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Zambia 2025 Budget Tax Highlights

"BUILDING RESILIENCE FOR INCLUSIVE GROWTH AND IMPROVED LIVELIHOODS"

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BUDGET HIGHLIGHTS

THE 2025 BUDGET - "BUILDING RESILIENCE FOR INCLUSIVE GROWTH AND IMPROVED LIVELIHOODS"

Budgeted Expenditure

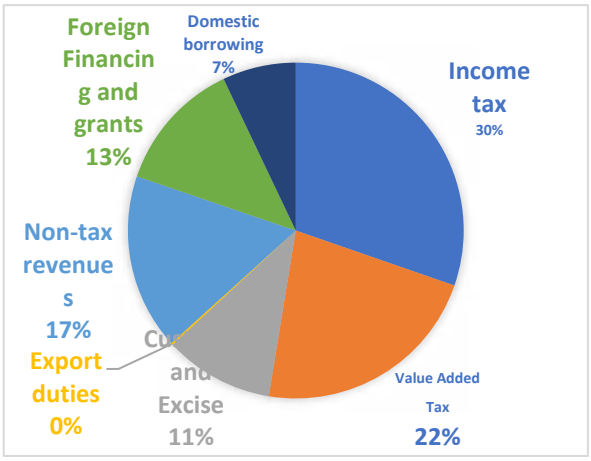
The 2025 Zambian budget Policy Statement presented by the Finance and National Planning Minister, mainly focuses on stimulating economic growth and ensuring resilience against external shocks. Below is the summary of budget allocation for the financial year 2025.

Budget allocation for 2025

	2025 K' Million'	%	2024 K' Million'	%
General Public Services	73,815	34.0%	58,930	33.1%
Defence	10,321	4.7%	9,922	5.6%
Public Order and Safety	8,406	3.9%	6,756	3.8%
Economic Affairs	48,713	22.4%	39,756	22.3%
Environmental Protection	1,481	0.7%	1,451	0.8%
Housing and Community Amenities	2,989	1.4%	2,651	1.5%
Health	23,167	10.7%	20,906	11.8%
Recreation, Culture and Religion	559	0.3%	493	0.3%
Education	31,493	14.5%	27,355	15.4%
Social Protection	16,161	7.4%	9,672	5.4%
Grand total	217,105	100.00%	177,892	100.00%

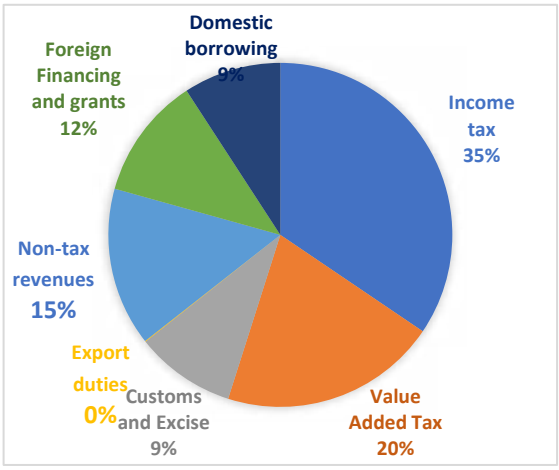
To fund the proposed budget allocations, the Government plans to generate revenue from multiple sources as outlined in the table below. It is projected that 63% of the total revenue will come from taxes, 17% from non-tax revenues, and 4% from grants. The remaining 16% will be sourced through financing, split between external and domestic financing at 56% and 44%, respectively.

The 2025 revenue envelopes



Function	K' Million'
Income tax	65 810
Value Added Tax	48 341
Customs and excise	22 854
Export duties	408
Non-tax revenues	36 774
Foreign Financing and grants	27 559
Domestic borrowing	15 359

The 2024 revenue envelopes



Function	K' Million'
Income tax	61 322
Value Added Tax	36 362
Customs and excise	16 774
Export duties	120
Non-tax revenues	26 535
Foreign Financing and grants	20 450
Domestic borrowing	16 329

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Proposed Tax Measures

Tax measures and proposals

Direct Taxes

The following direct income tax measures have been proposed by the Minister

i. **Advance Income Tax** - Introduction of AIT at **15%** on remittances exceeding US$2,000 or its equivalent for entities without valid Tax Clearance Certificates or non-compliant exporters.

