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2026 Tax Updates Zambia

Executive Summary

Recent Income Tax Developments Impacting Zambian Businesses

Zambia Income Tax Updates for 2026

Effective Date: January 1, 2026

In December 2025, Parliament passed comprehensive tax reforms that overhaul income tax, value-added tax (VAT), customs duties, property transfer taxes, digital dealings, and administrative procedures. These modifications enhance regulatory oversight, broaden the application of turnover taxes, and significantly influence liquidity, adherence requirements, and organizational strategies in various industries.

Scope of This Summary

This summary focuses exclusively on income tax modifications effective from January 1, 2026, drawn directly from Act No. 17 of 2025. It identifies impacted parties and recommends practical steps for implementation.

Background and Implementation

The Income Tax (Amendment) (No. 2) Act, 2025 (Act No. 17 of 2025) was signed into law on December 30, 2025, and became effective on January 1, 2026. The revisions offer specific incentives and limitations for certain industries (particularly special purpose vehicles for railway public-private partnerships), improve rules for turnover taxation and compliance, and strengthen enforcement measures, urging prompt evaluation by relevant entities.

Key Changes Overview

- Updated exclusions for Minimum Alternative Tax (MAT) covering presumptive or turnover tax payers and railway PPP SPVs during their initial 12 years.
- Limits on interest deductions and loss carry-forwards for railway sector SPVs.
- Revised guidelines for turnover and standard assessments, incorporating thresholds for public service vehicle seating and small-scale mining operations.
- Extension of USD as a functional currency option to mineral processing activities.
- New voluntary disclosure program: penalties waived for self-reported errors prior to discovery.
- Adjustments to schedules and rates, such as turnover tax brackets and industry-specific rules.
- Continuation of interest deduction limits (30% of EBITDA) after carried-forward amounts expire.

Achieving tax compliance begins with awareness. Grasping the nature of these updates and their interplay with your operations, processes, and finances empowers businesses to shift from reactive measures to proactive, strategic choices.

The scope of MAT has been refined, yet it applies more rigorously to those outside exemptions. For non-qualifying entities, tax may arise from revenue rather than earnings.

Zambia Tax Alert 2026: Comprehensive Legislative Amendments and Business Implications

The tables below set out the specific legislative amendments introduced under Act No. 17 of 2025 and related statutes, together with their corresponding practical and commercial implications. Each amendment is presented in summary form, followed by an analysis of its operational, compliance, and financial impact on affected taxpayers.

Legislative Changes	Implications / Practical Impact
<p>MAT exclusions revised – update to s14A(5)</p> <p>MAT does not apply to:</p> <ul style="list-style-type: none"> ▪ Individuals or partnerships subject to presumptive or turnover taxes; or ▪ A railway sector SPV in the first 12 years of a PPP project. 	<p>Effects on non-exempt taxpayers</p> <ul style="list-style-type: none"> ▪ MAT continues to apply in full to all other individuals and partnerships not under presumptive/turnover regimes or qualifying railway PPP SPVs. ▪ Businesses with slim margins or operating at a loss could incur taxes based on revenue, not profits, raising overall tax burdens. ▪ Liquidity management is essential, as MAT might be due even in low-profit or loss scenarios. ▪ Forecasting and financial planning should incorporate MAT scenarios in addition to standard income tax for potential additional liabilities.
<p>Interest deduction cap for railway sector SPVs</p> <p>Gross interest expense deduction limited to 70% of tax EBITDA per tax year; surplus carried forward.</p>	<ul style="list-style-type: none"> ▪ Projects with high debt levels may see interest deductions postponed. ▪ Review financing arrangements and borrowing amounts to minimize restrictions. ▪ Carried-forward interest will influence tax rates over the medium term without fully disallowing deductions.
<p>Loss utilization limits for railway sector SPVs</p> <p>Losses can offset only 70% of income from the same source; remaining losses carried forward for up to 12 following tax years.</p>	<ul style="list-style-type: none"> ▪ Loss offset is capped and time-bound, heightening the chance of unused losses. ▪ Revise project forecasts to account for limited loss recovery. ▪ Attaining profitability sooner is vital within the 12-year timeframe.
<p>Deduction for hiring individuals with disabilities</p> <p>Deduction under s43D(2) raised from K2,000 to K2,500.</p>	<ul style="list-style-type: none"> ▪ Offers minor benefits to eligible employers. ▪ Update yearly tax calculations to include the new figure.

