



Brief on the Money Bills Supporting the Implementation of the 2026 Budget

**Parliamentary Budget Office
November 2025**

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1. Introduction

In accordance with Article 202 (1) of the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Minister responsible for Finance presented to the National Assembly for approval Estimates of Revenue and Expenditure for the financial year 1st January to 31st December, 2026.

The 2026 Budget is themed “Consolidating Economic and Social Gains Towards a Prosperous, Resilient and Equitable Zambia.” In the 2026 fiscal year, the Government proposes to spend K253.1 billion, representing 27.4 per cent of GDP. This expenditure will be financed primarily from domestic revenues amounting to K206.5 billion, which constitute 81.6 per cent of the total budget or 22.3 per cent of GDP. In addition, grants from cooperating partners amounting to K12.1 billion which is equivalent to 4.8 per cent of the total budget will supplement domestic resources. The remaining K34.5 billion, equivalent to 3.7 per cent of GDP, will be financed through domestic and external borrowing.

To strengthen domestic resource mobilisation and provide targeted relief to stimulate economic growth, the Government has proposed several revenue measures under the following Bills:

- i. Income Tax (Amendment) Bill, N.A.B. No. 19 of 2025;
- ii. Customs and Excise (Amendment) (No. 2) Bill, N.A.B. No. 20 of 2025;
- iii. Value Added Tax (Amendment) Bill, N.A.B. No. 21 of 2025;
- iv. Property Transfer Tax (Amendment) Bill, N.A.B. No. 23 of 2025;
- v. Mobile Money Transaction Levy (Amendment) Bill, N.A.B. No. 24 of 2025; and
- vi. Betting Levy Bill, N.A.B. No. 31 of 2025.

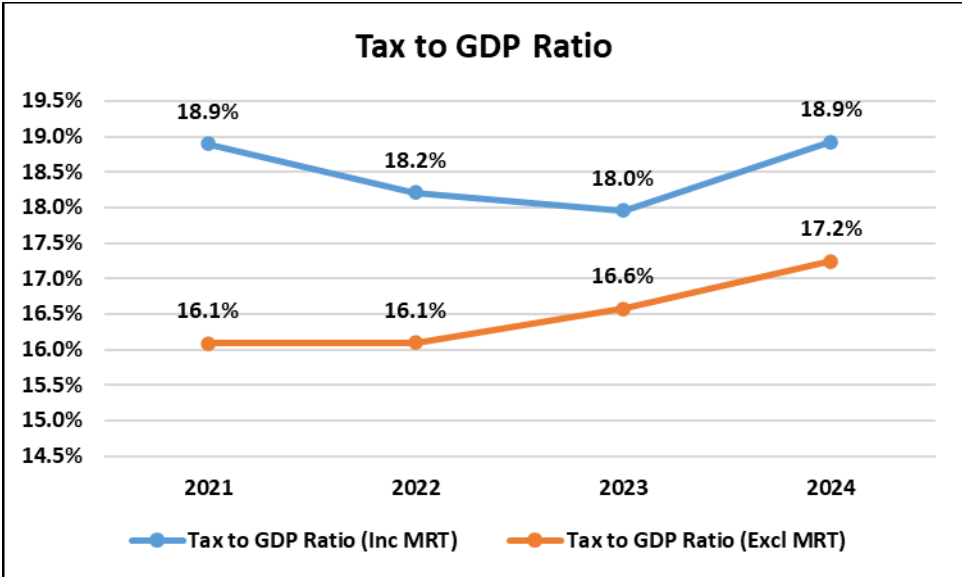
This Brief has been prepared by the Parliamentary Budget Office for the Planning and Budgeting Committee. It presents an analysis of the proposed tax changes. It begins by reviewing the performance of tax revenue, followed by a detailed examination of the proposed measures and their implications.

1.1. Tax-to-GDP Ratio

The tax-to-GDP ratio measures the proportion of a country's tax revenue relative to its total economic output (nominal GDP). A higher ratio indicates stronger revenue mobilisation, showing that the tax administration collects more revenue per unit of GDP. Conversely, a lower ratio suggests weaker tax collection in relation to GDP, which may result from administrative inefficiencies or policy gaps.

In Zambia, as shown in Figure 1 below, the tax-to-GDP ratio (excluding Mineral Royalty Tax) increased from 16.1 per cent in 2021 to 17.2 per cent in 2024, averaging 16.5 per cent. This improvement reflects stronger revenue mobilisation. However, Zambia's ratio remains below the SADC and OECD averages of 17.7 per cent and 33.9 per cent, respectively, recorded in 2023.

Figure 1: Tax to GDP Ratio



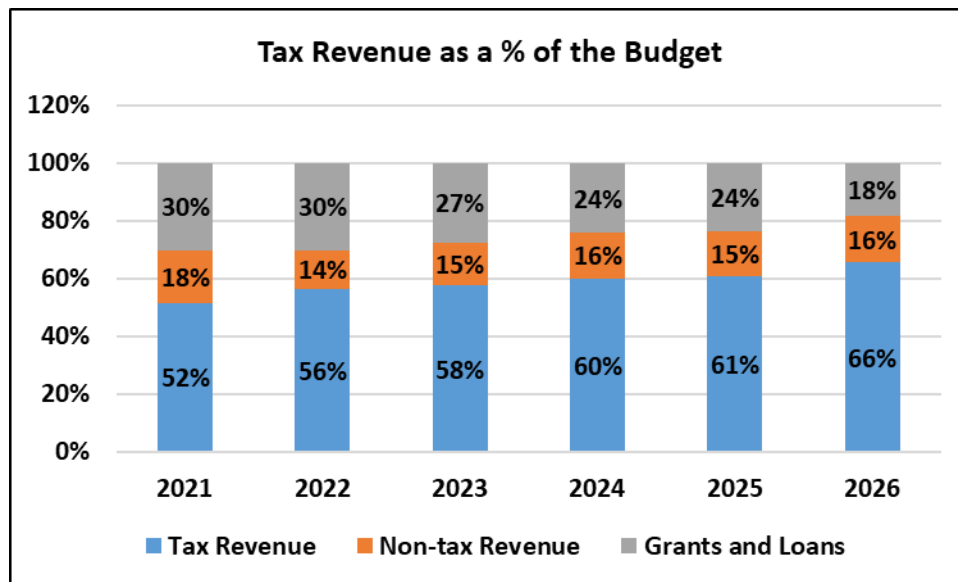
Source: PBO construction using MoFNP Annual Economic Reports

1.2. Tax-to-Budget Ratio

The tax-to-budget ratio indicates the extent to which the National Budget is financed by tax revenue. A higher ratio suggests greater fiscal self-reliance, while a lower ratio reflects higher dependence on grants and borrowing.