This is aimed at ensuring tax compliance by all exporters.

ii. **Corporate income tax rate** applicable to profits realised from export of non- traditional products and value addition to copper cathodes increased from **15%** to **20%.**

iii. **Presumptive taxes-** Upward revision of bands for presumptive tax on operators of motor vehicles for transportation of persons by **20%** as detailed in the table below;

Vehicle Sitting Capacity	Current Tax Per Annum (ZMW)	Proposed Tax per Annum (ZMW)
Over 64 seater	12 960	15 552
50 - 63 seater	10 800	12 960
36 - 49 seater	8 640	10 368
22 - 35 seater	6 480	7 776
18 - 21 seater	4 320	5 184
12 - 17 seater	2 160	2 592
Below 12 seater	1 080	1 296

iv. **Withholding Tax Exemption Certificates on Royalties** – Introduction of a provision to enable tax payers access to withholding tax exemption certificates on royalties. This provision does not exist currently.

v. **Due date for withholding agents**- A proposal to provide for a due date for withholding agents to remit the withheld taxes to ZRA. The Minister proposes that the Withholding Agents do remit withheld taxes at least 2 days before the due date of the relevant withheld tax.

The Minister has also proposed a penalty for non-compliance with the above due date.

Currently there is no due date and no penalty for failing to remit the withheld tax or late remittance.

vi. **Special Purpose Vehicle (SPV) carrying out a Public Private Partnership (PPP) -** The Minister has proposed a clarification on the 5-year period of incentives for a Special Purpose Vehicle (SPV) carrying out a Public Private Partnership (PPP) Project, by clarifying that the 5 years begin when the first profit is declared followed by the four consecutive years after notwithstanding any loss made within the 5 years.

vii. **Waiver on the underestimation of provisional taxes** – The Minister has proposed to grant the Commissioner General the authority to waive the underestimation penalty on provisional taxes if satisfied with the reasons given by the taxpayer. Currently there is no such provision in the law.

viii. **Expansion of the scope for property transfer tax coverage-** The Minister has proposed expanding property transfer tax coverage to include regulated lenders not governed by the Banking and Financial Services Act to base foreclosure property valuations on the actual sale price rather than the open market price, addressing the current restriction that limits value determination based on received sale proceeds to financial service providers under the Act

Tax measures and proposals

Value Added Taxes

Smart Invoicing

i. **Input VAT deduction**

The Minister has proposed to restrict input deductions to transactions where the corresponding invoice is issued from Smart Invoice System with an exception of transactions supported by approved invoices issued by taxpayers exempted from the use of smart Invoicing system.

ii. **Exemption of suppliers from Smart Invoicing System**
The minister has proposed to Empower the Commissioner General to exempt certain suppliers or category of suppliers from using smart invoicing based on satisfaction of prescribed conditions.

iii. **Manually recorded transactions**

The minister has proposed to clarify that all transactions recorded manually should be uploaded to the Smart Invoicing system within 72 hours after the system is restored.

iv. **Notification of the Commissioner General on cessation of use of an approved invoicing system**

The Minister has proposed making it mandatory for taxpayers to notify the Commissioner General within 30 days of ceasing to use any approved invoicing system for legitimate reasons. Currently regulations only provide for notification in the event of cessation of business.

v. **Restriction on transfer and unauthorized access to the Smart Invoicing System**

The Minister has proposed clarifying that an approved invoicing system registered under the Smart Invoicing System for use by a specific taxable supplier cannot be transferred to a third party. It will be the taxpayer's obligation to safeguard the system from unauthorized third-party access and use

vi. **Waiver of penalties for VAT related offences**

The Minister has proposed empowering the Commissioner General to waive penalties for VAT-related offences in circumstances where current legislation does not provide such authority. Presently, the law only allows the Commissioner General to waive penalties for VAT offences during ordinary administration or under Tax Amnesty periods.