Zambia Tax Alert 2026: Comprehensive Legislative Amendments and Business Implications

Legislative Changes	Implications / Practical Impact
<p>USD functional currency for mineral processing Accounts can be maintained in USD if at least 75% of gross revenue comes from foreign currency earned abroad, with Commissioner-General's consent (now includes mineral processing).</p>	<ul style="list-style-type: none"> Minimizes currency mismatch issues for export-focused mining activities. Qualification must be proven and approved by the Commissioner-General. Operational details may rely on ZRA directives.
<p>Exclusion from presumptive tax Public Service Vehicles (PSVs) seating 50 or more are exempt from presumptive taxation.</p>	<ul style="list-style-type: none"> Major transport providers are removed from the PSV presumptive system. These operators need to reevaluate their income or turnover tax obligations.
<p>Reduced late payment penalty Late payment penalty on unpaid turnover tax lowered from 5% to 0.5% per month or fraction thereof.</p>	<ul style="list-style-type: none"> Enhances motivation for timely payments and better financial oversight. Designed to encourage adherence among micro, small, and medium-sized businesses.
<p>Turnover tax for artisanal and small-scale mining Mining license holders engaged in artisanal or small-scale mining with annual revenue up to K5,000,000 must pay turnover tax per Ninth Schedule Part IV.</p>	<ul style="list-style-type: none"> Streamlines obligations for small miners by shifting from profit-based to revenue-based taxation. Liability ties directly to sales volume, not profit levels. The turnover tax rate stands at 5%.
<p>Stricter confidentiality for information exchange Data received by ZRA from foreign jurisdictions must be treated confidentially according to the originating country's laws.</p>	<ul style="list-style-type: none"> Bolsters privacy for internationally shared taxpayer details. Overseas data sharing adheres rigidly to agreement stipulations.
<p>Anti-fragmentation rule for permanent establishments Related entities' aggregated activities may form a PE if not merely preparatory or auxiliary.</p>	<ul style="list-style-type: none"> Elevates PE risks for global groups with divided operations in Zambia. Assess group structures comprehensively, beyond individual entities.
<p>Clarified threshold for AIT remittance reporting Covers transactions exceeding USD 2,000 or equivalent in Kwacha, via any transfer method (formerly restricted to bank transactions).</p>	<ul style="list-style-type: none"> Widens the range of remittances needing reporting and monitoring. Configure systems to identify reportable deals.
<p>Voluntary disclosure relief – new s91A No penalties for errors self-reported before identification.</p>	<ul style="list-style-type: none"> Promotes thorough tax assessments and voluntary corrections. Establishes a straightforward route to avoid fines.
<p>Exemption Schedule – collective investment schemes Exemption for approved schemes limited to income distributed to members.</p>	<ul style="list-style-type: none"> Retained income in schemes may become taxable. Managers should examine payout strategies to retain exemption advantages. Participants might see altered net returns based on distribution approaches.
<p>Exemption Schedule – addition of private funds Private funds now qualify for exemption.</p>	<ul style="list-style-type: none"> Enhances assurance on tax handling for private fund setups. Organizers must verify compliance with private fund criteria.
<p>Increased exemption band for turnover tax Band raised from K12,000 to K30,000; same for property rental tax.</p>	<ul style="list-style-type: none"> Delivers benefits to tiny operations while keeping a simple system for small ones. Modest property owners gain from lower rates on initial earnings. Landlords should review if turnover taxation suits growing revenues.

Updates to Schedules and Rates

The legislation implements various structural revisions to the Second Schedule, Ninth Schedule, and Charging Schedule, impacting taxation of investment structures, turnover taxpayers, public transport vehicles, gaming and betting entities, and railway PPP SPVs. These refine exemptions, modify rates, and standardize industry rules.