Zambia's tax-to-budget ratio improved from 52.0 per cent in 2021 to 60.0 per cent in 2024, showing increased reliance on domestic tax revenue to finance the Budget. It is projected to reach 66.0 per cent by 2026. In contrast, the share of grants and loans in the Budget is expected to decline from 30.0 per cent in 2021 to 18.0 per cent in 2026.

Figure 2: Tax to Budget Ratio



Source: PBO construction using MoFNP Annual Economic Reports and 2026 Budget

1.3. Tax Buoyancy

Tax buoyancy measures the responsiveness of tax revenue to changes in economic growth, capturing the combined effects of economic performance and tax policy measures. A buoyant tax system, with a value equal to or greater than 1, is when revenues are growing proportionally or faster than GDP, while

low buoyancy, with a value less than 1, suggests inefficiencies in tax design or administration.

Between 2021 and 2024, Zambia's tax system was buoyant, averaging 1.15. Value Added Tax (VAT) recorded the highest buoyancy at an average of 1.8, indicating that it was the most responsive tax type to changes in economic growth. In contrast, Income Tax was not buoyant, with an average buoyancy of 0.8, meaning tax revenue did not grow proportionally with economic growth. This is attributed to lower-than-expected collections in company tax in 2023 due to reduced payments made by mining companies.

Table 1: Tax Buoyancy

Tax Type	2021	2022	2023	2024	Average
Total Tax	1.1	1.0	1.3	1.2	1.1
Income Tax	1.3	1.2	-0.4	1.3	0.8
Value Added Tax	1.0	0.5	4.7	1.1	1.8
Customs and Excise Duties	0.5	1.1	2.4	1.2	1.3

Source: Source: PBO construction using MoFNP Annual Economic Reports

2. Money Bills Supporting the 2026 National Budget

This section provides a detailed analysis of the Money Bills supporting the implementation of the 2026 National Budget.

2.1. Income Tax (Amendment) Bill, N.A.B. No. 19 of 2025

The section presents the proposed measures in the Income Tax (Amendment) Bill, NAB. No. 19 of 2025.

i. Introduction of Income Tax Concessions for Public-Private Partnership Projects in the Railway Sector

The Government proposes to amend the Income Tax Act to provide a fiscal regime for the Public-Private Partnership (PPP) for the rehabilitation, operation, maintenance, management, and financing of the TAZARA Special Purpose Vehicle (SPV). This follows a \$1.4 billion PPP agreement between TAZARA and China Civil Engineering Construction Corporation (CCECC) to upgrade the railway to world-class standards¹.

The 30-year agreement schedules phased rehabilitation and modernization of the railway network. The first three years will focus on track rehabilitation, reconditioning locomotives and wagons, and overhauling operations. The remaining 27 years will cover operations and maintenance, keeping the railway in optimal condition. The refurbishment of railway track infrastructure accounts for most of the investment, about \$1 billion, while the purchase of 762 wagons and 32 new locomotives will cost an additional \$400 million. Given this background, the proposed tax concession measures are discussed in the sections below.

a) Preferential Corporate Income Tax Structure - Amendment of the Charging Schedule

The fiscal regime provides a highly preferential corporate income tax structure for a special purpose vehicle in the railway sector. The standard corporate income tax rate in Zambia is 30.0 per cent. However, under the Income Tax Act, the maximum rate of tax charged on income received by any special purpose vehicle undertaking a PPP project under the Public-Private Partnership Act, 2023, is limited to 15.0 per cent from the first year the project becomes profitable, for a period of five years. For railway PPP projects, however, the Government

¹[TAZARA Secures \\$1.4 Billion Deal with China to Revamp Regional Railway - Zambia Transport & Logistics](#)

proposes more concessions as illustrated in Table 3. A special purpose vehicle carrying out a PPP project in the railway sector will be exempted from corporate income tax during the first five years of operation, followed by a reduced rate of 10.0 per cent for years six to fifteen, 12.0 per cent for years sixteen to twenty-five, and 30.0 per cent or the statutory corporate tax rate, whichever is lower, for years twenty-six to twenty-eight.

Table 2: Proposed Corporate Income Tax Structure for Special Purpose Vehicle in the Railway Sector

Charge Years of Operation	Tax Rate on SPV Income
1 – 5	0% (full exemption)
6 – 15	10%
16 – 25	12%
26 – 28	30% or statutory corporate income rate (whichever is lower)

Source: PBO construction using Income Tax (Amendment) Bill, 2025

PBO Comment

The long-term tax concessions acknowledge the substantial \$1.4 billion investment and the long lead times needed for large-scale railway infrastructure projects. They help maintain liquidity during the construction and rehabilitation phase, encourage private financing, and make the concession attractive to investors. However, these extended tax concessions also mean significant foregone revenue for Government and carry the risk of setting a precedent for preferential treatment, which could create pressure to offer similar incentives to other sectors, potentially undermining revenue collection. There is need to review the concession agreement mid-term, especially after five years. This is important for both the parties to the Agreement to take care of changes in the global economy. In the Development Agreements, there was a provision which provided for a trigger point. This is especially important given the need to

mobilize domestic resources to maintain fiscal and debt sustainability. As emphasized by the International Monetary Fund (IMF) following its mission to Zambia in 2025, the Government needs to reform the tax system by reducing tax expenditures, such as revenue losses from concessions and exemptions, and to make the tax regime more progressive².

b) Exemption from the Minimum Alternative Tax for the First 12 Years of Operation - Amendment of Section 14A

The measure proposes to exempt a special purpose vehicle in the railway sector from the Minimum Alternative Tax for twelve years. Currently, individuals or partnerships are required to pay Minimum Alternative Tax at a rate of one per cent of total turnover. ***This measure was introduced in 2025 alongside the Supplementary Budget to curb tax avoidance by high-turnover, loss-making entities and to broaden the tax base.***

