



**Republic of Zambia**

**MINISTRY OF FINANCE**

**SPEECH DELIVERED BY HON. MARGARET D. MWANAKATWE  
MP, MINISTER OF FINANCE AT THE SALES TAX CONSULTATIVE  
MEETING WITH BUSINESS COMMUNITY**

**3<sup>RD</sup> MAY 2019,**

**INTER CONTINENTAL HOTEL**

**LUSAKA**

- 
- **THE SECRETARY TO THE TREASURY**
  - **PERMANENT SECRETARIES PRESENT**
  - **SENIOR GOVERNMENT OFFICIALS PRESENT;**
  - **COMMISSIONER GENERAL ZAMBIA REVENUE AUTHORITY;**
  - **SENIOR OFFICIALS FROM ZAMBIA REVENUE AUTHORITY;**
  - **MEMBERS OF THE BUSINESS COMMUNITY;**
  - **INVITED DISTINGUISHED GUESTS;**
  - **LADIES AND GENTLEMEN; AND**
  - **ALL PROTOCOLS OBSERVED.**

**I AM VERY PLEASED TO JOIN YOU AT THIS SALES TAX CONSULTATIVE MEETING WITH THE BUSINESS COMMUNITY.**

**FOLLOWING THE PRONOUNCEMENT IN MY 2019 BUDGET ADDRESS THAT GOVERNEMNT INTENDED TO ABOLISH THE VALUE ADDED TAX (VAT) AND REPLACE IT WITH A SIMPLER, NON-REFUNDABLE SALES TAX, I PRESENTED TO PALIAMENT THE SALES TAX BILL ON 2<sup>ND</sup> APRIL 2019 AFTER ITS APPROVAL BY CABINET.**

**LADIES AND GENTLEMEN, THE DECISION BY GOVERNEMNT TO ABOLISH VALUE ADDED TAX AND REPLACE IT WITH SALES TAX IS NECESSARY TO STOP THE REFUND DEBT ESCALATION CREATE FISCAL SPACE, TO PAY THE OUTSTANDING VAT REFUNDS, AND MORE IMPORTANTLY INCREASE REVENUE COLLECTION TO SUPPORT GOVERNMENT'S SOCIAL DEVELOPMENT PROGRAMS.**

**AS YOU MAYBE AWARE, FOLLOWING ZAMBIA'S ASCENDANCE TO A LOWER MIDDLE INCOME COUNTRY, FISCAL SUPPORT FROM OUR**

**COOPERATING PARTNERS HAS OVERTIME BEEN REDUCING. WE SHOULD THEREFORE CONSTANTLY REVIEW OUR DOMESTIC REVENUE MOBILISATION STRATEGIES IN ORDER TO SUSTAIN OUR DEVELOPMENT AGENDA AND REDUCE POVERTY. I WISH TO REMIND YOU THAT DOMESTIC TAX REVENUES ACCOUNT FOR ABOUT 60 PERCENT OF OUR NATIONAL BUDGET. AS GOVERNMENT, THEREFORE WE TAKE KEEN INTEREST IN SEEING THAT DOMESTIC RESOURCE MOBILISATION IS ENHANCED.**

**AGAIN AS GOVERNMENT, WE REALISE THAT CHANGING A TAX SYSTEM IS A MAJOR REFORM WHICH REQUIRES BROAD CONSULTATION. SINCE OCTOBER 2018 GOVERNMENT HAS BEEN ENGAGED IN INTERNAL CONSULTATIONS BETWEEN DIFFERENT MINISTRIES AND AGENCIES IN ORDER TO FULLY APPRECIATE THE IMPACT OF THIS CHANGE ON THE ECONOMY.**

**ON THE EXTERNAL FRONT, THE GOVERNMENT HAS BEEN IN CONSULTATION WITH VARIOUS PLAYERS IN THE ECONOMY. THUS FAR CONSULTATIONS HAVE BEEN MADE WITH THE AGRICULTURE, MANUFACTURING, MINING, TOURISM, ENERGY AND FINACIAL SECTORS.**

**LADIES AND GENTLEMEN, GIVEN THE STRUCTURE OF OUR ECONOMY, WE ARE CONVINCED THAT FROM THE TAX ADMINISTRATION POINT OF VIEW, GOVERNMENT WILL COLLECT SALES TAX WITH BETTER EFFICIENCY.**