Ninth Schedule Part I – Taxes for Public Service Vehicles (PSVs)

Updated annual fixed taxes according to seating capacity.

Vehicle Type (Seating Capacity)	Tax Amount per Vehicle (Annual)
36–49 seats	K10,368
22–35 seats	K7,776
18–21 seats	K5,184
12–17 seats	K2,592
Under 12 seats (including taxis)	K1,296

Game Type	Monthly Tax Rate or Amount
Casino Games (Physical)	K5,000 per table
Lottery Wins (Physical)	15% of net proceeds
Betting (Physical)	15% of gross receipts
Gaming Machines	K500 per machine

Legislative Changes	Implications / Practical Impact
<p>Charging Schedule – railway sector PPP SPVs</p> <p>Phased tax rates introduced for PPP project lifecycles, beginning at 0% and rising progressively.</p> <ul style="list-style-type: none"> Years 1–5: 0% Years 6–15: 10% Years 16–25: 12% Years 26–28: 30% 	<ul style="list-style-type: none"> Delivers predictable taxation and initial relief for infrastructure-heavy rail initiatives. Projections must factor in escalating rates throughout the project term. Anticipate higher taxes in advanced stages ahead of time.

Zambia Other Tax Updates for 2026

Key Changes

- Broader authority for VAT remission on uncollectible debts (amendment to VAT Act).
- Clarified exemptions for PTT in group restructurings with share transfers, under rigorous holding requirements.
- Significant reforms to Customs & Excise enforcement, such as updated appeal deadlines, needs for tax clearance certificates, and rules for valuing mineral exports.
- Enhanced ZRA oversight and data-sharing capabilities, including creation of distinct legal units.
- Overhaul of Mobile Money Transaction Levy brackets and alignment of betting terms with Customs & Excise regulations.
- New independent Betting Levy Act under ZRA, requiring monthly filings and IT system connections.

Revisions to VAT, customs, property transfers, and levies are now interconnected via compliance and technology, meaning problems in one domain can rapidly affect others. Understanding these linkages enables companies to manage finances effectively and prevent unforeseen issues.

Zambia Other Tax Updates for 2026

Value-Added Tax

Legislative Changes: Expanded VAT remission authority – update to s19(1A)

The Minister, upon the Commissioner-General's advice, can forgive all or part of unrecoverable VAT, penalties, or interest under defined criteria.

Implications / Practical Impact

- Establishes a structured method to resolve old or inactive VAT obligations.
- Administrators of insolvencies and estates can initiate discussions with ZRA to avoid perpetual uncollectible VAT.
- Relief is not guaranteed; it depends on discretion and proof. · Reexamine VAT reserves and potential liabilities where criteria apply.

Documentary evidence mandate introduced – new s19(1B)

The Commissioner-General can demand supporting documents for remission requests.

- Applications need organized evidence (e.g., insolvency files, estate records, transaction logs).
- Inadequate documentation could hinder or block approval.
- Advance compilation of proof boosts approval chances.

Property Transfer Tax

Legislative Changes: Handling of group restructurings

If satisfied that a share transfer serves group reorganization purposes, the Commissioner-General may assign zero value to it. This applies if the involved companies have belonged to the same group for at least three years prior.

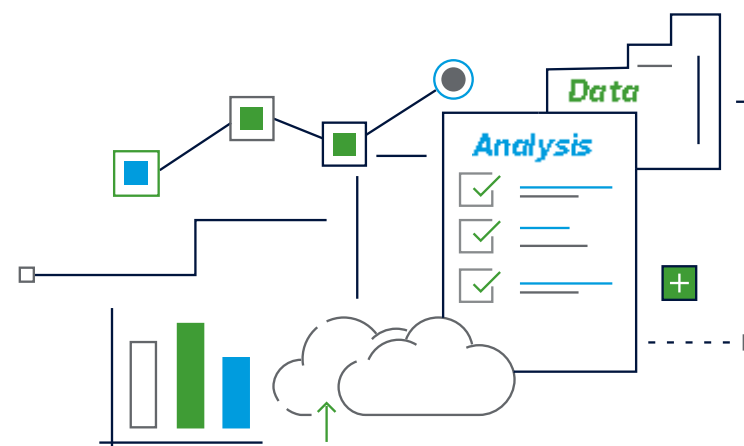
Implications / Practical Impact

- Replaces prior "locally incorporated company" criterion with emphasis on group affiliation.
- Expands eligibility to encompass suitable international group restructurings if affiliation conditions are met.