PBO Comment

Under this proposal, the special purpose vehicle will be exempt from Minimum Alternative Tax for twelve years. However, according to the project timeline, only the first three years involve construction and rehabilitation, meaning the special purpose vehicle could avoid Minimum Alternative Tax for nine years while fully operational. While short-term Minimum Alternative Tax relief can help maintain liquidity during rehabilitation, a 12-year exemption delays any tax contribution from the special purpose vehicle for more than a third of its 30-year lifespan, should it not declare any profit in that duration. This undermines the Minimum Alternative Tax's role as a safeguard against tax-base erosion and postpones Government revenue collection from a potentially high-turnover enterprise. This is so long a period that economic situations may change in favour of either party. With lessons picked from the Mining Development

²[IMF Staff Completes Mission to Zambia](#)

Agreements, there is need to provide for a mid-term review to take care of new developments in the global economy.

c) Increase the Limit of Disallowed Interest for a Special Purpose Vehicle in the Railway Sector from 30 per cent to 70 per cent - Amendment of Section 29

The Bill proposes to increase the limit on interest deductions for a special purpose vehicle in the railway sector from 30.0 per cent to 70.0 per cent of Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) in a charge year, while maintaining the 30.0 per cent limit for all other sectors. Under the current Income Tax Act, businesses in Zambia can deduct interest expenses only up to 30 per cent of their EBITDA.

PBO Comment

By allowing a larger portion of interest expenses to be deducted, the taxable income of special purpose vehicle in the railway sector will be significantly reduced if the special purpose vehicle has high debt financing. This will lower corporate income tax collections in the short and medium term for the Government. Additionally, increasing the deduction limit for only the railway sector could prompt other industries to request similar treatment, undermining the consistency and fairness of the tax system.

d) Increase Deductibility of Losses to 70 Per cent of Income from the Same Source - Amendment of Section 30

The Bill proposes to increase the per centage of income for a special purpose vehicle in the railway sector against which losses incurred in a charge year can be deducted, from 50.0 per cent to 70.0 per cent, for a given source of income. Currently, a loss incurred by a business in a charge year may be deducted from only 50 per cent of the income from the same source. Any excess losses are

carried forward to subsequent years but cannot be carried forward beyond five years, except for businesses in mining or electricity generation, where the limit is ten years.

PBO Comment

Increasing the deductibility to 70.0 per cent will allow a special purpose vehicle in the railway sector, due to its capital-intensive nature, to offset a larger portion of its taxable income in the year the loss is incurred. This supports liquidity and financial stability for the special purpose vehicle, particularly during loss-making periods in the construction and rehabilitation phases. However, the measure may reduce tax revenue in the short and medium term while the entity is loss making, as more income will be offset by losses, delaying corporate income tax collection.

e) Increase the Carry-Forward Period of Losses to 12 Years - Amendment of Section 30

The Bill proposes that a loss incurred by a special purpose vehicle in the railway sector can be carried forward for up to twelve subsequent charge years. Currently, under the Income Tax Act, losses can be carried forward for up to ten years for mining and electricity generation companies, and five years for all other businesses.

PBO Comment

By allowing losses to offset profits over a longer period, the Government will forego potential revenue that could have been used for other public priorities, such as infrastructure, health, or education. Additionally, a long carry-forward period may incentivize the special purpose vehicle in the railway sector to generate additional losses through aggressive tax planning, thereby extending tax relief and further reducing taxable income. This is so long a period that

economic situations may change in favour of either party. With lessons picked from the Mining Development Agreements of 2008, there is need to provide for a mid-term review to take care of new developments in the global economy.

ii. Removal of Carry-Forward Limitation on Disallowed Interest - Amendment of Section 29

The Bill proposes to remove the carry-forward limit for disallowed interest, allowing businesses to claim disallowed interest indefinitely. Under the current Income Tax Act, businesses in Zambia can deduct interest expenses only up to 30.0 per cent of their Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA). Any excess, called disallowed interest, can be carried forward for future deduction, but only within specific limits: up to ten years for the mining and electricity generation sectors, and five years for all other sectors. Therefore, the new measure means that any interest expense for a business above the 30.0 per cent cap can be offset against future profits without expiry.

PBO Comment

While this measure provides long-term tax relief to support capital-intensive projects which are often financed through borrowing, it also implies delayed or foregone revenue for the Government. Without a time limit, companies could indefinitely accumulate disallowed interest, potentially offsetting future taxable profits. This would reduce long-term corporate income tax collections and weaken efforts to mobilize domestic revenue.

iii. Increase the Amount Allowed as a Deduction for a Business that Employs a Person with Disability to Two Thousand Five Hundred Kwacha per Annum from Two Thousand Kwacha per Annum - Amendment of Section 43D

The Bill proposes to increase the tax deduction for businesses that employ persons with disabilities from K2,000 to K2,500 per employee per year. Currently,

an employer who hires a person with a disability on a full-time basis can reduce their taxable income by K2,000 for each such employee. In practical terms, this means the employer pays tax on a smaller portion of their income, which slightly lowers their overall tax liability.

PBO Comment

The increase to K2,500 is a positive and inclusive measure that encourages companies to create more job opportunities for persons with disabilities. This is a socially progressive step and its impact on Government revenue is expected to be minimal due to the relatively small value of the deduction.

iv. Extension of the Requirement to Keep Books of Account in United States Dollars to Mineral Processing - Amendment of Section 55

The Bill proposes to allow companies involved in mineral processing to keep their books of account in United States Dollars (USD). Currently, only businesses engaged in mining operations that earn at least 75.0 per cent of their income in foreign currency from outside Zambia are permitted to keep their books in USD.

PBO Comment

Extending this option to mineral processors will align accounting with their foreign currency transactions, improve the accuracy of financial reporting, and enhance monitoring for transfer pricing and tax compliance. However, having many local businesses report in USD weakens the Bank of Zambia's ability to influence the economy through monetary policy.

v. Allowing Businesses that Qualify for Voluntary Registration under the Value Added Tax (VAT) Act to Register for Turnover Tax

The Bill seeks to allow businesses that voluntarily register for VAT to also register under the Turnover Tax system, following the increase in the Turnover Tax

threshold to K5 million in 2025. Under the current law, voluntarily VAT-registered businesses must register for Income Tax, even if they fall below the income tax threshold.

