December 2018.
- The National Financial Switch project implementation was at an advanced stage and is expected to allow universal access to digital financial transacting. All domestic Automated Teller Machine (ATM) transactions by a number of commercial banks are now being routed through the National Financial Switch Platform facilitating the reduction of dependency on cash.

2020 budget objectives

- Annual GDP growth rate of at least 3%.
- Achieve and maintain inflation within target range of 6-8%.
- Raise international reserves to at least 2.5 months of import cover.
- Reduce fiscal deficit to 5.5% of GDP from 6.5% in 2019.
- Increase domestic revenue to not less than 22% of GDP.
- Reduce domestic borrowing to 1.1% of GDP from 1.4% of GDP in 2019.
- Dismantle domestic arrears.
- Government proposed expenditure of ZMW 106.01 billion in 2020 anchored on enhanced domestic revenue collection aimed at increasing Government resources to undertake essential public services and development programmes as outlined in the Seventh National Development Plan.
- Government proposed the following revenue measures to raise ZMW 106.01 billion: income tax – ZMW 25.61 billion; VAT – ZMW 18.94 billion; customs and excise – ZMW 9.21 billion; non-tax revenue – ZMW 17.71 billion; other revenues – ZMW 449.22 million; domestic financing - ZMW 3.46 billion; and foreign financing and grants – ZMW 30.62 billion.
- The composition of the sources of the revenue measures are 67.9% from domestic revenue, 29.2% financing from domestic and foreign sources, and 2.9% from cooperating partners.

Budget Outturn 2019



- GDP growth of 2% is projected for 2019 compared to initial forecast of 4%.
- Revenue and grants of ZMW 42.8 billion as at August 2019 exceeded target by 9.1%, whilst expenditure of ZMW 60.9 billion surpassed target by 3.4%.
- Export earnings decreased by 14.7% to US\$ 4.0 billion as at 30 August 2019 compared to US\$ 4.6 billion for the same period in 2018.
- A decline in copper export volumes and prices resulted in a 22% reduction in export earnings from US\$ 3.5 billion to US\$ 2.8 billion.
- Non-traditional export earnings mainly attributed to gemstones, cement, lime and sulphuric acid increased by 17.2% to US\$1.1 billion from US\$ 911 million in 2018.
- Reduction in importation of copper ores, concentrates, motor vehicles, chemicals and other intermediate goods resulted in a 21.4% decline of goods imported to US\$ 3.3 billion.
- International reserves declined to US\$ 1.4 billion (1.7 months international cover) as at 31 July 2019 from US\$ 1.6 billion in 2018.
- The Kwacha depreciated by 9.4% to ZMW/US\$ 13.03 in August 2019 from ZMW/US\$ 11.91 in December 2018.
- Inflation increased to 9.3% in August 2019 from 7.9% in December 2018.
- Commercial lending rates increased to an average of 26% per annum in August 2019 from 23.6% per annum in December 2018.
- Domestic arrears, excluding VAT refunds, increased to ZMW 20.2 billion in June 2019 from ZMW 15.6 billion in December 2018.
- External debt stock as at 30 June 2019 increased to US\$ 10.23 billion from US\$ 10.05 billion as at 31 December 2018.
- Government securities increased by 4.1% to ZMW 60.7 billion as at 31 August 2019 from ZMW 58 billion as at 31 December 2018, whilst guarantees on a net basis was US\$ 1 billion as at 30 June 2019.

Budget Outlook 2020

Government Expenditure

ZMW 106 billion

Government Revenue

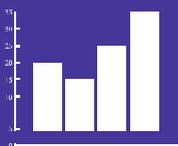
ZMW 72 billion

Financing from domestic and external sources

ZMW 34 billion

Source: Ministry of Finance and 2020 National Budget

Macro- economic Targets 2018-2020



TARGET	2018*	2019**	2020***
Real GDP Growth (%)	4	2	3
CPI Inflation (end of period) %	7.9	9.3	6 to 8
International Reserve to Import Cover (months)	1.8	1.7	2.5
Budget Deficit (% of GDP)	7.4	6.5	5.5

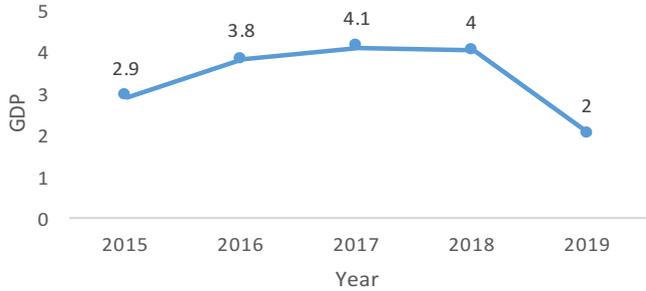
Source: Ministry of Finance, and 2020 National Budget *actual ** projected***forecast

Economic Indicators



Real GDP Growth Rate %

Decline of economic growth in 2019 was due to adverse climate conditions - poor rainfall in 2018/2019 which negatively affected agricultural and electricity production. Further, a decrease in copper volumes and prices including tight liquidity conditions also contributed to the decline.



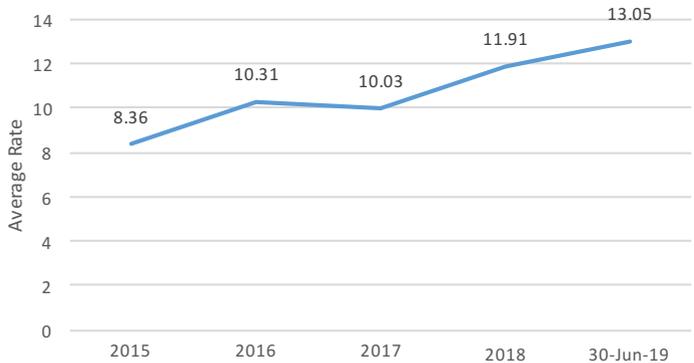
Source: Bank of Zambia and Ministry of Finance

Economic Indicators



Year end US\$ Exchange rate

The depreciation of the Zambian Kwacha during 2019 was due to increased debt service, energy imports and strengthening of United States Dollar.



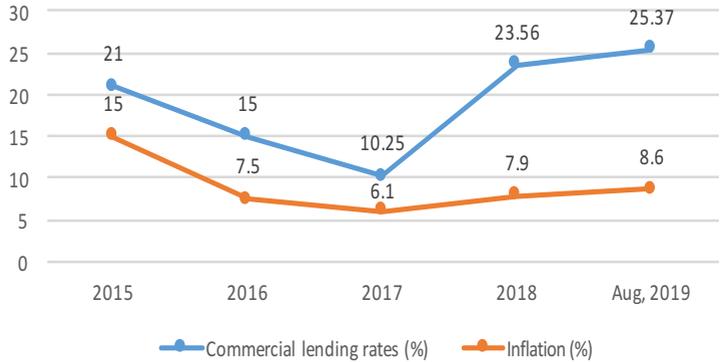
Source: Bank of Zambia, and Ministry of Finance

Economic Indicators



Commercial lending rates and inflation

Commercial banks' average lending rates rose to 26% in August 2019 from 23.6% in December 2018.



