



Deloitte Africa Tax & Legal

COVID-19 Pandemic – Tax Relief Measures in Zambia

Introduction

On 11 March 2020, the World Health Organization (WHO) declared COVID-19 as a global pandemic. This pandemic is having serious negative effects on global trade, domestic economies, employment and, in general, on our way of life. Therefore, many countries have had to come up with economic stimulus packages to support businesses and individuals, especially those bearing the most severe impact of the pandemic. These packages have inevitably included fiscal relief measures.

Zambia is not an exception!

Tax relief measures

On 27 March 2020, the Minister of Finance announced some fiscal relief measures in light of the COVID-19 pandemic. These tax measures include the following:

- Suspension of export duty on copper ores and concentrates: Statutory Instrument No. 39 of 2020 provides that export duty on copper ores and concentrates has been suspended during the period 1 April 2020 to 31 December 2020;
- Suspension of export duty on precious metals: Statutory Instrument No. 40 of 2020 provides that export duty on selected precious metals has been suspended with effect from 30 March 2020;

- Suspension of export duty on crocodile skin: Statutory Instrument No. 38 of 2020 provides that export duty on crocodile skin has been suspended during the period 1 April 2020 to 31 December 2020;
- Input VAT on imported spare parts now deductible: Through a revocation of Regulation 9A of the Value Added Tax Regulations of 2010, Statutory Instrument No. 36 of 2020 provides that input VAT on spare parts lubricants and stationery will be deductible. The Regulation does not provide an effective date; and
- Refund or remission of excise duty on ethyl alcohol: Statutory Instrument No. 41 of 2020 provides that excise duty paid or payable on imported ethanol for use in alcohol-based sanitisers and other medicine related activities qualifies for refund or remission, with effect from 1 March 2020.

On 20 April 2020, the Minister announced further additional tax relief measures. These include the following:

- Waiver of penalties and interest: All penalties and interest on outstanding tax liabilities will be waived through administrative guidelines to be issued by the Zambia Revenue Authority (ZRA);
- Suspension of import duty: Statutory Instrument No. 42 of 2020 provides that import duty on selected medical supplies is suspended with effect from 1 April 2020 to 30 September 2020;
- VAT zero-rating of medical supplies: Statutory Instrument No. 37 of 2020 provides that selected medical supplies will be zero-rated for VAT purposes with effect from 1 April 2020 to 30 September 2020.

The medical supplies qualifying for both import duty suspension and VAT zero-rating include COVID-19 testing equipment, protective garments, thermometers, disinfectants, sterilization products and other medical equipment such as ventilators and patient monitoring devices.

Waiver of penalties and interest guidelines

Regarding the waiver of penalties and interest, the ZRA has issued the following guidelines:

- The waivers will apply on all tax types applicable to any individual or businesses;
- The penalties and interest to be waived should relate to principal tax, entries or tax returns made between 1 April 2020 and 30 September 2020;
- Penalties and interest relating to the period up to 1 April 2020 shall only be granted upon submission of outstanding tax returns or entries and upon full settlement of principal tax liabilities;
- Penalties and interest relating to the period after 1 April 2020 shall only be granted upon production of a valid Time to Pay Agreement (TPA) entered into after that date;
- Taxpayers are expected to pay all outstanding principal tax liabilities within the waiver period or such period as may be permitted through a TPA;

- Voluntary-disclosures of non-compliance (e.g. of omitted income or unpaid taxes), for any period, made by taxpayers in the waiver period will not attract any penalties and interests if the principal tax liability is paid in full or a valid TPA is produced; and that
- The waiver shall not apply to penalties and interest arising from the following:
 - Cases under litigation or investigation;
 - An audit or investigation;
 - Court cases; and
 - Acts or commission of fraud.

Need help?

The Deloitte Zambia Tax Team is available to help you navigate these unprecedented times. How do I access the tax relief measures announced by the Zambian Government? Which of my efforts in facilitating Working-From-Home could have tax consequences? Do my dislocated employees face a possibility of double taxation? Does the dislocation pose a permanent establishment risk? What company transfer pricing policies do I need to review? What tax relief measures are available in other countries that my group of companies operate from?

We are able to help on these and many other questions that you might have.

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