PBO Comment

This measure could encourage small and medium enterprises (SMEs) to formalise their operations. However, Turnover Tax generally yields lower revenue than VAT and could encourage some firms to remain small to benefit from the lower tax. Without strong monitoring, this change may gradually narrow the VAT base and reduce revenue collection.

vi. Increase the Turnover Tax Threshold for Artisanal and Small-Scale Mining (ASM) from K800,000 to K5 million - Amendment of Section 64A

This measure seeks to align the artisanal and small-scale turnover threshold with the standard turnover tax threshold of K5 million, to simplify taxation and improve compliance in the sector. Currently, artisanal, and small-scale operators with annual turnover of K800,000 or less pay a presumptive tax of 4 per cent of their turnover, less mineral royalty paid.

PBO Comment

This alignment could promote consistency and improve compliance. However, many small-scale mining operations generate higher profits than typical small businesses. Without strong production monitoring, the measure could reduce effective tax rates in a high-value sector and weaken mineral revenue mobilisation.

vii. Reduction of the Penalty for Overdue Payment of Turnover Tax from 5.0 Per cent to 0.5 Per cent per Month - Amendment of Section 78

The Bill proposes to reduce the penalty for late payment of turnover tax from 5.0 per cent to 0.5 per cent per month or part of the month. This aims to ease the financial burden on small taxpayers and encourage voluntary compliance.

PBO Comment

The sharp reduction in penalties may weaken the deterrent effect against late payment and could reduce cash flow predictability for Government. To prevent revenue loss, the change should be accompanied by strong enforcement by the Zambia Revenue Authority.

viii. Introduction of an Anti-fragmentation Rule - Amendment of Section 81A

The Bill introduces an Anti-Fragmentation Rule that treats related business activities conducted at one or more fixed locations in Zambia as a single permanent establishment, if together they go beyond preparatory or auxiliary functions. This measure aligns Zambia's tax laws with international best practices under the OECD's Base Erosion and Profit Shifting (BEPS) Action 7, which targets artificial splitting of business operations to avoid tax obligations.

PBO Comment

The reform will strengthen Zambia's capacity to curb profit shifting and protect the tax base, although it will require enhanced audit capacity and coordination between the Zambia Revenue Authority and the Patents and Companies Registration Agency (PACRA).

ix. Extension of Advance Income Tax on Foreign Remittances above US\$2,000 to all Financial and Digital Platforms - Amendment of Section 81C

The Bill proposes to extend the requirement to charge Advance Income Tax on foreign remittances exceeding US\$2,000 to all financial institutions and digital remittance platforms. Under the current law, this requirement only applies to remittances done through banks, where anyone sending more than US\$2,000 abroad must present a valid Tax Clearance Certificate. If they fail to do so, a 15.0 per cent Withholding Tax is applied. The same rule has not been enforced for non-bank remittance platforms such as Western Union and MoneyGram.

PBO Comment

Extending Advance Income Tax to these platforms strengthens tax compliance on cross-border transactions and levels the playing field across remittance channels. However, the refund process of WHT for Advance Income Tax paid through banks remains slow and inefficient, which affects small businesses and individuals who qualify for refunds after obtaining their tax clearance certificates following clearance of their tax liabilities. As a result, Government temporarily holds revenue, affecting liquidity for taxpayers, especially SMEs.

x. Removal of Penalties on Taxpayers Making Voluntary Disclosure - Amendment of Section 91A

The Bill proposes to remove penalties on taxpayers who voluntarily disclose errors or omissions in their tax filings. This measure is intended to encourage self-correction and honesty among taxpayers by allowing them to come forward without fear of penalty charges.

PBO Comment

Establishing such a voluntary disclosure regime can improve compliance, build trust between taxpayers and the Zambia Revenue Authority, and help the

Government to recover previously undeclared revenue. However, if not carefully managed, continuous penalty waivers could encourage deliberate non-compliance and delayed payment. International best practice suggests that voluntary disclosure incentives should be time-bound and accompanied by interest charges to maintain fairness and taxpayer responsibility.

xi. Increase in the Turnover Tax and Rental Income Tax Exempt Threshold from K12,000 to K30,000 per Year - Amendment of the Charging Schedule

The Bill proposes to raise the tax-exempt threshold for both Turnover Tax and Rental Income Tax from K12,000 to K30,000 per annum (equivalent to an increase from K1,000 to K2,500 per month). This measure aims to ease the tax burden on small businesses and low-income earners, allowing them to retain more income for growth and household spending.

PBO Comment

This measure is expected to stimulate economic activity among small businesses and low-income earners and support small-scale entrepreneurs. However, while the measure promotes equity and allows small business to grow, it will narrow the tax base and may increase risks of income under-declaration. To prevent abuse, the Zambia Revenue Authority will need to strengthen taxpayer registration, verification, and monitoring to ensure accurate reporting.

2.2. The Betting Levy Bill, N.A.B. No. 31 of 2025

The Bill seeks to introduce a betting levy to be paid by betting companies at a rate of five per cent. The levy will be calculated on the **gross amounts received or paid out by a betting company** and must be remitted within ten days after the end of each month. Brick-and-mortar (physical) betting companies are exempted from paying the levy, and the Minister of Finance may, by Statutory Instrument, exempt any person from payment.

PBO Comment

The Betting Levy Bill, 2025, marks a significant shift in Zambia's taxation of betting and gaming. Online betting, casino games, and lottery winnings will no longer be subject to presumptive tax under the Income Tax Act but will attract a five per cent betting levy, while physical gaming activities (brick and mortar) remain subject to presumptive tax. The levy is calculated on the total gross amounts received or paid out by operators, rather than on gross takings³ or net proceeds⁴, which may improve revenue collection because the tax base is wider but could increase costs for operators with high payout ratios or low profit margins.

Therefore, the Ministry of Finance and National Planning will need to monitor the levy's impact on revenue collection and the sustainability of the regulated betting sector to avoid a shift in betting activity to unregulated or offshore platforms, particularly in light of the introduction of a ten per cent excise duty on betting services under the *Customs and Excise (Amendment) Act, 2025*.

Table 3 below illustrates the difference between the current presumptive tax under the Income Tax Act and proposed betting levy with regards to betting and gaming.

³ "Gross takings" means the total amount staked by players less the winnings payable and redemptions by the players, as per Income Tax Act.

