



**REPUBLIC OF ZAMBIA**

**REPORT**

**OF THE**

**COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS**

**ON THE**

**INSURANCE PREMIUM LEVY (AMENDMENT) BILL, N.A.B. NO. 45 OF 2021**

**FOR THE**

**FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY**

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# **REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS ON THE INSURANCE PREMIUM LEVY (AMENDMENT) BILL, N.A.B. NO. 45 OF 2021 FOR THE FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY**

## **1.0 MEMBERSHIP OF THE COMMITTEE**

Mr B Mpundu, MP (Chairperson); Ms S K Sefulo, MP (Vice Chairperson); Mr E Kamondo, MP; Mr D Chisopa, MP; Mr M Mubika MP; Mr R K Chitotela, MP; Mr D Mabumba, MP; Mr G S Sialubalo, MP; and Mr N Simutowe, MP

The Honourable Madam Speaker  
National Assembly  
Parliament Buildings  
**LUSAKA**

Madam,

The Committee has the honour to present its Report on the consideration of the Insurance Premium Levy (Amendment) Bill, N.A.B. No. 45 of 2021.

## **2.0 FUNCTIONS OF THE COMMITTEE**

The functions of the Committee are as set out under Standing Order No. 198 (j) of the National Assembly Standing Orders, 2021, pursuant to which the Committee is mandated to study and review Bills that may be referred to it by the House.

## **3.0 MEETINGS OF THE COMMITTEE**

The Committee held five (5) meetings to consider the Insurance Premium Levy (Amendment) Bill, N.A.B. No. 45 of 2021.

## **4.0 PROCEDURE ADOPTED BY THE COMMITTEE**

The Committee requested written submissions from various stakeholders. Stakeholders appeared before the Committee either virtually or physically to orally brief it on the contents of their written memoranda and to clarify issues that arose from the presentations. The institutions that appeared before the Committee are listed at Appendix II of this Report.

## **5.0 BACKGROUND OF THE BILL**

A number of measures were proposed to be undertaken by the Government to raise revenue in the 2022 Budget. One such measure involved the insurance premium levy. The initial proposal was to abolish the levy and introduce Value Added Tax (VAT) on insurance premiums. The Ministry of Finance and National Planning later resolved to retain the insurance premium levy and instead revise the applicable rate. This called for the amendment of the *Insurance Premium Levy Act, No 21 of 2015*, whose purpose was to provide for the imposition, payment and collection of an insurance premium levy. The Insurance Premium Levy (Amendment) Bill, 2021 proposed to amend the principal Act so as to give legal effect to one of the revenue raising measures in the 2022 Budget.

## **6.0 OBJECT OF THE BILL**

The object of the Bill was to amend the *Insurance Premium Levy Act*, in order to revise the insurance premium levy.

## **7.0 SALIENT PROVISIONS OF THE BILL**

The salient of the Bill were as set out below.

### **Part II**

Clause 1 provided for the short title and commencement date of the Insurance Premium Levy (Amendment) Act, 2021.

#### **Clause 2- Amendment of Section 4**

Section 4 (1) of the principal Act provided for a three (3) per cent levy to be charged, levied, collected and paid, on insurance premiums in respect of insurance policies for all classes of insurance business carried on by insurers, insurance agents or brokers.

Clause 2 amended section 4 (1) of the principal Act. The amendment proposed an increase in the levy charged, levied, collected and paid, from three (3) to five (5) per cent, on insurance premiums in respect of insurance policies for all classes of insurance business carried on by insurers, insurance agents or brokers. This measure was intended to enhance revenue collection for the Government.

## **8.0 SUMMARY OF SUBMISSIONS FROM STAKEHOLDERS**

Below is a summary of submissions from stakeholders on the Insurance Premium Levy (Amendment) Bill.