"Any invoice issued outside the smart invoice system except those prescribed by the Act, will not qualify for input tax claims"

"The deadline for all taxpayers to migrate to issuance of invoices under the Smart Invoicing System remains 30 September 2024"

Customs and Excise Measures

i. Introduction of Surtax on selected goods

The Minister has proposed an introduction of Goods Surtax on the following imported products;

Item	HS Code	Current rate	Proposed rate
Printed paper products and packaging material	4819.20.00	0%	5%
Garden hose of an internal diameter not exceeding 30.00mm	3917.21.20	0%	20%
Other	3917.21.90	0%	20%
Rigid, of an internal diameter not exceeding 203.00mm	3917.22.20	0%	20%
Other	3917.22.90	0%	20%
Rigid, of an internal diameter not exceeding 30.00mm	3917.23.20	5%	20%
Other	3917.23.90	0%	20%

ii. Increase in excise duty on non –alcoholic beverages

The Minister has proposed to increase excise duty on non-alcoholic beverages to K 1 per litre from the current 60 Ngwee.

iii. Introduction of excise duties on betting amount

The Minister has proposed an Excise duty at the rate of 10% on the betting amount.

iv. Adjustment of penalty units on failure to lodge declaration for goods prior to importation

The Minister has proposed to increase the penalty fee from 1,667 fee units (ZMW664.40) to 10,000 fee units (ZMW4,000) for anyone who fails to lodge a declaration for goods prior to the importation.

v. Pre-clearance of goods prior to the arrival of goods in Zambia

The Minister has proposed to amend Section 32 B 1{d) of Customs and Excise Act to provide for pre-clearance of goods at any time prior to arrival of goods in Zambia. Currently the Act provides that pre clearance may be made at least 5 days prior to arrival of goods in Zambia.

vi. Appeal on seizure of goods by Customs

The Minister has proposed to amend the Customs and Excise Act to provide for an appeal to be made on seized goods, additional methods of serving seizure notice and the period for which a determination on the seizure can be made by the Commissioner General.

Currently, there is no provision for an appeal to be made on seized goods and the time frame within which the Commissioner General may make a determination on an appeal. In addition, a seizure notice may only be served by physical delivery, post, or publication in the Government Gazette.

vii. Suspension of Customs clearing agents TPIN's

The Minister has proposed to give powers to the Commissioner General to suspend user accounts for customs clearing agents and their principals with outstanding obligations.

viii. Payment period of an assessed amounts

The Minister has proposed the following measures to align various sections of the law;

- The alignment of the number of days for payment after an assessment from 5 to 3 days Section 108 (10) with Section 32B subsection (2) of the Customs and Excise Act
- The alignment of the number of days of payment of duty to within 3 days of issuance of a notice of assessment in Section 139(D)(6) with Section 32B (2) of the Customs and Excise Act
- Alignment of the number of days for payment of duty to within 3 days after the issuance of a notice of assessment in Regulation 14(2) of the principal Regulations with Section 32B (2) of the Customs and Excise Act
- Alignment of the number of days for payment of duty to within 3 days after the issuance of a notice of assessment in Regulation 19 of the principal Regulations with Section 32B (2) of the Customs and Excise Act.
- Alignment of the number of days for payment of duty to within 3 days after the issuance of a notice assessment in Regulation 52 of the principal Regulations with Section 32B (2) of the Customs and Excise Act.

ix. Increase of fee units for duplications and cancellations of Bills of Entry

The Minister has proposed to increase fee units for duplications and cancellations of Bills of Entry from 5000 (ZMW2000) to 10,000 (ZMW4,000).

Tax measures and proposals

x. **Reduction of the number of days from 15 to 10** within which warehoused goods can be entered for consumption, re-warehousing or export after the expiry of the one year under Section 62 of the Customs Act.

xi. **Extension of the working hours at Victoria Falls Border to 24hrs.**

xii. **Designation of Zombe as Customs House and Mpika a port of entry**

The Minister has proposed to designate Zombe as Customs House and Mpika a port of entry for goods imported by pipeline. Mpika has also been proposed to be a warehousing port

Currently, Zombe is designated as a port of entry for non-commercial goods while Mpika is neither a port of entry nor a Customs House.

xiii. **Simplified Trade Regime**

The Minister proposes to introduce Simplified Trade Regime with a value threshold of exported goods aligned to that of imported goods (US $2,000) for which an entry can be dispensed with, as the Commissioner General may prescribe.