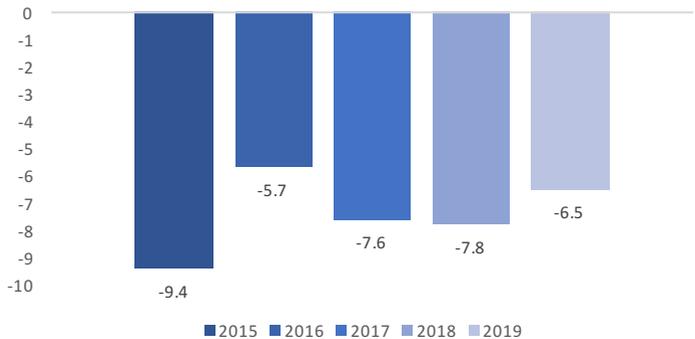
Source: Bank of Zambia and Central Statistics Office

Economic Indicators



Fiscal Deficit as a % of GDP

Budget deficits have continued as a result of tight liquidity conditions in the domestic market together with unfavourable global environment.

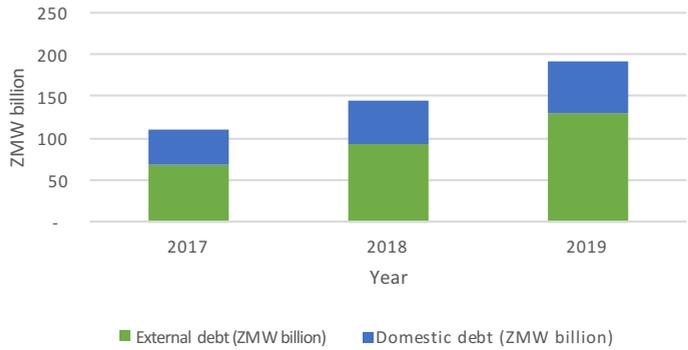


Source: Ministry of Finance, Green Paper.2019-2021 Medium Term Expenditure Framework and 2020 Budget



Trend in public debt

External debt increased mainly on account of disbursements on existing loans. The rate of external debt accumulation at 1.9% was lower than 7.6% for 2018.



Source: Ministry of Finance, Green Paper.2019 -2021 Medium Term Expenditure Framework and 2020 Budget



Policy initiatives

- **Agriculture Livestock and Fisheries**
- **Industrialisation**
- **Regional and International Trade**
- **Tourism**
- **Mining and Energy**
- **Information and Communication Technology**
- **Road Transport and Infrastructure**
- **Water Resources Development and Management**
- **Poverty and Vulnerability Reduction**
- **Developmental Inequalities**
- **Education and skills development**
- **Health**
- **Water supply and sanitation**
- **Policy, Regulatory and Structural Reforms**
- **Domestic Resource Mobilization**
- **Debt Management Policy**
- **Arrears Dismantling Strategy**
- **Monetary and Financial Sector Policies**
- **External sector policies**
- **Public Investment Management Reforms**
- **Census of population and housing**
- **Budget process and tax policy review**



Climate Change

- The 2018/2019 farming season emphasized the continued effects of climate change. Therefore, this requires the adoption of climate smart agriculture technologies and practices which are currently being disseminated in the 2019/2020 farming season and expected to continue in the subsequent farming seasons.
- The Government has continued to build capacity of the Zambia Meteorological Department to provide farmers with latest weather information and improve early warning systems.

Rain-fed Agriculture

- The Government will continue working with Cooperating Partners in developing irrigation development projects. A number of dams have been constructed and others are near completion. For instance, the dam at Mwomboshi in Chisamba District has been completed and the irrigation scheme is expected to be completed in 2020. Other irrigation schemes such as Lusitu in Chirundu District and Musakashi South in Mufulira District are at 85 % and 50 % completion stage, respectively.

Farmer Input Support Programme

- The Government will continue supporting eligible farmers under the Farmer Input Support Programme (FISP) procure and distribute inputs to affected parts of the country.
- For the 2019/2020 farming season, the Government has already commenced the distribution of inputs across the country under the direct input supply model targeting 60% of the one million eligible beneficiary farmers. The remainder of the 40% of the eligible beneficiaries will be covered under the E-Voucher System.
- The Government intends to speed up the construction of telecommunications towers across the country to address the connectivity challenges, which is expected to cut administrative costs, avoid wastage and ensure wider e-voucher coverage.

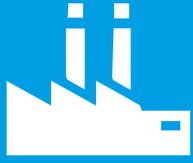
Animal Diseases and Quality of National livestock herd

- To curb and reduce the prevalence of animal diseases such as foot and mouth disease, the Government will step up farmer sensitization, vaccinations, movement restrictions and enforce bio-security measures on farms. Further, the Government will continue with the construction and rehabilitation of dip tanks across the country and a total of 80 dip tanks have been constructed while 153 have been rehabilitated this year.
- To improve the national livestock herd, the Government has rehabilitated and stocked 15 livestock breeding centres across the country. Further, 87 Livestock service centres have been constructed where dipping, branding vaccination and other disease control services are being provided.

Aquaculture Farming

- The Government intends to provide appropriate incentives to stimulate activity in the aquaculture sector and to continue to build capacity among fish farmers through training. A total of 270 farmers have been trained under the Zambia Aquaculture Enterprise Development Project.

Industrialisation



National Industrial Policy

- The Government aims to promote an export-oriented industrialization. Progress is being recorded in the export of products such as cement, honey and detergents, which are being manufactured from local raw materials.

Locally owned Small Enterprises

- To support the local small enterprises undertaking light-manufacturing such as carpentry and foundry, the Government is establishing Industrial Yards across the country which will increase access to processing facilities and create over 4,000 direct jobs.

Regional and International Trade



African Continental Free Trade Agreement

- The Government signed the African Continental Free Trade Agreement which will aid in securing markets and facilitating trade with our regional and international trading partners, particularly for non-traditional exports.
- The Government will put in place measures to ensure that the country benefits from the continental market.

Tourism



Diversification of the Tourism Sector

- In an effort to diversify the tourism sector and contribute to job creation the Government will focus on developing the Northern Circuit and facilitate the actualization of pledges made during Investment Provincial Expositions.
- The Government will prioritize the enhanced promotion of the Lumangwe, Kalambo and Kabwelume water falls as well as revamping tourism activities around the Samfya Beach.

Mining and Energy



Diversification of the Mining Sector

- The Government is promoting the exploration of non-traditional minerals such as gold and manganese. In the 2020 Budget, the Government intends to allocate additional resources for the generation of geological information on the extent of these deposits.

Diversification of the Energy mix

- In an effort to reduce the adverse effect of climate change experienced in the second half of 2019 which saw a widened electricity deficit in the country, the Government will continue with the diversification of energy sources.
- A number of projects undertaken to increase electricity generation have been completed and are operational such as the Bangweulu and Ngonye Solar Power Plants generating a combined total of 90 megawatts. Others such as 750MW Kafue Gorge Lower Hydropower Station Project and the Lusiwasi Upper Hydro Power are expected to be completed in 2020.
- In addition, the developer of the 2,400 megawatts Batoka hydropower plant between Zambia and Zimbabwe has been identified.
- Government will accelerate reforms that will ensure that the energy sector attains cost reflective tariffs to attract investment in various sources of power generation.

Information and Communication Technology



Service delivery

- To enhance transparency and service delivery, the Government will continue rolling out electronic platforms. This is expected to reduce the cost of doing business for both private and public sectors and enhance information sharing.

Online Platform for Government Services

- Government has started actualizing the Government Service Bus that will connect 28 Government services on an online platform to limit human-to-human interaction thereby reduce revenue leakages.

E-Government programme

- Smart Zambia has connected 122 Government departments to the Government Wide Area Network (WAN). A further 50 are expected to be connected in 2020. The connection is expected to ensure that the Government transactions are paperless and reduce operational costs.



Social Cash transfer

- The social cash transfer Programme will be administered electronically to authenticate beneficiaries.

Construction of Communication Towers

- To increase access to ICTs for people in the unserved and underserved areas, the Government will continue with the construction of communication towers. A total of 667 out of a target of 1,009 towers have been constructed and more than 500 are operational.