**IN ORDER TO ADDRESS THE EFFECTS OF CASCADING ASSOCIATED WITH SALES TAX, EXEMPTIONS HAVE BEEN PROVIDED ON CAPITAL GOODS, BASIC FOODS ITEMS, AND ESSENTIAL GOODS AND SERVICES IN THE HEALTH, EDUCATION AND WATER SECTORS.**

**EXEMPTIONS AND SELECTED INPUTS INTO PRODUCTION IN PRIORITY SECTORS IDENTIFIED IN THE REVISED 7TH NATIONAL DEVELOPMENT PLAN NAMELY AGRICULTURE, MANUFACTURING, MINING AND TOURISM HAVE ALSO BEEN PROVIDED TO ENSURE THAT THE COST OF PRODUCTION IS LOW.**

**LADIES AND GENTLEMEN, GIVEN THE EXEMPTIONS PROVIDED UNDER SALES TAX, IT IS EXPECTED THAT PRODUCTION COSTS WILL REMAIN RELATIVELY UNCHANGED. IT IS THUS EXPECTED THAT THE SALES TAX WILL ONLY INCREASE PRICES TO THE EXTENT OF THE NUMBER OF DISTRIBUTION POINTS IN THE PRODUCTION VALUE CHAIN.**

**AS A BUSINESS COMMUNITY, YOU MAY BE WONDERING WHAT WILL HAPPEN TO YOUR LEGITIMATE OUTSTANDING VAT CLAIMS AFTER THE IMPLEMENTATION OF SALES TAX. I WANT TO ASSURE YOU THAT WILL GOVERNMENT PAY OFF ALL OUTSTANDING LEGITIMATE VAT REFUNDS. RECONCILIATIONS WILL BE UNDERTAKEN TO CLOSE OFF VAT AND A PLAN WILL BE PUT IN PLACE OF HOW TO LIQUIDATE THE LEGITIMATE REFUNDS.**

**IN ORDER TO SUPPORT LOCAL INDUSTRY, A DIFFERENTATED SALES TAX RATE HAS BEEN ADOPTED AT 16 PERCENT ON IMPORTED FINISHED PRODUCTS AND 9 PERCENT ON LOCALLY MANUFACTURED PRODUCTS. FURTHERMORE, EXPORTS WILL BE EXEMPT FROM THE SALES TAX IN ORDER TO MAKE THEM COMPETITIVE AND EARN THE COUNTRY FOREIGN EXCHANGE.**

**LADIES AND GENTLEMEN, I NOTE THAT OUR DOMESTIC TAX SYSTEM IS LARGELY SELF-ASSESSMENT. IT IS THEREFORE IMPORTANT THAT OUR TAXPAYERS ARE PROVIDED WITH UPDATED TAX INFORMATION TO ENABLE THEM TO KNOW THEIR TAX OBLIGATIONS. THIS WILL MAKE IT EASIER FOR THEM TO BE TAX COMPLAINT.**

**AS MINISTER OF FINANCE, I AM EXCITED BECAUSE A FORUM LIKE THIS ONE PROVIDES AN OPPORTUNITY TO CLARIFY MATTERS PERTAINING TO THE SALES TAX. I AM ALSO HOPEFUL THAT THIS MEETING WILL RESULT IN FRUITFUL ENGAGEMENT BETWEEN THE POLICY MAKERS, THE BUSINESS COMMUNITY AND THE TAX AUTHORITY.**

**LADIES AND GENTLEMEN, I WANT TO THANK YOU THE BUSINESS COMMUNITY FOR BEING COOPERATIVE AND PATIENT DURING THE POLICY DEVELOPMENT PROCESS, SO FAR. THIS BEING A CONSULTATIVE MEETING, I URGE YOU ALL TO BE OPEN MINDED AND MEANINGFULLY CONTRIBUTE TO THE DISCUSSION**

**WITH THESE FEW REMARKS, IT IS MY SINGULAR HONOUR AND PRIVILEGE TO DECLARE THIS SALES TAX CONSULTATIVE MEETING OFFICIALLY OPEN:-**

**I THANK YOU.**