The law, currently does not provide for Simplified Trade Regime for exports and a value threshold for exported goods for which an entry can be dispensed with, while there is a Simplified Trade Regime for imported goods with a threshold of USD2,000 equivalent or less for which an entry can be dispensed with.

The Minister further proposes for the payment 30 fee units (ZMW12) for entry of goods for export under a simplified trade regime.

xiv. **Separate Harmonized System (HS) Codes for Soya Bean Cake and Soya Husks.**

The Minister has proposed separate HS codes for the above products as Currently they both incur a 5% customs duty and a 5% surtax and are classified under the same HS Code 2304.00.00, despite being distinct products.

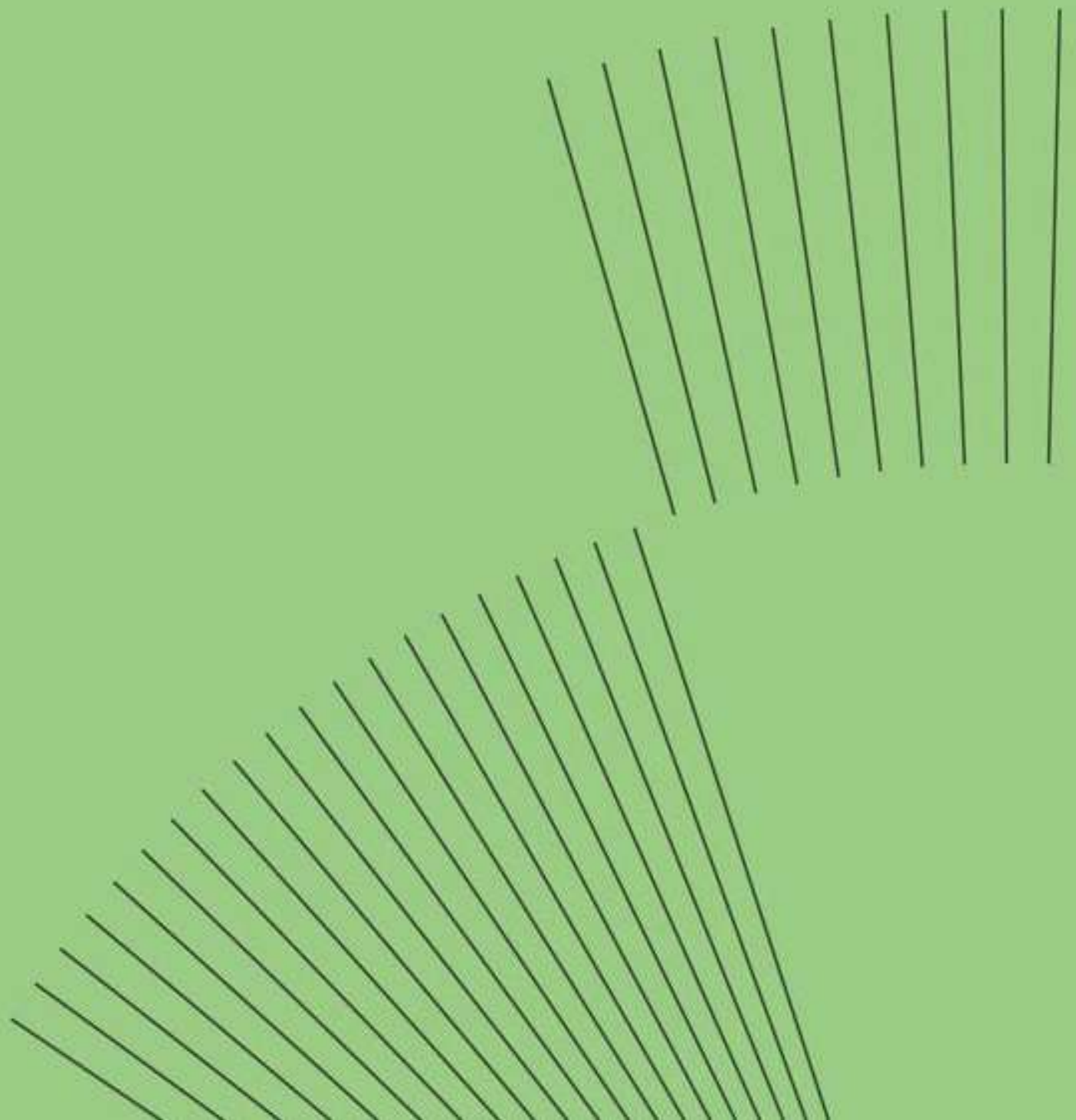
xv. **Production of electrical energy (of not more than 100KW) exempt from licensing and without payment of duty.**