Management of the Government Wage Bill

- The Government intends to carry out a comprehensive review and verification of the payroll using electronic platforms.



Contracting Local Contractors

- The Government intends to re-scope existing projects, seek alternative financing to debt contraction and increase use of local contractors in the implementation of projects.

Road Tolling

- The Government will continue to expand the National Road Tolling Programme which will be expected to be the backbone of the road maintenance programme.

Air Transport

- The expansion and modernization of the Kenneth Kaunda International Airport has reached over 85% completion and is scheduled to open in 2020.
- The construction of the Copperbelt International Airport, which commenced in 2019 is at 50% completion and the works are expected to continue in 2020.

Rehabilitation of Dams

- To ensure water availability, the Government undertook rehabilitation of dams across the country. To mitigate the adverse impact of climate change, the Government will intensify programmes aimed at preventing environmental degradation.

Poverty and Vulnerability Reduction

Climate Change Interventions

- In 2020, the Government intends to continue implementing policies aimed at mitigating the effects of climate change and empowering the vulnerable. This will be done through provision of information on better usage and management of resources.
- Over 500,000 direct beneficiaries have been supported and enabled to adopt climate resilient practices.
- The Government will continue to mobilise resources under various initiatives.
 - ♦ Social Protection Programmes
 - ♦ Social cash transfer
- The Government will continue to extend social protection programmes to the most vulnerable in society in the midst of tight fiscal conditions.
- In 2020, the social cash transfer scheme will target 700,000 households, while 80,000 beneficiaries will be supported under the food security pack.

Girls' Education and Women's Empowerment and Livelihood Project

- The Government intends to support 75,000 women with training in life and business skills by 2020. Under the same project, 1,600 adolescent girls will be supported with educational provisions in order to keep them in school.
- Further, more than 3,500 youths will be empowered with life skills and startup kits to venture into business.

Developmental Inequalities

Pursuing a unified and integrated national development for all

- The Government will focus on reducing the high levels of developmental inequalities between rural and urban areas. This is in recognition of the need to pursue a unified and integrated national development for all.
- In 2020, the Government will prioritise the completion of ongoing education, health and water and sanitation infrastructure in rural areas in order to increase access to basic social services.
- The Government will continue with the improved rural connectivity project, construction of communication towers and rural electrification programme.
- Under the improved rural connectivity project, a total of 3,375 kilometres of selected rural gravel roads will be rehabilitated over a five-year period to improve access to markets.

Improving access and quality of education

- To improve access and quality of education, the Government will prioritise completion of some infrastructure development projects and the provision of school materials.
- To improve skills development, support to technical education, vocational and entrepreneurship development as a means for job and wealth creation will remain a priority for the Government. Further, skills and entrepreneurship training to the out of school youth and adults, will be accelerated by better targeting of funds generated through the Skills Development Fund.
- To improve progression rate from primary to secondary school level, 68 out of 115 schools under the Zambia Education Project have been completed this year. The construction of 82 secondary schools under the Zambia Education Enhancement Project are scheduled for completion in 2020.
- Government recruited 2,009 teachers to reduce the pupil teacher ratio in 2019.
- Government has completed the construction of the National Science Centre. This is aimed at enhancing the skills of teachers in science, mathematics and technology subjects.
- The Home Grown School Feeding Programme, targeting vulnerable children, will continue to be implemented to increase learner attendance and retention.
- At university level, Government will focus on the completion of on-going projects in 2020.
- To improve financing in the health sector, Government has continued to strengthen the recovery of loans under the Higher Education Loans and Scholarships Scheme.
- To strengthen skills development, equipment was procured for 26 Technical Education Vocational and Entrepreneurship Training institutions across the country using the Skills Development Fund.



Strengthening of the health system

- The Government will continue to strengthen the health system and provide essential medical supplies for the delivery of quality health care services as close to the people as possible.
- The Government will continue with the recruitment of frontline health personnel, infrastructure development and provision of medical supplies.

Health



- The Government has recruited 3,000 nurses and 309 medical doctors to operationalise constructed health facilities.
- The project to construct 650 health posts, of which 342 have been completed, will continue in 2020.
- Lusaka ultra-modern central warehouse has been completed and is fully operational.
- In 2020, focus will be on the implementation of an integrated procurement, financing and logistics system and scaling up of 24 hour pharmaceutical services in all the provinces to ensure timely supply of essential medicines and medical supplies.
- To enhance healthcare financing and promote universal access to health services, the Government is committed to implementing the National Health Insurance Act No. 2 of 2018.

Water supply and sanitation

Improving universal access to water and sanitation

- To improve universal access to water and sanitation, the Government continued to implement the National Urban and Rural Water and Sanitation Programmes. The projects being implemented under the National Urban Water and Sanitation Programme include the Nkana Water Supply and Sanitation Project, Lusaka Water Supply and Drainage Project, Chongwe Water Supply and Sanitation Project. The Kafulafuta Project will provide clean and safe water to cover over one Million people in Mpongwe, Luanshya, Masaiti and Ndola districts on the Copperbelt Province.
- Under the Rural Water and Sanitation Programme, the Government is setting up piped water schemes as well as drilling and rehabilitating boreholes.

Policy, Regulatory and Structural Reforms

Cultivating a conducive governance environment

- A conducive governance environment is important in creating the conditions necessary to trigger and sustain economic diversification, job creation and inclusive growth. The implementation of policy, regulatory and structural reforms continued in 2019. These reforms coupled with austerity measures will continue in 2020 and the medium term.

Domestic Resource Mobilization

Enhancing domestic resource mobilisation

The Government in the medium term will implement measures such as the following:

- The Government will continue with the modernization and automation of revenue collection processes and provision of the Government services. Further, the Government will implement a service platform and payment gateway to create efficiencies in service delivery and tracking of revenues.
- Continue rolling out implementation of electronic fiscal devices to curb tax evasion and improve revenue collection.

Effectively managing expenditure

- This will encompass the effective management of the public service wage bill and other expenditure such as subsidies. Further, halt the accumulation of domestic arrears and prioritise the dismantling of current stock in order to unlock liquidity and stimulate economic activity.
- Other measures will include using off balance sheet financing models such as Public Private Partnerships, re-scoping some works in the road sector from bituminous to gravel in order to reduce costs and revise the Public Procurement Act to provide for reference pricing and strengthen oversight for high value procurements.

Debt Management Policy

Ensuring that debt is maintained within sustained levels

- The management of debt is a key priority for the Government. To this end, the Government will:
 - ♦ Slowdown external debt contraction
 - ♦ Postpone or cancel some pipeline loans
 - ♦ Cease the issuance of guarantees
 - ♦ Refinance existing loans
- The Government will develop the 2020 to 2022 Medium Term Debt Strategy to ensure that the Government's financing needs are met at the lowest possible cost, consistent with a prudent degree of risk.

Arrears Dismantling Strategy

Addressing the challenge of debt arrears

The Government will implement the following measures:

- Increase the allocation of funds to reduce the stock of debt arrears;
- Use Debt swaps to liquidate part of the outstanding arrears; and
- Enhance commitment control systems to curb further accumulation.

Monetary and Financial Sector Policies

Ensuring that financial stability is maintained

- In 2020, monetary policy will focus on bringing inflation back to the target of 6-8 % in the medium term.
- The Bank of Zambia will continue to implement measures aimed at enhancing the resilience of the financial system, to both internal and external economic and financial shock.

Development of the capital markets

- The Government will introduce an electronic trading platform to increase transparency, price discovery and liquidity in the secondary market for Government bonds.

