ZAMBIA REVENUE AUTHORITY

My Tax Your Tax Our Destiny

AN INTRODUCTION TO VALUE ADDED TAX (VAT)

What is Value Added Tax?

Value Added Tax (VAT) is an indirect tax introduced in Zambia on 1st July 1995 to replace Sales Tax. It is levied, charged, and collected on taxable supplies of goods and services and on imported goods and services. VAT is charged on taxable goods and services made in the course of business and is borne by the final consumer. Only persons registered (or required to be registered) for VAT can charge and collect it.
Supply refers to provision of goods and services.

Who is Eligible to Register for VAT?

1. Every person dealing in taxable supply of goods or services (other than exempt suppliers).
2. Mandatory registration if annual taxable supplies exceed K800,000.
3. Voluntary registration option if turnover is above K400,000 but below the threshold. This includes suppliers who have exceeded the threshold of K200,000 per quarter.

What are Taxable Supplies?

- Goods or services liable to VAT.
- All taxable importations of goods or services into Zambia that are not exempt from VAT.

Categories of Taxable Supplies

Standard rated supplies → taxed at 16%Examples of Standard Rated Supplies

- Sale of new or second-hand goods
- Business samples/gifts above K100 per year
- Transfer of ownership or provision of services to employees/directors/partners
- Sale of business assets (e.g., liquidation)
- Hiring, leasing, or loan of goods (inside or outside Zambia)
- Delivery, packing, postage charges
- Treatments applied to goods
- Rendering of services (building, professional, consultancy, management)
- Imported services (Reverse VAT)

  Zero-rated supplies → taxed at 0%

Examples of Zero-Rated Supplies

- Export of goods (with evidence of exportation)
- Goods imported by diplomats (with reciprocal privileges)
- Supplies to donors for official purposes (with evidence)
- Supplies of cement, roofing sheets, bricks, blocks to approved public benefit organisations for non-profit/humanitarian activities

Note: Any supply not listed in the VAT Exemption or Zero-Rating Orders is deemed standard rated.

Exempt Supplies

Exempt supplies are goods and services not subject to VAT, even if made by a VAT-registered business. Suppliers dealing solely in exempt supplies cannot register for VAT.
Examples:

- Health and medical services (registered under Health Professions Act, 2009)
- Educational services (nursery, primary, secondary, post-secondary)
- Funeral services (caskets, coffins, tombstones)

Requirements for VAT Registration

- Latest bank statements (3 months)
- Business plan detailing taxable goods/services
- Projected cash flow for next 12 months

How to Register for VAT

- Login to ZRA portal (www.zra.org.zm) with TPIN, password and enter the captcha provided
- Enter the One Time Password (OTP) sent through the registered email address and phone number
- Click registration module → tax type amendment
- Answer YES to the question "Are you dealing in taxable goods & services for VAT purposes?"
- Complete online application form
- Submit for review

Voluntary registration:

- Taxpayers registered for voluntary VAT have an obligation to renew their application at the beginning of every year. The renewal process must be done 30 days before the beginning of the new charge year. Below are the renewal application steps:
- Login to ZRA portal (www.zra.org.zm) with TPIN, password and enter the captcha provided
- Enter the One Time Password (OTP) sent through the registered email address and phone number
- Go to registrations and select applications
- Scroll the drop-down menu to "VAT renewal application"
- Attach the updated latest 3 months bank statement, cashflow projections for 12 months as well as business plan in PDF form
- Submit application

VAT Mechanism

Input VAT is VAT paid when purchasing goods and services for one's business and output VAT is VAT charged on the sale of goods and services to customers.
VAT due= Output VAT – Input VAT

1. If Output is greater than Input → Pay the difference to ZRA
2. If Input is greater than Output → Refund to the supplier is due

Example:

- Purchases: K232 (incl. VAT), Input VAT = K32
- Sales: K348 (incl. VAT), Output VAT = K48
- VAT payable = K48 – K32 = K16

Validity of Input Tax Invoice

Valid for 90 days from date of generation
From 1 Jan 2025, only invoices from Smart Invoice system are claimable

VAT Return & Payment Due Dates

Due on or before 18th of the following month
Withholding VAT agents → due by 16th of the following month (currently suspended)

Penalties for Non-Compliance

- Late return submission: K400 or 0.5% of tax payable per day (whichever is greater)
- Late payment: 0.5% per day plus interest (Bank of Zambia Discount Rate plus 2%)
- Penalties apply even for repayment or nil returns

VAT Tax Point

For Goods:
Tax point is the exact time when a tax becomes due
Tax point occurs at the earliest of the following:

i. when the payment is received;
ii. when the invoice is issued;
iii. when the goods or services are delivered
iv. when the goods are supplied to the buyer

Can a Non-VAT Registered Supplier Issue a Tax Invoice?

No. Only VAT-registered suppliers can issue tax invoices inclusive of VAT.

Taxpayer Reminder

All taxpayers must ensure that their registered contact details such as, mobile phone numbers, email addresses, physical addresses, and other demographic information, are always accurate and up to date on their tax profiles. Maintaining current details ensures timely receipt of official communications, notices, and important tax-related updates from ZRA and supports effective compliance.

Further Information

VAT guide & VAT liability guide → ZRA website
Toll-free call centre: 4111
Email: advice@zra.org.zm