

REPORT OF THE COMMITTEE ON ESTIMATES ON THE CUSTOMS AND EXCISE (AMENDMENT) BILL, N.A.B. NO 5 OF 2014, FOR THE FOURTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED ON WEDNESDAY, 24TH SEPTEMBER, 2014

Consisting of:

Mr H H Hamududu, MP (Chairperson); Mr E M Sing'ombe, MP; Ms A C Kansembe, MP; Mr R L Mpundu, MP; Mr G Lubinda, MP; Mr A L Lufuma, MP; Mr L Chabala, MP; Mr R P Mtolo, MP; and Mr P Phiri, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
P O Box 31299
LUSAKA

Sir

Your Committee has the honour to present its Report on the *Customs and Excise (Amendment) Bill, N.A.B. No. 5 of 2014* referred to it by the House on Friday, 28th November, 2014.

2. Functions of the Committee

In addition to any other duties conferred upon it by the Honourable Mr Speaker, or any other Order of the House, your Committee is mandated to consider any Bill that may be referred to it by the House.

3. Meetings of the Committee

Your Committee held four (4) meetings to consider the Bill.

4. Procedure adopted by the Committee

In order to appreciate the ramifications of the Bill, your Committee sought both written and oral submissions from different stakeholders. The list of witnesses, who gave oral and/or written evidence to your Committee, is at Appendix II of the Report.

5. Object of the Customs and Excise (Amendment) Bill, N.A.B. No. 5 of 2014

The object of the Bill is to amend the *Customs and Excise Act* so as to:

- a. increase exercise duty on un-denatured spirits of alcoholic content of eighty per cent or higher;
- b. increase customs duty on explosives;
- c. increase customs duty on flat iron sheets and non-alloy steel;
- d. increase the customs duty rate on edible oils;
- e. remove the customs duty on aviation fuel; and

f. provide for matters connected with, or incidental to, the foregoing.

6. Salient Provisions of the Customs and Excise (Amendment) Bill, N.A.B. No. 5 of 2014

The following are the salient features of the *Customs and Excise (Amendment) Bill, N.A.B. No. 5 of 2014*:

Clause 2-Appendix 1: Amendment of the First Schedule

Chapter 15 is amended to increase the specific customs duty on edible oils from K0.85/kg to K2.20/kg.

Clause 2 seeks to amend chapter 15 of the First Schedule to the Principal Act by increasing the specific customs duty payable on edible oils from K0.85 to K2.20 per kilogram. This will bring the specific rate at par with the 25 percent ad valorem rate. Thus, there will be no incentive for undervaluation for duty purposes, a practice which has led to revenue leakages.

Chapter 27 is intended to remove the 5 percent customs duty on all forms of aviation fuel.

Clause 2 seeks to remove 5 per cent customs duty on all forms of aviation fuel provided in chapter 27 of the First Schedule. This has been done to reduce the cost of doing business in the aviation industry. This policy will serve as a tool to grow the aviation industry by attracting more investment, both domestic and foreign. Hence, it is a potential source of job creation in the country.

Chapter 36 is amended to increase customs duty on explosives from 15 percent to 25 percent.

The amendment in Clause 2 intends to increase customs duty on explosives from 15 to 25 per cent provided in chapter 36 of the First Schedule. Given an increase in companies engaged in the manufacture of explosives, coupled with duty free imports from the SADC region under the Trade Protocol, local and regional companies have the potential to satisfy the local demand of explosives. Therefore, the measure has been proposed in the spirit of supporting the local manufacturing industry of explosives in order to facilitate job creation.

Chapter 72 is amended to increase customs duty on all roofing sheets to 30 percent.

Clause 2 seeks to amend chapter 72 of the First Schedule by increasing customs duty on all roofing sheets to 30 per cent. This is in view of the growth in the number of local companies manufacturing roofing sheets in Zambia. This measure is intended to stimulate the local manufacturing of roofing sheets to create jobs for Zambians.

Clause 3 - Appendix II: Amendment of the Second Schedule

Clause 3 seeks to amend the Second Schedule to the Principal Act by the deletion of heading 3 and the substitution therefor of a new heading 3 which introduces exercise duty of 125 per cent on un- denatured spirits of alcoholic content of 80 per cent or higher.