The pursuit of open economic policies

- The Government will continue to pursue open economy policies aimed at encouraging trade, attracting foreign investment and accumulating international reserves. The Government will continue to promote export diversification and maintain a liberal foreign exchange regime.

Public Investment Management Reforms

Strengthening the management and implementation of public investments

- The Government has developed a comprehensive system for the appraisal of projects in order to strengthen the management and implementation of public investments. To support this Public Investment Management System, the Government has constituted a multi-sectoral Public Investment Board to appraise major public investment projects.

Census of population and housing

Census of population and housing

- The Government will undertake a Census of Population and Housing in August 2020.

Budget process and tax policy review

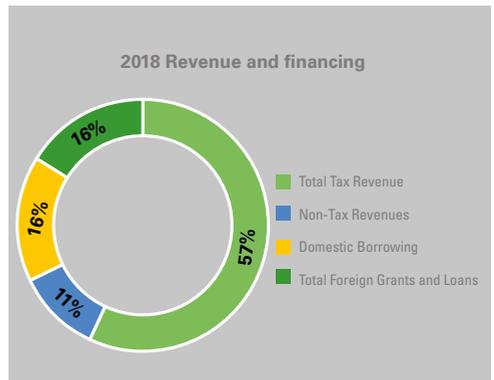
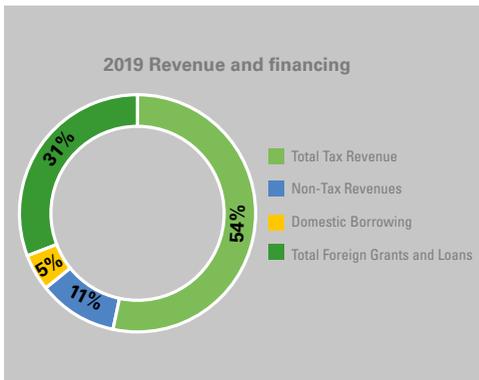
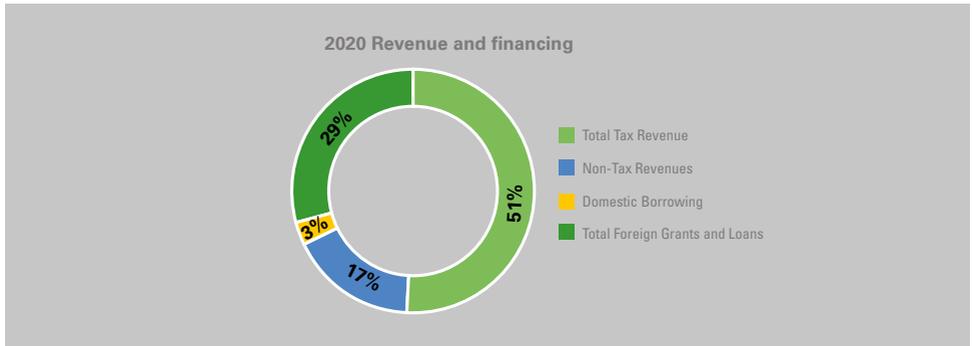
Review of tax system and budgeting process

- The Government will undertake a comprehensive review of the tax system and budgeting process and implementation to make it more responsive to the needs of the economy.

The 2020 budget

The Government intends to spend ZMW 106 billion representing 32.4% of GDP which will be financed by:

- Domestic revenues amounting to ZMW 71.93 billion or 68% of the total budget.
- Debt financing, both domestic and external, amounting to ZMW 34.08 billion or 32% of the total budget.



The 2020 budget (cont')

Total Domestic Revenue, Grants and Financing				
Description	2020	2019	2018	2017
	ZMW 'million	ZMW 'million	ZMW 'million	ZMW 'million
1 Total Tax Revenues	54,217.91	46,956.57	41,139.78	37,622.46
<i>Income Taxes</i>	<i>25,612.52</i>	<i>23,291.35</i>	<i>20,337.61</i>	<i>17,756.98</i>
Company Tax	7,903.93	7,221.61	6,115.94	4,858.31
Other Income Tax	5,377.17	4,648.74	3,957.64	3,083.38
PAYE	12,331.42	11,421.00	10,264.02	9,815.29
<i>Value Added Tax</i>	<i>18,942.81</i>	<i>14,862.48</i>	<i>12,369.47</i>	<i>9,463.34</i>
<i>Customs & Excise Duty</i>	<i>9,213.35</i>	<i>8,410.79</i>	<i>8,098.70</i>	<i>7,992.62</i>
Customs Duty	4,210.54	3,537.75	3,302.25	3,224.20
Export Duty	181.00	149.15	51.62	68.41
Excise Duty	4,821.81	4,723.89	4,744.83	4,700.00
Other revenues	449.23	391.95	334.00	518.58
2 Non-Tax Revenues	17,709.12	9,130.24	7,947.24	5,317.33
Mineral Royalty Tax	4,819.62	4,887.60	3,527.74	1,890.94
Fees & Fines/Exceptional	12,889.50	4,242.64	-	-
3 Domestic Borrowing	3,456.87	4,164.21	11,153.29	3,836.20
Total Domestic Revenues & Finance	75,383.89	60,251.02	60,240.31	46,775.99
4 Foreign Grants	-	1,924.18	2,438.30	2,231.47
5 Foreign Financing	-	24,632.70	8,983.78	15,502.84
Project Loans	-	16,807.70	7,558.78	8,033.33
Programme Loans	-	7,825.00	1,425.00	7,469.51
Total Foreign Grants and Loans	30,623.72	26,556.88	11,422.08	17,734.31
Total Revenue & Financing	106,007.61	86,807.89	71,662.39	64,510.30

The 2020 budget (con't)

Expenditure by Function						
Function	2020 Budget		2019 Budget		2018 Budget	
	ZMW 'million	Percentage of Budget	ZMW 'million	Percentage of Budget	ZMW 'million	Percentage of Budget
General Public Services	44,080.74	41.58%	31,277.06	36.03%	25,898.03	36.14%
Defence	6,526.39	6.16%	5,072.43	5.84%	3,498.22	4.88%
Public Order and Safety	4,042.70	3.81%	2,865.51	3.30%	2,144.57	2.99%
Economic Affairs	21,833.35	20.60%	20,651.09	23.79%	17,258.33	24.08%
Environmental Protection	611.78	0.58%	875.10	1.01%	951.35	1.33%
Housing and Community Amenities	3,460.38	3.26%	2,238.70	2.58%	816.26	1.14%
Health	9,366.59	8.84%	8,069.13	9.30%	6,781.56	9.46%
Recreation, Culture and Religion	383.05	0.36%	297.27	0.34%	451.16	0.63%
Education	13,121.65	12.38%	13,274.55	15.29%	11,561.64	16.13%
Social Protection	2,580.98	2.43%	2,187.06	2.52%	2,301.26	3.21%
Grand Total	106,007.61	100.00%	86,807.89	100.00%	71,662.39	100.00%

The 2020 budget (con't)

General public services

- The Government has budgeted to spend a total of ZMW 44.08 billion of the total budget towards general public services. ZMW 21.09 billion and ZMW 12.63 billion of this allocation will be spent on external and domestic debt servicing respectively.
- ZMW 2.28 billion has been allocated to the dismantling of domestic debt arrears. Further, ZMW 1.16 billion has been allocated to the Local Government Equalisation Fund.

Economic Affairs

- The Government has proposed to spend ZMW 21.83 billion or 20.6% of the budget on the Economic Affairs Function.
- ZMW 11.17 billion has been allocated to the development of energy power infrastructure.
- ZMW 10.55 billion has been allocated to road infrastructure development.