⁴ "Net proceeds" means gross proceeds less sum paid out for the prizes, as per Income Tax Act.

Table 3: Presumptive Tax under the Income Tax Act vs Betting Levy Bill

S/N	Type of Game	Current Regime (2025)	Proposed Regime (2026)
1	Casino Games (Brick and Mortar)	K5,000 per table (monthly)	K5,000 per table (monthly)
2	Lottery Winnings (Brick and Mortar)	15% of net proceeds	15% of net proceeds
3	Betting (Brick and Mortar)	15% of gross takings	15% of gross takings
4	Gaming Machines	K500 per machine (monthly)	K500 per machine (monthly)
5	Online Casino Live Games	20% of gross takings	5% Betting Levy
6	Online Casino Machine Games	35% of gross takings	5% Betting Levy
7	Online Lottery Winnings	35% of net proceeds	5% Betting Levy
8	Online Betting	25% of gross takings	5% Betting Levy

Source: PBO construction using Income Tax Act and Income Tax (Amendment) Bill, N.A.B. No. 19 of 2025

2.3. The Value Added Tax (Amendment) Bill, N.A.B. No. 21 of 2025

The Value Added Tax (Amendment) Bill, N.A.B. No. 21 of 2025 proposes to empower the Minister on the recommendation of the Commissioner-General to remit VAT, fines, or interest that cannot be recovered under specified conditions. This will enhance tax administration efficiency by formally addressing irrecoverable debts. These conditions include situations when the:

- i. taxable supplier is deceased, and the estate is insufficient to satisfy the tax liability;
- ii. tax account has been inactive for ten years;
- iii. taxable supplier is insolvent;
- iv. debt was incurred by a privatised company prior to the transfer of liabilities;
- v. tax debt is less than two hundred Kwacha;
- vi. tax debt has been outstanding for ten years; or
- vii. cost of collecting the tax debt exceeds the amount to be recovered.

PBO Comment

The Bill appropriately recognizes that some tax debts are irrecoverable, aligning with international practice. However, it does not specify the public disclosure of amounts remitted or reporting to the National Assembly or the Office of the Auditor General. In line with the International Monetary Fund's guidance in *Legislating for Fair and Effective Tax Collection (2025)*⁵, it is important that the Bill should incorporate clearly defined transparency measures. These measures should ensure that write-offs are accompanied by comprehensive documentation, reporting, and oversight, in order to mitigating risks of abuse, and erosion of taxpayer trust.

⁵[Legislating for Fair and Effective Tax Collection](#)

2.4. The Property Transfer Tax (Amendment) Bill, N.A.B No. 23 of 2025

The object of this Bill is to amend the Property Transfer Act, so as to;

- (a) extend the tax relief applicable to a company transferring the shares and a company receiving the shares that has been part of a group of companies which is subject of a group reorganisation;
- (b) limit the forms of surrender or forfeiture of shares for no consideration that are exempt from property transfer tax.

2.4.1 The proposed amendment to Section 5(2B) of the principle Act

Section 5 of the principal Act is amended by the deletion of subsection (2B) and the substitution therefor of the following: (2B) Despite subsection (2A), where the Commissioner-General is satisfied that a transfer of shares is made for the purposes of a group reorganisation, the Commissioner-General may determine a nil value for that transfer, except that this subsection shall only apply where the company transferring the shares and the company receiving the shares has been part of the group of companies, which is subject of the group reorganisation, for three years or more preceding the transfer.

PBO Comment

Economically, this promotes investment efficiency and structural flexibility, as it removes tax barriers that might otherwise discourage firms from consolidating operations, restructuring ownership, or reallocating capital within established corporate groups. By allowing the Commissioner General to assign a nil value to such transfers, the measure aligns taxation more closely with real economic gains rather than paper transactions. The three-year rule serves as an anti-avoidance safeguard, ensuring that only long-standing groups benefit from the exemption, thereby protecting fiscal integrity. While this could marginally reduce short-term tax revenue from share transfers, it is likely to enhance long-term

productivity and capital formation by encouraging efficient corporate reorganisation and reducing transaction costs in the business sector.

2.4.2 The proposed amendment to Section 6(1)(h) of the principal Act

Section 6(1) of the principal Act is amended by the deletion of paragraph (h) and the substitution therefor of the following: (h) the surrender or forfeiture of shares for no consideration where the Commissioner General is satisfied that the surrender or forfeiture is not intended to avoid property transfer tax, except that a subsequent transfer to a different person shall be liable to property transfer tax.

PBO Comment

The measure prevents unnecessary tax costs that could distort legitimate corporate actions such as capital restructuring or compliance-driven share cancellations. At the same time, by maintaining tax liability for any subsequent transfer to a different person, the provision preserves the integrity of the tax base and mitigates risks of tax avoidance through staged share movements. Economically, the amendment enhances business efficiency and administrative clarity without materially undermining revenue mobilisation, supporting a fairer alignment between taxation and actual value creation.

2.5. The Mobile Money Transaction Levy (Amendment) Bill, N.A.B No. 24 of 2025

The proposed amendment to the *Mobile Money Transaction Levy Act of 2024* seeks to (a) revise the levy payable on a Person-to-Person transfer; and (b) provide for matters connected with, or incidental to, the forgoing.

2.5.1 Amend Section 5(1) of the Mobile Money Levy Act to adjust mobile money levy rates as indicated in Table 4 below⁶;

Table 4: Mobile transactions levy schedule

Amount Range	Current Mobile Money Levy (K)	Proposed Mobile Money Levy (K)	Proposed Change or increase
Between K1 to K150	0.16	0.32	0.16
Above K150 to K300	0.20	0.40	0.20
Above K300 to K500	0.40	0.80	0.40
Above K500 to K1,000	1.00	2.00	1.00
Above K1,000 to K3,000	1.60	4.00	2.40
Above K3,000 to K5,000	2.00	7.50	5.50
Above K5,000 to K10,000	3.00	8.00	5.00

Source: 2025 Mobile Transaction levy Bill

This measure is intended to raise revenue for government.

During the year 2024, the value and volume of transactions processed through mobile channels platforms grew by 7.6 per cent to K486.3 billion compared to K452.0 billion in the same period in 2023. The volume of mobile transactions increased by 33.4 per cent to 3.0 billion from 2.2 billion in the corresponding period of 2023⁷. The increase in the value and volume of mobile transactions was largely attributed to the continued growth of digital financial services and increased merchant adoption of mobile money as a payment method. This is what informed the executive of the need to raise tax revenue in the mobile money space.