Exemption for share surrender and forfeiture

Surrender or forfeiture of shares without payment stays PTT-exempt if not aimed at tax evasion, per Commissioner-General. Subsequent transfers to others, however, incur PTT.

- Blocks misuse of forfeitures as intermediaries for tax avoidance.
- Demands precise timing of actions post-forfeiture.
- Evaluate later transfers for PTT liability independently, regardless of initial exemption.



Legislative Changes	Implications / Practical Impact
<p>New formal appeal mechanism</p> <p>A dissatisfied party can appeal a customs decision to the Commissioner-General within 30 days, providing explicit reasons. Resolution must occur within 60 days; payment is not deferred by appeal.</p>	<ul style="list-style-type: none"> ▪ Delivers clear processes for resolving customs conflicts.
<ul style="list-style-type: none"> ▪ Maintains cash outflow risks amid disputes, elevating costs of challenges. 	
<ul style="list-style-type: none"> ▪ Incorporate "pay first, dispute later" into risk and cash management strategies. 	
<p>Tax clearance needed for refunds and benefits</p> <p>No eligibility for duty suspensions, drawbacks, refunds, rebates, or remissions without a current tax clearance certificate.</p>	<ul style="list-style-type: none"> ▪ Ties customs advantages to broad tax compliance.
<ul style="list-style-type: none"> ▪ Small lapses in income tax or VAT could deny customs relief. 	
<ul style="list-style-type: none"> ▪ Regular tax maintenance is vital for import-reliant operations. 	
<p>Refund suspension or delay during probes</p> <p>Commissioner-General can pause or hold refunds for investigated taxpayers up to nine months, extendable reasonably.</p>	<ul style="list-style-type: none"> ▪ Heightens uncertainty in refund schedules for those under review.
<ul style="list-style-type: none"> ▪ Entities depending on frequent refunds should prepare for cash shortages. 	
<ul style="list-style-type: none"> ▪ Managing audits and disputes gains greater business importance. 	
<p>Updated mineral export valuation</p> <p>Exports valued FOB; minerals use certified values from Minerals Regulation Commission's analysis certificate.</p>	<ul style="list-style-type: none"> ▪ Reduces disputes by tying values to official certifications.
<ul style="list-style-type: none"> ▪ Exporters must match declarations to commission data. 	
<ul style="list-style-type: none"> ▪ Closer alignment needed for transfer pricing, royalties, and customs valuations. 	
<p>Broader powers for seizure and disposal</p> <p>Perishable, hazardous, or unfit items can be disposed pre-appeal; successful appeals yield refunds of goods' value.</p>	<ul style="list-style-type: none"> ▪ Lowers ZRA's storage hazards but transfers valuation risks to taxpayers.
<ul style="list-style-type: none"> ▪ Thorough records of seized items' state and worth are essential for claims. 	

Amendments to Tariff, Excise, and Surtax Schedules

Zambia Revenue Authority (ZRA) Act

Legislative Changes	Implications / Practical Impact
Beverages and alcohol <ul style="list-style-type: none"> Excise on fruit juices and non-alcoholics up from K1.00 to K2.00 per liter; Beer (non-malt) excise down from 60% to 50%; Wines, spirits, and ethanol excise up from 60% to 80%. 	<ul style="list-style-type: none"> Obvious price hikes for drinks, alcohol, and tobacco impacting costs and profits. Higher import expenses for surtax-affected consumer items.
Tobacco products <ul style="list-style-type: none"> Excise on tobacco raised from K452 to K750 per kg. 	<ul style="list-style-type: none"> Importers of vehicles should evaluate duties individually due to category variations. Adjust budgets for both rate types. · Precise classification is key to avoid amplified risks.
Surtax <ul style="list-style-type: none"> Vehicle importers to review duties per classification differences. 	
Vehicles and manufactured goods <ul style="list-style-type: none"> Revised customs and excise based on age, engine size, and type, with distinct rules for hybrids and electrics. 	