Education

- In 2020, the Government proposes to spend ZMW 13.12 billion on education.
- ZMW 1.07 billion will be allocated to infrastructure projects.
- ZMW 179 million will be allocated to the Skills Development Fund.

Health

- The government proposes to spend a total of ZMW 9.36 billion on health. Of this amount, ZMW 1.47 billion will be channeled towards infrastructure projects, while ZMW 900 million

has been allocated towards the procurement of drugs and medical supplies.

Housing and community amenities

- The Government has proposed to spend ZMW 3.46 billion on housing and community amenities which includes ZMW 2.62 billion towards water supply and sanitation.

Public order and safety

- The Government has proposed to spend ZMW 3.46 billion on housing and community amenities which includes ZMW 2.62 billion towards water supply and sanitation.

Social protection

- The Government has allocated ZMW 2.58 billion towards social protection expenditures including ZMW 1.02 billion for the Public Service Pension Fund and ZMW 1.05 billion for the social cash transfer. In addition, the food security pack has been increased to ZMW 122 million from ZMW 110 million in 2019.

Other functionaries

- ZMW 6.53 billion has been allocated to defence up from ZMW 5.07 billion the previous year.
- ZMW 611.78 million allocated towards environmental protection down from ZMW 875.10 million the previous year.
- ZMW 383.04 million allocated to recreation, culture and religion up from ZMW 297.27 million the previous year.

Domestic taxes

All proposed changes under Domestic taxes for the fiscal year 2019 are effective 1st January 2020.

Pay As You Earn

Exempt threshold

The exempt threshold remains the same in 2020 at ZMW 3 300 per month and ZMW 39 600 per annum, as was the case in 2019.

Marginal rate and tax bands adjustment

The marginal PAYE rate in 2020 will remain the same at 37.5%. The PAYE tax bands remain the same as indicated in the tables below.

Monthly					
Current PAYE bands – 2019			Proposed PAYE bands – 2020		
From	To	Tax rate	From	To	Tax rate
0	3 300.00	0%	0	3 300.00	0%
3 300.01	4 100.00	25%	3 300.01	4 100.00	25%
4 100.01	6 200.00	30%	4 100.01	6 200.00	30%
Above	6 200.00	37.5%	Above	6 200.00	37.5%

Annual					
Current PAYE bands – 2019			Proposed PAYE bands – 2020		
From	To	Tax rate	From	To	Tax rate
0	39 600.00	0%	-	39 600.00	0%
39 600.01	49 200.00	25%	39 600.01	49 200.00	25%
49 200.01	74 400.00	30%	49 200.01	74 400.00	30%
Above	74 400.00	37.5%	Above	74 400.00	37.5%

Presumptive tax for individuals operating public service vehicles

The presumptive tax for individuals operating public service vehicles remains the same as follows:

Vehicle Sitting Capacity	Current Tax per Annum (ZMW)
64 seater and above	10 800
50 - 63 seater	9 000
36 - 49 seater	7 200
22 - 35 seater	5 400
18 - 21 seater	3 600
12 - 17 seater	1 800
Below 12 seater	900

Domestic taxes (con't)

Corporate income tax (non-mining)

The various year-on-year non-mining and proposed 2020 tax rates are indicated in the table below:

Category	Charge year		
	2020	2019	2018
Manufacturing and other	35%	35%	35%
Manufacturing - value added to copper cathodes	15%	15%	35%
Manufacturing of organic fertilisers	15%	15%	15%
Manufacture of chemical fertilisers	15%	15%	15%
Farming	10%	10%	10%
Agro processing	10%	10%	10%
Companies listed on the Lusaka Stock Exchange (less 2% in first year of listing on LuSE/ less 5% for as long as one-third of shares are owned by indigenous Zambians)	35%	35%	35%
Public benefit organisations on business income	15%	15%	15%
Non-traditional exports	15%	15%	15%
Export of non-traditional export from farming or agro - processing	10%	10%	10%
Commercial imports (advance income tax)	15%	15%	15%
Insurance premium levy	3%	3%	3%
Skills development levy	0.50%	0.50%	0.50%
Tourism levy	1.50%	1.50%	1.50%
Telecommunications companies			
up to ZMW250 000	35%	35%	35%
excess of ZMW250 000	40%	40%	40%
Carry forward of tax losses			
Electricity generation by Hydro and thermal power	10 years	10 years	10 years
Electricity generation using other sources except wood	5 years	5 years	5 years
All other non-mining companies	5 years	5 years	5 years

Domestic taxes (con't)

Corporate income tax (non-mining)

Category	Charge year		
	2020	2019	2018
Capital allowances deductions			
Investment/initial allowance on new industrial buildings	10%	10%	10%
Industrial building allowance	5%	5%	5%
Plant & machinery used in manufacturing & tourism	50%	50%	50%
Implements, machinery & plant used in the generation of electricity	50%	50%	50%
Plant, equipment and machinery used in farming and agro - processing	100%	100%	100%
Commercial buildings	2%	2%	2%
Commercial motor vehicles & other plant and machinery	25%	25%	25%
Non-commercial motor vehicles	20%	20%	20%
Farm works/improvements & improvement allowance under Multi Facility Economic Zones only	100%	100%	100%
Capital allowances to be provided on an annual basis irrespective of how accounts are drawn or prepared			

Domestic taxes (con't)

Corporate income tax (mining)

The table below shows the various year-on-year tax rates and the proposed 2020 changes.

Category	Charge year		
	2020	2019	2018
Mining – Base Metals/Gemstones/Precious Metals	30%	30%	30%
Mineral processing	30%	30%	30%
Mineral royalty rates			
Mineral royalty tax scales on base metals			
\$1- \$4,449	5.50%	5.50%	4%
\$4,500 - \$5,999	6.50%	6.50%	5%
\$6,000 - \$7,499	7.50%	7.50%	6%
\$7,500 and above	10%	10%	6%
Mineral royalty on precious metals	6%	6%	6%
Mineral royalty on gemstones	6%	6%	6%
Mineral royalty on cobalt	8%	8%	5%
Mineral royalty tax is a non-deductible levy for income tax purposes			
Persons in possession of minerals to account for mineral royalty			
Capital allowances deductions			
Mining equipment & related capital expenditure (claim when asset is brought into use)	20% *	25%	25%
Commercial motor vehicles & other plant and machinery	25%	25%	25%
Non-commercial motor vehicles	20%	20%	20%
Use average Bank of Zambia (BOZ) mid rate for computing indexed losses and capital allowances			
Carry forward of tax losses			
Mining operations	10 years	10 years	10 years
Prospecting & exploration	5 Years	5 Years	5 years
Import duty on certain mining equipment	Rebate	Rebate	Rebate
VAT deferment scheme (annual application)	Yes	Yes	Yes
Other rates			
Withholding tax on dividends	0%	0%	0%

* 2020 Proposed Budget Changes

Domestic taxes (con't)

Corporate income tax (mining)

Category	Charge year		
	2020	2019	2018
Export duty on Copper & Cobalt concentrates	10%	10%	10%
Import duty on copper and cobalt concentrates	5%	5%	0%
Export duty on precious metals and gemstones	15% *	15%	0%
Export duty on manganese ores and concentrates	15%	15%	10%
Thin capitalisation threshold – Debt to equity ratio	EBITDA	EBITDA	3:01
Taxation of hedging income	35%	35%	35%
Property transfer tax on sale or transfer of land or shares	5%	5%	5%
Property transfer tax on sale or transfer of mining rights	10%	10%	10%

* 2020 Proposed Budget Changes

Domestic taxes (con't)