⁶ 2026 Budget Highlights, Zambia Revenue Authority

⁷ MoFNP Annual Financial Report, 2024

Overall, the intention is aligned with National and international commitments. As a matter of national pride, funding of 82.0 per cent of the budget domestically is a great stride. The Executive has demonstrated a firm resolve to reducing fiscal deficits by increasing year on year domestic Budget financing over the last 4 years.

It is, however, worth noting that there have been significant increases in Mobile Money transactions levy. Originally as a minimum charge under the 2023 Act, the levy has since experienced annual increases exceeding 100 percent, with the latest proposal surpassing the actual customer transaction charge applied by operators. Table 5 below shows the pricings for one of the mobile money operators that illustrates the changes mobile money has undergone since 2023⁸.

Table 5: Mobile Money transaction charges and levy 2023-2026.

Airtel Tariff Bands		Customer Charge				Levy				Price Including Levy				Levy as % of cost
		2023	2024	2025	2026	2024	2025	2026	Increase	2023	2024	2025	2026	
LC(From)	LC(To)	P2P customer				P2P customer				P2P customer				
		LC	LC	LC	LC	LC	LC	LC	Increase	LC	LC	LC	LC	
1	150	0.17	0.17	0.42	0.42	0.08	0.16	0.32	100%	0.17	0.25	0.58	0.74	76%
150	300	0.50	0.50	0.90	0.90	0.10	0.20	0.40	100%	0.50	0.60	1.10	1.30	44%
300	500	0.80	0.80	0.80	0.80	0.20	0.40	0.80	100%	0.80	1.00	1.20	1.60	100%
500	1,000	1.00	1.00	1.00	1.00	0.50	1.00	2.00	100%	1.00	1.50	2.00	3.00	200%
1,000	3,000	2.00	2.00	2.00	2.00	0.80	1.60	3.20	100%	2.00	2.80	3.60	5.20	160%
3,000	5,000	3.00	3.00	3.00	3.00	1.00	2.00	7.50	275%	3.00	4.00	5.00	10.50	250%
5,000	10,000	4.00	4.00	4.00	4.00	1.50	3.00	8.00	167%	4.00	5.50	7.00	12.00	200%

Source: Airtel Mobile Commerce Zambia Limited, 2025

Although the levy may appear modest on a per-transaction basis, the higher transaction frequency per subscriber results in a substantial cumulative monthly cost, which in some instances may exceed those imposed by commercial

⁸ Airtel Mobile Commerce Zambia Limited Submission to the Sector Committee on National Economy, trade and labour matters

banks. This trend risks undermining efforts to expand financial inclusion through non-traditional channels and lead to a shift in consumer preferences towards cash transactions.

According to a study by the Global System for Mobile Communications Association (GSMA) in Zambia, a 28.0 per cent drop in Person to Person (P2P) transaction value has been witnessed since the increase in the levy and the number of transactions has dropped by 30.0 per cent relative to where they would have been without the Levy.

The Committee may wish to note that the mobile money transaction levy being proposed is like those done in Tanzania⁹ and Ghana. Ghana's Electronic Levy introduced in May 2022 led to widespread consumer dissatisfaction and marked a decline in digital financial transactions. Due to its adverse impact on financial inclusion, Ghana's levy was reduced to 1.0 per cent in 2023 and later fully eliminated in 2024.

2.5.2 Housekeeping Measures

Clarify that Person-to-Person Transfer includes a transfer of electronic money from one person to another or to the same person.

Currently, the definition under section 2 of the Mobile Money Transaction Levy Act of Person-to-Person transfer is that "Person-to-person transfer" means a transfer of electronic money from one person to another person. This definition implies that in an instance where the initiator of the transaction was both the sender and recipient of the electronic money, the levy would not be applied. Thus, this measure seeks to clearly define person-to-person transaction in relation

⁹<https://documents.worldbank.org/curated/en/099754010072536301/pdf/IDU-7b0add06-3ac9-4874-ab12-cdf10bd91449.pdf>

to mobile money levy and ensure that electronic money transfers to and from the same person are not excluded from the collection of Mobile Money Levy.

PBO Comment

The proposed amendment to Section 5(1) of the *Mobile Money Levy Act*, which seeks to double or more than double levy rates and broaden the definition of person-to-person transfers, raises important considerations in the light of Zambia's National Financial Inclusion Strategy II (2024–2028). Revising the levy structure promotes revenue mobilisation and regulatory clarity, particularly as mobile money transactions expand rapidly. The broader definition could also close loopholes that allow tax avoidance through self-transfers or indirect transactions, ensuring fairness and consistency in digital financial taxation.

However, the National Financial Inclusion Strategy (NFIS) II explicitly prioritises affordability, accessibility, and increased digital usage as pillars of financial inclusion, with a goal to reaching 85 percent inclusion by 2028 (from the current 69.4 percent in 2020).

2.5.3 Impact of Mobile Money Transaction level on the underserved population

Doubling levy rates could disproportionately burden low-income and rural users, precisely the underserved populations (women, youth, smallholder farmers, and informal Micro Small Medium Enterprises (MSMEs) that the strategy seeks to empower through digital finance. Higher transaction costs may discourage digital payments, push users back to cash-based systems, and undermine policy coherence between fiscal measures and the NFIS II's inclusion objectives.

Additionally, broadening the definition to include self-transfers or transfers to same person may, possibly reduce user willingness to engage in digital transfers

thereby reducing usage. Lower usage undermines the “usage” aspect which is critical for the shift from cash to digital¹⁰.

PBO Comment

The Committee may wish to seek clarification from the Executive on the projected revenue expected from this measure and whether alternative approaches could achieve the same revenue objectives without disproportionately affecting low-volume or vulnerable mobile money users. Consideration could also be given to the feasibility of introducing safeguards for low-value transactions to maintain inclusivity while preserving the overall fiscal target.