- i. Stakeholders noted that when delivering the 2022 Budget Speech, the Honourable Minister of Finance and National Planning had stated that the insurance premium levy would be abolished in preference for VAT on insurance premiums. Stakeholders pointed out that the Government, through the Budget Speech, had pronounced itself on the reintroduction of VAT on all non-life insurance services effective 1<sup>st</sup> January 2022. The Committee was informed that the decision to maintain the insurance premium levy as opposed to the VAT announced during the Budget Speech, was arrived at after further consultation with players in the industry.
- ii. The Committee learnt that because of the presence of a high number of agents in the insurance sector, VAT was not easy to manage because insurance brokers would in some instances not remit the VAT that they had collected from clients to insurance companies. This would create a cash flow problem for the insurance companies at the point that they needed to remit the VAT to the Zambia Revenue Authority.
- iii. The Committee was further informed that affordability was a key determinant of the uptake of insurance services. Introduction of VAT at the applicable rate of 16 per cent could have acted as a barrier to the growth of the insurance sector. An increase in the insurance levy had a direct effect on the price of insurance on the policyholder and could affect further the uptake of insurance services. The proposed change in the rate of the

insurance premium levy, however, was not expected to have a significant impact on the volume of insurance products purchased, across the different insurance products.

- iv. Stakeholders submitted that notwithstanding the impact that the measure could have, if the proposed increase in premium levy was in lieu of an introduction of VAT, it would be a welcome alternative.

## **9.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS**

Following the interaction with stakeholders, the Committee observes that the insurance industry is a vital component of the financial sector in Zambia from which resources can be harnessed to grow the country's economy. The Committee further observes that the Insurance Premium Levy (Amendment) Bill is a measure aimed at raising much needed resources for the national treasury and therefore, the Committee supports its enactment. However, in supporting the Bill, the Committee, makes the observations and recommendations outlined hereunder.

- i. The Committee observes that the increase in the rate of the Insurance Premium Levy will undoubtedly translate into another tax on the already heavily taxed citizens and therefore, implores the Government to ensure that the resultant benefits trickle down to all Zambians and not just to a privileged few.
- ii. The Committee also observes that the increment will result in a marginal increment in the cost of insurance services across all insurance products. The Committee is cognisant that this could translate into reduced uptake of certain insurance products, for example third party motor vehicle insurance, which is compulsory. However, the Committee acknowledges the fact that the Government may raise income from the insurance sector while still promoting financial inclusion.

In this vein, the Committee urges the Government to ensure that all the relevant Government agencies should work together in order to enhance compliance by from citizens as they will be the ultimate beneficiaries.

## **10.0 CONCLUSION**

The Committee supports the enactment of the Insurance Premium Levy (Amendment) Bill, N.A.B. No. 45 of 2021. Domestic resource mobilisation is a key component of the 2022 National Budget and this Bill will positively contribute to this aspect. However, insurance providers must also enhance their efforts of encouraging the uptake of insurance products.

The Committee expresses gratitude to all the stakeholders for their oral and written submissions on the Bill. The Committee also thanks the Office of Speaker and the Office Clerk of the National Assembly for the guidance and services rendered to it during the consideration of the Bill.

We have the Honour to be, Madam, the Committee on National Economy, Trade and Labour Matters mandated to consider the Insurance Premium Levy (Amendment) Bill, N.A.B. No. 45 of 2021 for the First Session of the Thirteenth National Assembly.

Mr B Mpundu, MP  
**(Chairperson)**

Ms S K Sefulo, MP  
**(Vice Chairperson)**

Mr E Kamondo, MP  
**(Member)**

Mr D Chisopa, MP  
**(Member)**

Mr M Mubika MP  
**(Member)**

Mr R K Chitotela, MP  
**(Member)**

Mr D Mabumba, MP  
**(Member)**

Mr G S Sialubalo, MP  
**(Member)**

Mr N Simutowe, MP  
**(Member)**

Mr B Mpundu, MP  
**(Chairperson)**

December 2021  
**LUSAKA**

## **APPENDIX I - List of National Assembly Officials**

Mr Humphrey Mulenga, Deputy Principal Clerk of Committees (FC)

Mr Francis Nabulyato, Deputy Principal Clerk of Committees (SC)

Mrs Chitalu K Mumba, Senior Committee Clerk (FC)

Mrs Angela M Banda, Senior Committee Clerk (SC)

Mrs Doreen N C Mukwanka, Committee Clerk

Mrs Media H Mweele, Committee Clerk

Mrs Grace Chikwenya, Typist

Mrs Vainess B Tembo, Typist

Mr Daniel Lupiya, Committee Assistant

Mr Muyembi Kantumoya, Parliamentary Messenger



## **APPENDIX II - List of Witnesses**

Ministry of Justice – Permanent Witness  
Ministry of Finance and National Planning  
Pensions and Insurance Authority  
Zambia Revenue Authority  
Insurers Association of Zambia  
Zambia Institute for Policy Analysis and Research  
Centre for Trade Policy and Development