Filing of tax returns

Tax Calendar

2020 Charge year	Due Date
Corporate tax	
Submission of provisional income tax return (electronic)	31-Mar-20
Submission of income tax provisional tax return (manual)	5-Mar-20
Payment of first quarter provisional tax installment	10-Apr-20
Payment of second quarter provisional tax installment	10-Jul-20
Payment of third quarter provisional tax installment	10-Oct-20
Payment of fourth quarter provisional tax installment	10-Jan-21
Submission of annual tax return for 2019 and payment of balance of tax (electronic)	21-Jun-21
Submission of annual tax return for 2019 (manual)	5-Jun-21
2019 Charge year	
Corporate tax	
Submission of provisional income tax return (electronic)	31-Mar-19
Submission of income tax provisional tax return (manual)	5-Mar-19
Payment of first quarter provisional tax installment	10-Apr-19
Payment of second quarter provisional tax installment	10-Jul-19
Payment of third quarter provisional tax installment	10-Oct-19
Payment of fourth quarter provisional tax installment	10-Jan-20
Submission of annual tax return for 2019 and payment of balance of tax (electronic)	21-Jun-20
Submission of annual tax return for 2019 (manual)	5-Jun-20
Others	
Mineral Royalty return and payment	14th of the following month
PAYE monthly return and payment	10th of the following month
Premium levy return	18th of the following month
Premium levy payment	18th of the following month
Property transfer tax	14 days from assessment
Transfer Pricing Policy documentation compliance for 2019 charge year	21-Jul-20
Tourism Levy	14th of the following month
VAT return and payment	18th of the following month
WHT VAT return and payment	16th of the following month
Withholding tax payments and certificate	14th of the following month

Domestic taxes (con't)

Other Domestic taxes

The various year-on-year withholding tax and other taxes and capital allowances rates are provided in the table below:

Category	Year		
	2020	2019	2018
Withholding tax and other rates			
Non-mining dividend pay-outs	20%	20%	15%
Profits distribution by branches of foreign companies	20%	20%	15%
Management and consultancy fees to residents	15%	15%	15%
Management and consultancy fees to non-residents	20%	20%	20%
Royalties to non-residents	20%	20%	20%
Interest on savings, deposits and loans for individuals on savings and deposit accounts	0%	0%	0%
Interest on Treasury Bills for Individuals (Final tax)	15%	15%	15%
Interest on Treasury Bills (Final tax for Public Benefit Organisations)	15%	15%	15%
Interest on Government securities (Coupon Income) for local and non-residents	15%	15%	15%
Interest payable to non-residents	20%	20%	15%
Commissions to non-residents	20%	20%	20%
Public Entertainment fees to Non- Residents (Final tax)	20%	20%	20%
Non-Resident Contractors	20%	20%	20%
Rentals (Final tax)	10%	10%	10%
Property transfer tax on intellectual property	5%	5%	5%
Property transfer tax (Indirect control/ ownership change in a foreign country of an interest in a Zambian asset)	5%	5%	5%
NAPSA tax allowable threshold/month	ZMW0	ZMW0	ZMW255
Winnings from gaming, lotteries and betting			
Casino live games	20%	20%	20%

Domestic taxes (cont)

Other Domestic taxes

Category	Year		
	2020	2019	2018
Casino machine games	35%	35%	20%
Lottery winnings	35%	35%	20%
Betting	10%	10%	20%
Gaming - per machine per month	ZMW 250 - ZMW 500	ZMW 250 - ZMW 500	ZMW 0
The Zambia Revenue Authority is the interim regulator for the gaming industry			
Turnover tax			
Threshold	Up to ZMW 800 000	Up to ZMW 800 000	Up to ZMW 800 000
Standard rate	4%	4%	Graduated
Turnover tax under declaration penalties			
Penalty for negligence	1.50%	1.50%	1.50%
Penalty for late return	ZMW 150	ZMW 150	ZMW 150
Penalty for willful default	3%	3%	3%
Penalty for fraud	4.50%	4.50%	4.50%
Carbon tax			
Motor cycles	ZMW 50	ZMW 50	ZMW 50
Engine size greater than 1 500cc	ZMW 50	ZMW 50	ZMW 50
Engine size between 1 500cc and 2 000cc	ZMW 100	ZMW 100	ZMW 100
Engine size between 2 000cc and 3 000cc	ZMW 150	ZMW 150	ZMW 150
Engine size over 3 000cc	ZMW 200	ZMW 200	ZMW 200
Carbon tax for vehicles transiting or entering Zambia *			
Motor cycles	USD 12 or ZMW Eqv*		
Engine size greater than 1 500cc	USD 12 or ZMW Eqv*		
Engine size between 1 500cc and 2 000cc	USD 24 or ZMW Eqv*		
Engine size between 2 000cc and 3 000cc	USD 36 or ZMW Eqv*		
Engine size over 3 000cc	USD 48 or ZMW Eqv*		

* 2020 Proposed Budget Changes

Direct tax

All proposed changes under Direct tax are effective 1st January 2020.

The following changes in Direct taxes have been proposed for the 2020 fiscal year:

- **Farming redefined** - Farming has been redefined to exclude activities ancillary to agriculture such as marketing, technical or management services or any other varying degrees of involvement in the agriculture process.
- **Transfer pricing amendments to be made as follows:**
 - Provide for price premium adjustments; Commissioner General to be empowered to request sales agreements and third party invoices relating to the sale of minerals; extend the use of the reference pricing to adjust the pricing of purchases between related or associated persons; and Deem the Agreed Sale Price between a resident person or non-resident person with an unrelated person to be the reference sales price for tax purposes of the Zambian person where the agreed price is higher than the reference price and the sale to the unrelated person of the base or precious metal does not involve further milling, blending, treatment, refinement or transformation.
- **Penalties for late submission of returns in relation to dividends and payments to non-resident contractors** - Penalties for late submission of the returns to be introduced.

Property transfer tax

All proposed changes under Property transfer tax are effective 1st January 2020.

The following changes in Property Transfer Tax have been proposed for the 2020 fiscal year:

- **Definition of Shares** - To include "Equivalent Rights" whereby Property Transfer Tax will be due on the transfer of rights that are equivalent to shares.
- **Realised value definition to be broadened** - The value used to compute the value of shares in cases involving the indirect transfer of shares for companies incorporated outside Zambia to include Nominal value and the direct consideration of the shares being transferred in addition to the current computation based on formula, whichever is higher of the three.
- **Nil realised value for certain transfers of property within group of companies** - A provision to empower the Commissioner General to determine a nil realised value for transfers of shares that do not lead to a transfer of economic value where the effective shareholding does not change, to be introduced.
- **Exemption exclusion** - To exclude from exemption, transfers between Group Companies that have only been members of a Group for a period of 3 years and below.
- **Penalties and interest on late payment of taxes payable under sections 81, 81A, 82 and 82A** - Penalties and interest to be imposed

on late payment of withholding tax on dividends, payments to non-resident contractors, interest, royalties, rent, commissions, management and consultancy fees, and public entertainment fees.

- **Transfer Pricing Provisions amendment** - "Actual conditions", "Arm's length conditions" and "related or associated persons" to be redefined.
- **Withholding tax on interest payable to Banks and financial institutions** - The interest will be exempt from withholding tax.
- **Transfer Pricing Provisions amendment** - To provide for corresponding transfer pricing adjustment arising from a transaction with both a resident and non-resident related person.
- **Withholding tax on interest payment on Government securities to non-residents** - To be reduced to 15% from 20%.