Clause 4 - Appendix III: Amendment of the Eighth Schedule

The Eighth Schedule seeks to provide for the taxation of airtime. There has been no policy change as 'Airtime', regardless of use, remains taxable at 15 percent. However, for statistical purposes, the amendment is simply meant to list the various services offered by mobile service providers such as Voice Call, data SMS and MMS. This is necessary for statistical purposes.

7. Concerns raised by Stakeholders

Some stakeholders were concerned that while the increase of duty on explosives, edible oils and iron sheets is supported, the benefits to the industry might be limited. This is because Zambia is a member of both the Southern African Development Community (SADC) and the Common Market for the Eastern and Southern Africa (COMESA) regional groupings which provide for reduced duty rates on goods emanating from member countries.

8. Committee's Observations and Recommendations

Your Committee supports the proposed amendments to the Bill and urges the House to pass it. In supporting the Bill, your Committee observes that the increase in duty on edible oils, iron sheets and explosives may have limited impact on the industry. This is in view of the fact that Zambia is a member of both COMESA and SADC which provide for reduced duty rates on goods coming from member countries.

In light of the above, your Committee recommends that the Government should devise incentives that will promote value addition and spur growth in the manufacturing sector.

9. Conclusion

Your Committee pays tribute to all stakeholders who appeared before it and tendered both oral and written submissions. It also thanks you, Mr Speaker, for affording it an opportunity to study the Bill. Your Committee also appreciates the services rendered by the Office of the Clerk and her staff during its deliberations.

We have the honour to be, Sir, your Committee on Estimates mandated to consider the *Customs and Excise (Amendment) Bill, N.A.B. No. 5 of 2014*.

Mr H H Hamududu, MP
(Chairperson)

Mr E Sing'ombe, MP
Member

Mr L Chabala, MP
Member

Mr R Mpundu, MP
Member

Mr P Phiri, MP
Member

Mr A L Lufuma, MP
Member

Mr R P Mtolo, MP
Member

Mr G Lubinda, MP
Member

Ms A C Kansembe, MP
Member

APPENDIX I

LIST OF OFFICIALS

National Assembly

Mr S C Kawimbe, Principal Clerk of Committees
Ms M K Sampa, Deputy Principal Clerk of Committees
Mr F Nabulyato, Committee Clerk (FC)
Mr F M Kateshi, Committee Clerk (SC)
Mr S Mtambo, Assistant Committee Clerk
Ms S Kayawa, Typist
Mr R Mumba, Committee Assistant
Mr C Bulaya, Committee Assistant

APPENDIX II

WITNESSES

The Zambia Institute of Chartered Accountants (ZICA)

Ms C Banda, Chairperson-Tax Committee
Mr M Phiri, Tax Committee Member
Mr B Mwewa, Technical Manager

Zambia Revenue Authority (ZRA)

Mr B Msiska, Commissioner-General
Mr D C Banda, Commissioner-Customs and Excise
Mr K Mpembamoto, Assistant Director-Research
Ms P Banda, Commissioner – Domestic Taxes
Ms B Mundia, Assistant Commissioner of Customs
Ms D B Goramota, Legal Counsel
Ms B Muyenga, Commissioner – Finance
Mr T Milambo, Director – Finance
Mr C Nshitima, Executive Assistant to the Commissioner-General

Zambia Association of Manufacturers (ZAM)

Dr B Chunga, President
Mr M Nsupila, Chief Executive Officer

Zambia Institute of Policy Analysis and Research (ZIPAR)

Dr P Kabaso, Executive Director
Ms M Phiri, Associate Researcher
Mr A Halwazi, Associate Researcher
Ms T Biluma, Associate Researcher

Ministry of Finance (MoF)

Ms P Chibonga-Kabamba, Permanent Secretary (Budget and Economic Affairs)
Mr M Masiye, Director of Budget
Mr K Chimfwembe, Acting Chief Analyst-Budget
Mrs M Moonga-Chikuba, Principal Budget Analyst
Mr I Munjunga, Economist-Budget
Mr R Kasuba, Economist-Budget