¹⁰ National Payment Systems Vision and Strategy 2023-2027, BoZ

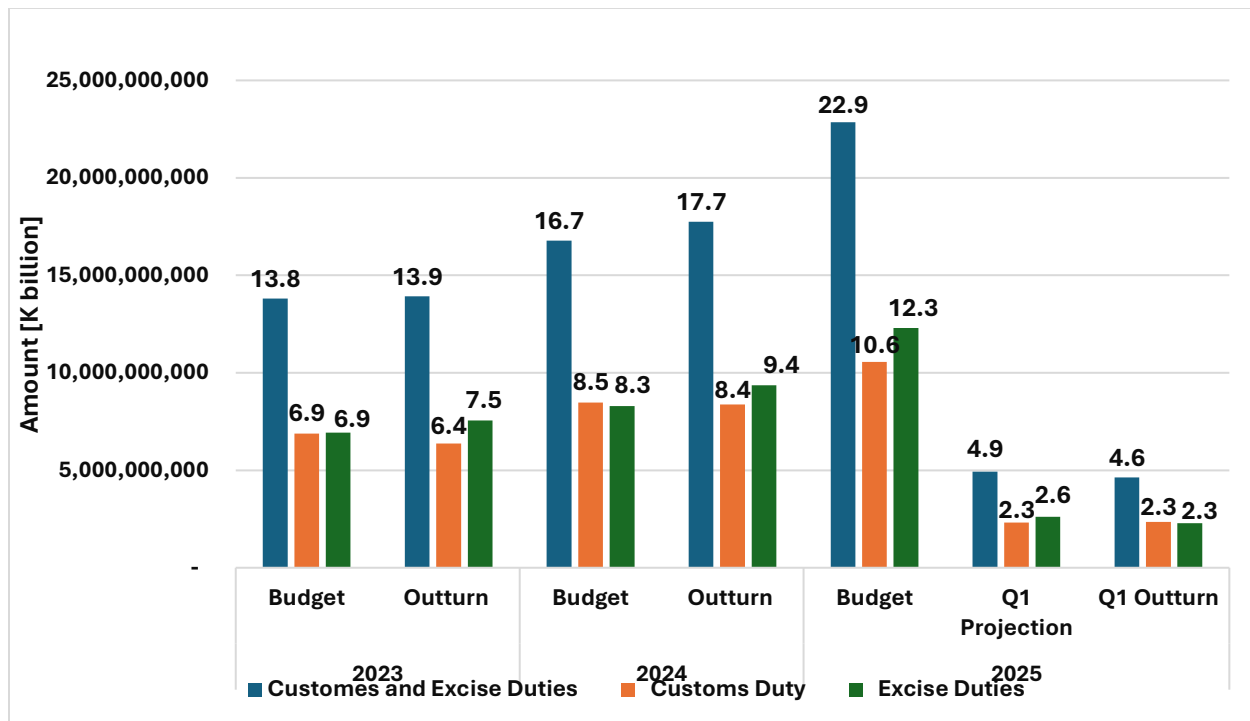
2.6. Customs and Excise (Amendment) Bill, N.A.B No. 20 of 2025

This section reviews Customs and Excise (Amendment) Bill, N.A.B. No. 20 of 2025. The discussion highlights how proposed adjustments to customs and excise rates seek to stimulate local manufacturing and value addition, promote investment in the electricity, livestock and dairy subsectors, and support climate resilience through environmentally focused tax measures. It also reports housekeeping amendments aimed at improving revenue administration, efficiency, and compliance under the Customs and Excise framework.

2.6.1 Customs and Excise Duty - Budget Performance (2024 and 2025)

Between 2023 and Q1 2025, Customs and Excise Duty contributed 12.0 percent, 11.8 percent, and 12.3 percent respectively to domestic revenue.

Figure 3: Customs and Excise Duty Budget Performance 2023 - 2025 (Q1)



Source: PBO Construct using 2023 and 2024 Annual Economic Report's data – Ministry of Finance and National Planning

The performance of Customs and Excise Duty in 2024 was relatively strong, exceeding the annual target by 5.8 percent. This was largely driven by Excise Duty collections, which surpassed their target by 12.9 percent. The overperformance could be attributed to improved tax administration and enforcement measures introduced under domestic revenue mobilisation strategies, which are essential for ensuring the sustainability of the national Budget.

However, the first quarter of 2025 recorded a downturn, with Customs and Excise Duty underperforming by 6.2 percent. This shortfall was largely due to weaker-than-expected Excise Duty collections, which fell short of their target by 12.6 percent, and underperformance of receipts earmarked for the Rural Electrification Fund, which declined by 48.6 percent.

2.6.2 Customs and Excise (Amendment) Bill, N.A.B No. 10 of 2025

The object of the Customs and Excise Act is to promote local manufacturing and value addition, attract investment in the electricity subsector, and enhance electricity supply. The Bill further aims to encourage investment and value addition in the livestock and dairy industries, while supporting climate resilience and the reduction of greenhouse gas emissions. In addition, it introduces new definitions and reporting requirements intended to update and strengthen the existing legal framework, remove ambiguities and improve the efficiency of revenue administration.

The following sections analyse the key provisions of the Bill and their anticipated impact.

2.6.3 Stimulating local manufacturing and value addition

The Bill proposes to revise the selected goods surtax and customs duty, as follows.

- i. Revise surtax at importation of various meat and dairy products from 5 percent to 10 percent;
- ii. Introduce, increase, and harmonise the Selected Goods Surtax on selected locally available goods as follows;

Table 6: Selected goods Surtax and customs duty

S/No	Goods Description	HS Code	Current Rate (%)	Proposed Rate (%)
1.	Selected steel products	7213, 7214, 7215, and 7228	5 & 10	20
2.	Flexible PVC hoses	39.17	N/A	20
3.	Carbon Dioxide	2811.2110 and 2811.2190	N/A	10
4.	Polyester Fibre	5503.20.00	N/A	10
5.	Mechanically deboned meat	0201,0202,0203 and 0204	10	20

Source: 2026 Budget Highlights, Zambia Revenue Authority

- iii. Introduce Customs Duty at the rate of 25.0 per cent on selected steel products;
- iv. Increase the Customs Duty rate to 40.0 per cent from 25.0 per cent on processed meat products of Bovine, Sheep, Goats, Horses, Mules, and Edible Offal of Bovine and other Animals, Pig and Poultry Fat, Meat and Edible Meat Offal, Salted, Dried, or Smoked, and Flours, Meals and Pellets of Meat or Meat Offal; and
- v. Increase and harmonise the Customs Duty rate on float glass to 25 percent from 5 percent and 15 percent.