Value Added Tax

All proposed changes under Value Added Tax are effective 1st January 2020

The following changes in Value Added Tax (VAT) have been proposed for the 2020 fiscal year:

- **Import VAT on mining capital equipment and machinery** - To zero-rate.
- **VAT on ancillary services directly linked to goods in-transit** - To standard rate the ancillary services.
- **Input VAT on consumables** - Input VAT on consumables such as stationery, lubricants and spare parts will not be claimable expenses. This rule will not

apply to stock in trade.

- **Input VAT on diesel (mining and mineral processing companies)** - Input VAT claims to be reduced from 90% to 70%.
- **Input VAT on electricity (mining and mineral processing companies)** - Input VAT claims to be reduced from 100% to 80%.
- **VAT on Copper Cathodes sold locally** - Local copper cathodes sales to be zero rated.
- **VAT on gas stoves, other gas cookers and gas boilers** - The supplies are to be zero rated.

Other VAT measures

The government has proposed the following measures to address VAT compliance and administrative challenges:

- The Tax online system for domestic taxes to be upgraded and linked to the customs systems to ensure all the import VAT claims or refunds are validated through the system based controls against data in the customs system.
- Mandatory use of Electronic Fiscal Devices for VAT and other tax types.
- Mandatory use of the Point of Sales machines for all taxable supplies.
- Mandatory capture on the invoice the Tax Payer Identification Number and names of the buyer and seller of goods and services among businesses and government transactions.
- Enhancing data analytics and bulk data matching with third party institutions such as Patents and Company Registration Agency, Ministry of Lands and Natural Resources, NAPSA, ZESCO and Zambia Public Procurement Authority.
- Ensure VAT claims are timely audited and verified.
- The Commissioner General to be the sole issuer of Local Purchase Order (LPO) for zero rating.

Customs and excise

All proposed changes under customs and excise are effective 1st January 2020.

The following changes in customs and excise have been proposed for the 2020 fiscal year:

- **Customs duty on Liquefied Petroleum Gas** - Customs duty removed.
 - **Customs duty on specified capital equipment & machinery imported by mining and mineral processing companies** - Introduce customs duty at 10% on specified mining capital equipment and machinery which are currently duty free or attract customs duty of 5%.
 - **Surtax on Flexible Intermediate Bulk Containers** - Impose 5% surtax on importation of the containers.
 - **Excise duty on cigarettes** - Increase the specific excise duty rate on cigarettes from ZMW 240 per mile to ZMW 265 per mile.
 - **Streamline the duty drawback scheme** - Duty refunds under the scheme to be limited to import duty paid by a claimant and remove refunds of implied duties on locally sourced inputs.
 - **Customs duty on machinery used for processing of solid waste to generate electricity and produce organic fertilizers** - Customs duty to be suspended for three years.
 - **Carbon tax on motor vehicles entering Zambia** - Increased by 20%.
 - **Customs duty suspension on aqua culture equipment** - Customs duty suspended for a period of three years on selected equipment used in aqua culture.
- Other measures**
- **Duty on import of Publicity Material by Tourism Agencies** - Remission of duty to be introduced.
 - **Duty on goods imported for humanitarian purposes forwarded as aid to persons affected by natural disasters or similar catastrophes**
 - Remission of duty provisions to be introduced.
 - **Excise licence for manufacture of all types of non-alcoholic beverages** – Provision for a single excise licence to be introduced.
 - **Excise duty payment date** - To be aligned to the return submission due date of 15th of the following month.
 - **Appointment of excise duty withholding agents** - The Commissioner General to be empowered to appoint withholding tax agents on manufactured oil products.
 - **COMESA Simplified Certificate of Origin for goods imported by small scale traders** – Provision for a simplified certificate to be made for small scale traders who import goods worth less than US\$1 000.
 - **Licensing of Customs Areas to persons other than Licensed Clearing agents to be introduced** – Persons will be licensed based on approved criteria which will require obtaining binding (security) among other requirements.
 - **Approval of persons to enter the Customs Accreditation Client Programme with defined benefits** - The Commissioner General to be empowered to approve persons that meet defined compliance standards/ requirements for CACP.
 - **Kenneth Kaunda International Airport Commercial Terminal working hours to be extended.**
 - **Excise duty penalties for late return submission** – To be increased to 1 000 penalty units from 100 penalty units.
 - **Export duty exemption on goods exported in bond** – Goods imported into Zambia and bonded will not attract export duty when exported in bond.

Other information

New Legislation

The Employment Code Act No. 3 of 2019

The Employment Code Act No. 3 of 2019 repeals and replaces the Employment Act, the Employment (Special Provisions) Act, the Employment of Young Persons and Children Act and the Minimum Wages and Conditions of Employment Act.

The Act was implemented on 8 May 2019 and employers have a period of one year to ensure that all existing employee contracts are compliant with the amended Act.

A summary of the key provisions of the Act is provided below:

Leave provisions

- **Annual** - An employee will now only be entitled to annual leave after continuous employment for a period of twelve months (previously six months). The minimum rate for annual leave remains two days per month.

An employee should be paid for any leave that has not been taken at the end of the year.

Every employee will be entitled to annual leave benefits.

- **Sick** - An employee on a short-term contract is now entitled to full pay for the first twenty-six working days of sick leave and thereafter, half pay for the next twenty-six working days of the sick leave.

An employee on a long-term contract is now entitled to be paid full pay during the first three months of the sick leave and thereafter, half pay for the next three months of the sick leave.

- **Compassionate** - An employee is now entitled to compassionate leave with full pay for a period of at least twelve days in a calendar year.
- **Family responsibility** - An employee who has worked for a period of six months or more, shall now be granted leave of absence with pay for a period not exceeding seven days in a calendar year to enable the employee to nurse a sick spouse, child or dependent.

- **Paternity** - Male employees who have been with an employer for a minimum period of twelve months are now entitled to paternity leave of at least five continuous working days.
- **Maternity** - Maternity leave has been increased from twelve weeks to fourteen weeks. In the case of a multiple birth, maternity leave will be extended for a further period of four weeks.

Severance pay provisions

- Employees on fixed term contracts are entitled to either a gratuity at the rate of not less than twenty-five percent of the employee's basic pay earned during the contract period or the retirement benefits provided by the relevant social security scheme that the employee is a member of.
- Where a contract of employment of a fixed duration has been terminated, an employee is entitled to a gratuity at the rate of not less than twenty-five percent of the employee's basic pay earned during the contract period as at the effective date of termination.
- An employee whose employment is terminated on medical grounds is, in addition to any other accrued benefits, entitled to a lump sum of not less than three months basic pay for each completed year of service.
- Where an employee dies in service, the severance pay will be two months basic pay for each year served under the contract of employment.

Probation

- The Act provides for a maximum probationary period of three months; and
- An employer may extend a probationary period for a further period not exceeding three months.

Housing

The amended Act now makes it mandatory for an employer to provide an employee housing, a loan or an advance towards the purchase or construction of a house, a guarantee facility for a mortgage or house loan on behalf of

Other information (cont)

the employee or pay the employee housing allowance.

The National Health Insurance Act No. 2 of 2018

The National Health Insurance Act No. 2 of 2018 established the National Health Insurance Scheme. The accompanying Regulations were issued on 20 September 2019. The purpose of the Act is to ensure that all Zambians have equitable access to quality health care.

The Act requires that all Zambians that are in employment make monthly contributions into a fund which will be used to run the public health system.

The Act further requires every foreigner who does not have a valid health insurance, to apply for health insurance upon arrival at the port of entry.

Employers, employees and self-employed citizens are required to each contribute on the 10th of every month, 1% of their basic salary or declared income respectively.

A health care provider that wishes to provide an insured health care service to a member is required to make an application to the Authority for accreditation, and will be issued with a certificate upon approval.