The Minister has proposed inclusion of 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.

All the above measures other than those specified will take effect on 1st January 2025

Non Tax Revenue

Measures and proposals



Non Tax Revenue measures and proposals

The following non tax revenue measures have been proposed by the Minister

- Introduction of a fee of K1,500 for occupational safety and health training offered by the Ministry of Labour and Social Security.
- The Minister also proposed to introduce fees for mine safety and examination, and revise geological survey fees upwards.
- Increase in fees for foreign artists as follows;
  - ✓ SADC- from K1,778 to K5,000
  - ✓ Non- SADC - from K1,778 to K15,000
- Categorization of the art promoter licences into international, local, and venue and exhibition licences as follows:

Category	Proposed Licence Fees (K)
International Artist Promoters	20,000
Local Artist Promoters	5,000
Venue and Exhibition Promoters	1,500

- Introduction of licensing fees for crop variety, basic and certified seed sales, and parental lines sales as follows:

Category	Proposed Licence Fees (K)
Crop variety licensing (Royalties)	3% of net sales of certified seed for crop hybrids
	2.5% of net sales of certified seed for open-pollinated varieties
Basic and certified seed sales	Cereals K35 per kg
	Legumes K45 per kg
	Cassava cuttings K110 per bundle
	Sweet potato vines K35 per bundle
Parental lines sales	K150 per kg

- Introduction of a fee of K2,500 for resident permit holders who stay outside Zambia for more than six months in line with international practice.

Taxpayer Identification Number - The Minister has proposed that the following institutions and transactions be included in the list of those transactions where Tax Identification Number is required

	Institution	Type of Transaction
1	Water utility companies	Account opening and holding
2	Mobile money operators	Account opening and holding
3	Mobile network operators and internet service providers	Account opening and holding
4	Airline operators and agents	Ticketing where buyer is of majority age and a Zambian
5	National Health Insurance	Account opening and holding
6	National Pension Scheme	Account opening and holding
7	Professional bodies	Membership registration, subscription and renewal
8	Local Authorities	Registration of title deed

Tax Clearance Certificate (TCC) - The Minister has proposed to make it mandatory that the following transactions be included in the list that require a General Tax Clearance Certificate

- Transfer of property
- Acquisition of any license from any Government Ministry, Department/ Agency
- Securing financing from any institution registered under the Banking and Financial Services Act.

All the above measures other than those specified will take effect on 1st January 2025

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2025 Tax Rates

Applicable Tax Rates

Non-mining operations

Category	Charge Year	
	2025	2024
Corporation tax rates	%	%
Manufacturing and other	30	30
Manufacturing of organic fertilizers	15	15
Manufacture of chemical fertilizers	15	15
Tourism	30	30
Farming	10	10
Agro processing	10	10
Companies listed on the Lusaka Stock Exchange (less 2% in first year of operation)	30	30
Public benefit organization on business income	15	15
Export of non-traditional goods	20	15
Commercial imports (Advance Income Tax)	15	15
Electronic communications business	35	35
Public-Private Partnership	20	20
Lapidary and Jewellery Facilities	25	25
Carry Forward Losses		
Electricity generation by hydro and thermo power	10 years	10 years
Electricity generation using other sources except wood	10 years	10 years
All other non-mining companies	5 years	5 years
Capital Allowances Deductions		
Investment/initial allowance on new industrial buildings	10	10
Industrial building allowance	5	5
Plant and machinery used in manufacturing and tourism	50	50
Implements, plant and machinery – farming and agro processing	100	100
Farm works/improvements and improvement allowance under MFEZ only	100	100
Implements, plant and machinery – for developers of MFEZ	100	100
Implements, machinery and plant used in generation of electricity	50	50
Commercial buildings	2	2
Commercial motor vehicles and other plant and machinery	25	25
Non-commercial motor vehicles	20	20
Development allowance period	5years	5years
Local content allowance	2%	2%
Special Purpose Vehicle for Public-Private Partnership	100%	100%