PBO Comment

This measure aims to protect local industries by making imported goods relatively more expensive, thereby promoting import substitution and

encouraging domestic manufacturing. This could boost job creation and industrial growth, in line with Zambia's industrialisation strategy.

However, it is important to assess whether local industries have the capacity to meet domestic demand at competitive prices. Without this capacity, the surtax could result in higher prices for consumers and potentially fuel inflation. Monitoring competitiveness, enforcing quality standards, and ensuring a level playing field will be critical to the success of this measure.

2.6.4 Investments in the electricity subsector

The Bill proposes remove 10.0 per cent customs duty on machinery, plant or laboratory equipment, whether electrically heated or not, for the treatment of materials by a process involving a change of temperature. This is likely to indirectly benefit energy-related infrastructure or manufacturing.

PBO Comment

The Bill explicitly identifies investment in the electricity subsector and improvement of electricity supply as one of its objectives. However, it does not include any specific customs or excise measures directly targeted at supporting electricity generation, transmission, or distribution. This gap is particularly significant given the load-shedding the country is currently experiencing because of drought-induced reductions in hydropower generation.

The Committee may wish to seek clarification from the Executive on whether complementary fiscal measures, such as incentives for renewable energy technologies, power transmission, or alternative energy investments are being implemented through other policy instruments to address the ongoing electricity supply challenges.

2.6.5 Value addition in the Livestock and dairy subsectors

The Bill proposes both concession and compensating measures.

- a) Increase customs duty on powdered milk imported for resale and for further processing to 40 percent and 25 percent from 25 percent and 15 percent, respectively;
- b) Harmonise, at 10 percent, the selected goods surtax on imported milk, cheese and yoghurt;
- c) Increase customs duty on cheese, yoghurt and long-life milk to 40 percent from 25 percent; and
- d) Remove the 15 percent customs duty on milk pasteurisation machinery.

PBO Comment

The Bill proposes a mix of concessionary and compensating measures for the dairy sector. These measures have clear potential benefits. Raising duties on imported finished dairy products and powdered milk for resale can create price space for domestic processors, increase local value-addition, and support investment in processing capacity. Removing duty on pasteurisation machinery reduces the capital cost barrier for processors, an important supply-side complement that may help local firms scale up processing and improve product quality.

However, there are material risks and implementation questions that need to be raised. First, Zambia's domestic dairy processing capacity and raw-milk supply may not be sufficient to replace imports immediately. Recent trade data show continued growth in milk imports and national agricultural surveys highlight the need to boost productivity and processing capacity. If domestic supply cannot meet demand, higher import duties could raise consumer prices and reduce access to affordable dairy products.

Further, the net fiscal effect is uncertain. Higher duties on finished products may raise revenue but could be partially offset if import volumes fall or if consumers shift to untaxed substitutes. The value of the machinery exemption depends on whether processors can access finance and have complementary policies such as technical support and electricity reliability to expand production. Lastly, higher duties without strengthened border controls risk incentivising misclassification or smuggling of dairy imports. Effective customs valuation and enforcement will be essential.

2.6.6 Supporting Climate resilience and reduction in greenhouse gas emissions.

This amendment proposes the following measures:

- a) Reduce excise duty to 15 percent from 30 percent on selected new hybrid vehicles;
- b) Change the valuation of duty for used hybrid motor vehicles to specific rates; and
- c) Increase excise duty to 100 percent from 30 percent on single-use plastics.

Additional measures include following:

- a) harmonise the customs duty on firearms upwards at 25 percent; and
- b) introduce a 30 percent excise duty on firearms and ammunition.

PBO Comment

The Bill introduces a set of measures aimed at promoting environmental sustainability, supporting climate resilience, and broadening the excise duty base.

The proposed reduction in excise duty on new hybrid vehicles is consistent with Zambia's commitments under its Nationally Determined Contribution (NDC) to reduce greenhouse gas emissions and promote clean transport alternatives. It may help increase the uptake of hybrid and electric vehicles, albeit modestly, given the still limited charging infrastructure, high initial costs, and low import volumes.

The introduction of higher customs and excise duties on firearms and ammunition serves both fiscal and regulatory purposes. It may contribute to domestic resource mobilisation while discouraging proliferation of small arms. However, the Committee may wish to find out measure in place to ensure that enforcement mechanisms and exemptions for legitimate users such as security agencies and registered hunting operators are clearly defined to avoid unintended consequences.

2.6.7 Some Housekeeping Measures

The Bill introduces several housekeeping amendments aimed at improving clarity, consistency, and efficiency in customs and excise administration. First, it clarifies that machinery and equipment required in mining and exploration activities are exempt from Customs Duty. This provision reinforces Regulation 96 of the *Customs and Excise (General) Regulations of 2000*, which provides duty exemptions for machinery, equipment, and other goods used in geothermal, oil, and gas exploration.

Secondly, the Bill proposes that all foreign-currency amounts for customs valuation be converted using the Bank of Zambia's daily spot exchange rate. This replaces the current system where the Zambia Revenue Authority applies a fixed rate updated every two weeks, based on the median of commercial bank rates. The new measure aligns customs valuation with real-time market

conditions and enhances transparency and predictability in import and export transactions.

Thirdly, the Bill seeks to introduce a 30-day period within which a taxpayer may object to or request a review of a Domestic Excise Duty assessment. This amendment establishes a clear and consistent timeline across all indirect tax regimes, thereby improving dispute resolution and promoting timely settlement of contested assessments.

Lastly, the Bill proposes to reduce the payment period after assessment from five to three days under *Regulation 31 of the Customs and Excise (General) Regulations, 2000*. This adjustment aligns the regulatory payment timeline with that provided in the Act, ensuring consistency and removing ambiguity in the administration of customs payments.

2.7. Conclusion

The 2026 Money Bills collectively seek to enhance domestic revenue mobilisation, promote equity in the tax system, and align fiscal measures with Zambia's development priorities under the 8NDP. While the proposed amendments introduce positive incentives for investment, employment, and inclusion, they also entail potential revenue trade-offs that require careful monitoring. To maintain fiscal sustainability, the Ministry of Finance and National Planning should strengthen oversight of tax expenditures, assess the impact of new levies and exemptions, and ensure coherence between revenue measures and broader economic policy objectives.