Securities (Internal Control Reporting Framework for Issuers of Registered Securities) Guidelines, 2019

The Securities (Internal Control Reporting Framework for Issuers of Registered Securities) Guidelines, 2019 were effective on 1 July 2019. The purpose of the guidelines is to provide guidance to issuers and auditors on the application of Sections 146, 147 and 149 of the Securities Act No.41 of 2016.

The term '*internal control over financial reporting*' has been defined in the guidelines as:

"A process designed by, or under the supervision of the Chief Executive Officer and the Chief Financial Officer or persons performing similar functions, and implemented by a company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting

and the preparation of financial statements for external purposes in accordance with generally accepted accounting principle."

The implementation requirements are as follows:

Year 1: 31 December 2019

The reporting entity shall perform a GAP assessment that focuses on the internal control framework in place. The objective is for the reporting entity to understand the key weaknesses within their control environment that may pose challenges during reporting. This gap assessment report will be shared with SEC for informative purposes. This report will NOT be distributed to the public.

Year 2: 31 December 2020

The reporting entity shall perform a self-certification in compliance with Section 146. This self-certification will be provided to the SEC for informational purposes and to help the reporting entity walk through the self-certification process. This report will NOT be distributed to the public.

Years 3,4 and 5: 31 December 2021 going forward

The reporting entity shall perform a self-certification in accordance with Section 146 and submit this to SEC. In addition, the auditor of the entity shall also issue an assurance report on internal controls in accordance with Section 149 which will be submitted to SEC. These reports will NOT be distributed to the public.

Other Information

Investment incentives available from the Zambia Development Agency

There are no limits on the amount of investment required to be made for the purpose of acquiring an investment license. However, there are some minimum investment thresholds required to qualify for certain benefits.

Specifically, the investment should have a minimum of:

- US\$250 000 in order to qualify for basic non-tax incentives; and
- US\$500 000 in order to qualify for special tax incentives for priority sectors located in a multi-facility economic zone, industrial park or

Other information (cont)

a rural area.

Priority sectors for investment incentives

Construction and establishment of infrastructure activities (excluding renovation, expansion and refurbishment), in particular:

- **Education** - Construction of education and skills training institutions.
- **Health** - Construction of health centres as defined under the Health Professions Act of 2009.
- **Tourism** - Construction and establishment of hotels, convention centres, exhibition centres, museums, theme parks, art galleries and theatres.
- **Housing** - Development of fifty or more houses erected or maintained under one management or control on land developed specifically for the sitting of such houses in accordance with a comprehensive plan which provides for the laying out of roads and the furnishing and availability of services essential or ancillary to the use of such building as houses.

- **Agriculture** - Construction of crop and grain storage facilities.

● Energy and water development

- i) **Power** - Building and installation of power stations for power generation (including solar power generation).
- ii) **Fuel** - Building and installation of processing and refinery plants for bio-fuel; construction of petroleum refineries; construction of pipelines; and construction of rural filling stations.
- iii) **Water supply** - Construction of depots; construction of dams; construction of irrigation canals; and construction of water and sewerage treatment plants.

Available tax incentives

- 0% import duty on plant, machinery and equipment acquired for an investment.
- Eligible investors will be able to claim on a straight line basis, for wear and tear at an accelerated rate, not exceeding 100% in respect of any new implement, plant or machinery acquired and used by the business for the purposes of that business.

Immigration

The Government has introduced the online application and processing of visas and permits. The table below details the type, cost and processing time for the various visas and permits.

Type	Application cost	Renewal cost	Processing time
Single entry visa	US\$ 50	US\$ 50	5 Days
Multiple entry visa	US\$ 80	US\$ 80	5 Days
Transit visa	US\$ 50	US\$ 50	5 Days
Day tripper visa	US\$ 20	US\$ 20	5 Days
Temporary employment permit	ZMW 4 5 00	ZMW 5 250	21 Days
Employment permit	ZMW 6 000	ZMW 7 000	21 Days
Temporary permit	ZMW 6 000	ZMW 5 250	21 Days
Investors permit	ZMW 4 000	ZMW 5 000	21 Days
Residence permit	ZMW 5 000	-	21 Days
Spousal permit	ZMW 750	ZMW 1 500	21 Days

Other information (cont)

Company incorporation requirements

Companies incorporation requirements	
1	Minimum of 2 Directors (3 for public companies); 50% of the directors should be resident in Zambia
2	Minimum of 2 shareholders; these may be individuals or entities
3	Minimum share capital of ZMW 15 000
4	Proposed registered address
5	Secretary

Tax registration requirements

Tax registration requirements	
1	Certificate of incorporation of the company
2	Certificate of share capital of the company
3	Articles of association of the company
4	A map (sketch) of your business location
5	Tenancy agreement for the business premises
6	A printout of your bank account in Zambia showing the funds currently available in the account
7	A business plan and projected cash flow for a period of one year

Double taxation treaties

The rate of withholding tax deductible on payments may be reduced where there is a tax treaty in place between Zambia and the recipient country.

Country	Dividends (%)	Interest (%)	Royalties (%)	Management fees and payments to non-resident contractors (%)
Botswana	5%*/7%	10%	10%	Nil
Canada	15%	15%	15%	Nil***
China	5%	10%	5%	Nil****
Denmark	15%	10%	15%	Nil
Finland	5%/15%**	15%	5/15%	Nil
France	20%*****	20%*****	0%	0%
Germany	5%/15%**	10%	10%	Nil
India	5%/15%**	10%	10%	Nil***
Ireland	7.5%	10%	10%	Nil
Italy	5%/15%**	10%	10%	Nil
Japan	Nil	10%	10%	Nil
Kenya	15%*	15%*	20%*	20%*

Mauritius	5%/15% **	10%	5%	Nil
Netherlands	5%/15% **	10%	10%	Nil
Norway	15%	10%	15%	Nil
Romania	10%	10%	15%	Nil
South Africa	15% *	15% *	20% *	20% *
Sweden	5%/15% **	10%	10%	Nil
Switzerland	5%/15% **	10%	10%	Nil
Tanzania	15% *	15% *	20% *	20% *
Uganda	15% *	15% *	20% *	20% *
United Kingdom	5%/15% **	10%	10%	Nil

* Rate applies if income is subject to tax in the country of the recipient.

** The 5% rate applies if the recipient is a company which controls directly or indirectly at least 25% of the voting power/capital/shares in the company paying the dividends.

*** Certain additional conditions apply

**** Excludes director's fee

*****The 20% rate applies to Companies

CONTACT US

Address

Sixth Floor, Sun Share Tower
Plot No. 15584/2, Katima Mulilo Road
Olympia Park
Lusaka

Jason Kazilimani

Senior Partner & Chief Executive Officer
T: +260 211 372 900
E: jkazilimani@kpmg.com

Michael Phiri

Director, Tax
T: +260 211 372 900
E: mphiri@kpmg.com

Maaya Chipwayambokoma

Partner, Audit
T: +260 211 372 900
E: mchipwayambokoma@kpmg.com

Cheelo Hamuwele

Partner, Audit
T: +260 211 372 900
E: cheelohamuwele@kpmg.com

Our values

We lead by example

We work together

We respect the individual

We seek the facts and provide insight

We are open and honest in our communication

We are committed to our communities

Above all, we act with integrity



www.facebook.com/kpmgzambia



twitter.com/kpmgzambia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in future. No one should act on such information without appropriate professional advice after a thorough examination of their particular situation.

© 2019 KPMG Zambia Limited, a Zambian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved.

The KPMG name, logo and 'the clear choice' are registered trademarks of KPMG International Cooperative (KPMG International).