Taxation on mining

Category	ChargeYear	
	2025	2024
	%	%
Mining - Base metals/Gemstones/Precious metals	30	30
Variable Profits tax - up to	15	15
Capital Allowances Deductions		
Mining equipment and related capital expenditure(claim when asset is brought into use)	20	20
Commercial motor vehicles and other plant and machinery	25	25
Non-commercial motor vehicles	25	25
Other special incentives		
Import duty on certain mining equipment	Rebate	Rebate
VAT Deferment scheme	No	No
Carry Forward Losses		
Mining operations	10Years	10Years
Prospecting and exploration	5Years	5Years
Other Rates		
Withholding tax on dividends	0	0
Export duty on copper and cobalt concentrates	10	10
Taxation of hedging income	30	30
Property Transfer Tax on sale or transfer of Land and Shares	5	5
Property Transfer Tax on sale or transfer of mining rights	10	10
Companies involved in value addition using copper cathodes as inputs	20%	15%

Applicable Tax Rates

PAYE tax bands

Proposed PAYE Bands 2025			Current PAYE Bands 2024		
From	To	Tax Rate (%)	From	To	**Tax Rate (%)**
0	5,100	0	0	5,100	0
5,101	7,100	20	5,101	7,100	20
7,101	9,200	30	7,101	9,200	30
9,200	Above	37	9,200	Above	37

Mineral Royalty Tax Regime

Norm Price Range	Mineral Royalty Rate 2025	Mineral Royalty Rate 2025	Mineral Royalty Rate 2024
	Taxable amount		
Less than US$4,000	First US$ 4,000	4.0%	4.0%
US$4,001 but less thanUS$5,000	The next US$ 1,000	6.5%	6.5%
US$5,001 but less than US$7,000	The next US$ 2,000	8.5%	8.5%
More than US$7,001	The balance	10%	10%

Description	Mineral Royalty Rate 2025	Mineral Royalty Rate 2024
Base Metals (Other than Copper, cobalt, and vanadium)	5% of norm value	5% of norm value
Energy and industrial Minerals	5% of gross value	5% of gross value
Gemstones	6% of gross value	6% of gross value
Precious Metals	6% of norm value	6% of norm value
Cobalt and vanadium	8% of norm value	8% of norm value

Withholding taxes and other taxes

Category	Charge	year
Withholding tax and other rates	**2025**	**2024**
Non-mining dividend pay-outs	15%	15%
Profits distribution by branches of foreign companies	20%	20%
Management and Consultancy fees for Locals	15%	15%
Management fees to non-residents	20%	20%
Royalties to non-residents	20%	20%
Debentures interest paid to Zambian investors in a property loan stock company listed on theLusaka Stock Exchange	0%	0%
Interest for individuals on savings and deposit accounts (Final tax)	0%	0%
Interest on treasury bills for individuals (Final tax)	15%	15%
Interest on treasury bills (Final tax for Public Benefit Organizations)	15%	15%
Interest on government bonds (coupon income)	15%	15%
Interest earned by individuals of a Co-operatives or Village Banking	0%	0%
Discount income on government bonds	0%	0%
Commissions to non-residents	20%	20%
Public entertainment fees to non-residents (Final tax)	20%	20%
Non-resident contractors	20%	20%
Skills Development Levy	0.5%	0.5%
Dividends payable to non-residents	20%	20%
Dividends payable to residents	15%	15%
Dividends - Agro-processing (Corn starch) – for years 2023 to 2033	0%	0%
Interest payable to non-residents	20%	20%
Re-insurance placed with non-licensed Re-Insurance Companies	0%	0%
Investment Income on Life Insurance Funds	0%	0%
Winnings from Gaming, Lotteries and Betting	15%	15%
Excise duty on betting amounts	10%	0%

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

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