



2019 National Budget Speech... Key changes in a few words

28 September 2018

Budget outlook 2019

Government Expenditure (ZMW)	86.8 billion
Government Revenue (ZMW)	56.1 billion
Budget Deficit	30.7 billion (6.5% of GDP)

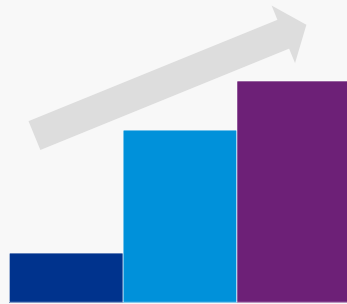
Source: Ministry of Finance, Green Paper.2019 -2021 Medium Term Expenditure Framework and 2019 Budget

Macroeconomic Targets 2019 - 2021

	2018	2019	2020	2021
Real GDP Growth (%)	4	4.3	4.5	4.6
CPI Inflation (end of period) %	6 to 8			
Budget Deficit (% of GDP)	7.4	6.5	5.5	5.1
Copper Price (US\$/MT)	6,454	6,477	6,490	6,490
Copper production	891,203	924,510	961,822	999,302

Source: Ministry of Finance, Green Paper.2019 -2021 Medium Term Expenditure Framework and 2019 Budget

Taxes and Levies



Increase in Mineral Royalty Tax Rates by 1.5% per at all levels of sliding scale.

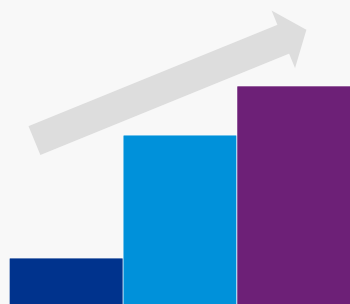
2019 Policy Initiatives proposed – Mining Tax Regime

- Revision of Mineral Royalty Tax rates with introduction of fourth tier rate at 10%.

Mineral Royalty Tax scales	2019	2018
\$1 to \$4,449	5.5%	4%
\$4,500 to \$5,999	6.5%	5%
\$6,000 to \$7,499	7.5%	6%
\$7,500 and above	10.0%	6%

- Mineral Royalty Tax deductibility for income tax purposes will be withdrawn.
- Introduction of 5% import duty on copper and cobalt concentrates.
- Export duty of 15% on precious metals including gold, precious stones and gemstones to be introduced.
- Increase of export duty on manganese ore and concentrate from 10% to 15%.

Taxes and Levies



Increase in WHT on dividends interest and branch profits to 20%

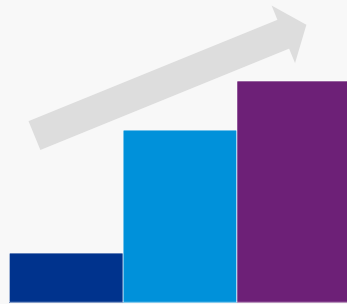
2019 Policy Initiatives proposed – Direct Taxes

- Thin Capitalisation Rules for the Mining industry will be replaced with new rules based on Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA). Interest allowable as a deduction for income Tax purposes will be limited to 30% of EBITDA.
- Limitation requirements to retain records for transfer pricing purposes increased to 10 years from 6 years. In addition, Government will increase the penalty for non-compliance with transfer pricing regulations from ten thousand penalty units to eighty million penalty units.
- Increase in Withholding Tax rate on dividends, interest and branch profits from 15% to 20%.
- Reduction in corporate income tax rate on companies that add value to copper cathodes operating in the copper sub-sector to 15% from 35%.
- Revision of turnover tax regime by re-introducing a flat rate of 4% on business turnover below ZMW800,000.
- New tax regime on casino, lottery, betting and gaming introduced.

Casino live games	20% of gross takings
Casino machine games	35% of gross takings
Lottery winnings	35% of net proceeds
Betting	10% of gross stakes
Gaming at ZMW250 to ZMW500 per machines per month	

- Zambia Revenue Authority will be interim regulator of gaming and betting industry.
- Tax agents will be appointed to withhold turnover tax at the source of payment for goods and services

Taxes and Levies



2019 Policy Initiatives proposed – Indirect Taxes

- Reintroduction of Sales Tax and abolishment of Value Added Tax regime. A Sales Tax Bill to be tabled to parliament for ratification. Government will commit to finalising audits of VAT refund claims and settling the approved refund claims.
- Introduction of 30 ngwee excise duty on non alcoholic beverages.
- Suspension of customs duty on LED lights.
- Ban on exports of raw hides and skin to be lifted and introduction of 10% export duty.
- Increase of excise duty on plastics bags from 20% to 30%.
- Increase of customs duty on retreaded tyres.
- Customs duty on powdered milk to increase from 5% to 15%.
- Period of absence for returning residents to qualify for rebate on duty payable on a motor vehicle per household to increase from two (2) years to four (4) years.
- Customs duty rebates on the construction of shopping malls will be scratched.

Effective
date of
changes in
tax regimes



All the proposed policy initiatives changes, except Sales Tax, will take effect from on 1 January 2019.



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