Legislative Changes	Implications / Practical Impact
Creation of ZRA legal entities Governing Board, with ministerial input, can form entities for innovation, major initiatives, or partnerships.	<ul style="list-style-type: none"> Indicates greater ZRA adaptability and business involvement. · Interactions may shift to novel entities over standard units.
Wider internal and external data sharing Data exchange allowed among ZRA units, Board, and new entities, overriding other tax statutes.	<ul style="list-style-type: none"> Eliminates internal barriers at ZRA. Raises chances of unified audits across tax types.
Revised governance schedules Clarified Board meeting cadence; notice periods cut from six to four months.	<ul style="list-style-type: none"> Accelerates ZRA decisions and rollouts. Anticipate quicker timelines for responses and changes.

Mobile Money & Betting

Overhaul of Mobile Money Transaction Levy

The prior schedule is revoked, replaced by tiered fixed levies based on transaction amounts.

New rates:

Amount Range (ZMW)	Levy (ZMW)
0 to 150	0.32
Over 150 to 300	0.40
Over 300 to 500	0.80
Over 500 to 1,000	2.00
Over 1,000 to 3,000	4.00
Over 3,000 to 5,000	7.50
Over 5,000 to 10,000	8.00

Legislative Changes Broadened person-to-person transfer definition

“Person-to-person transfer” includes electronic funds moved between individuals or to oneself.

Implications / Practical Impact

- Addresses a prior gap excluding self-transfers, covering all electronic transfers now.

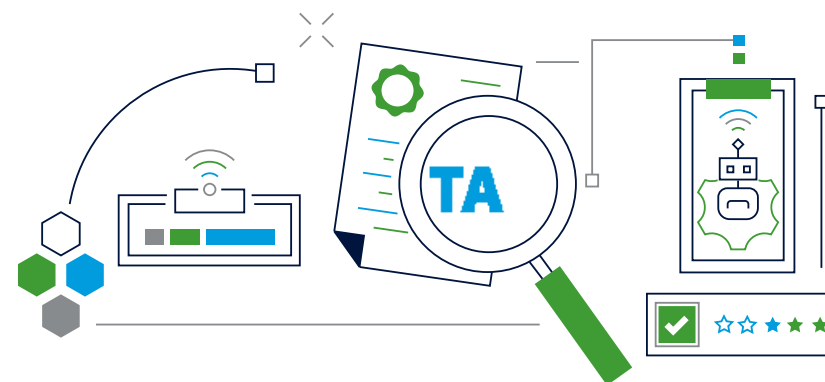
Alignment of betting definition with Customs & Excise

“Betting” matches the definition in the Customs and Excise Act.

- Standardizes betting handling across tax frameworks.
- Minimizes ambiguities for online and mixed betting formats.

New betting levy framework

- 5% levy on deposits and withdrawals from gaming accounts. Companies must file monthly and pay collected amounts.
- Physical betting locations are exempt.
- Imposes direct costs on digital betting providers.
- Adjust financial and pricing strategies for both directions of flow.
- ZRA system linkage is required, boosting compliance and tech expenses.



The 2026 legislative amendments represent a significant shift in Zambia's tax and regulatory landscape. While targeted incentives have been introduced in strategic sectors such as railway infrastructure and mineral processing, the broader framework reflects enhanced enforcement, expanded revenue-based taxation in certain areas, and deeper integration across tax types.

The refinements to Minimum Alternative Tax, turnover tax thresholds, permanent establishment rules, customs procedures, VAT remission powers, and mobile money and betting levies collectively signal a move toward greater transparency, stricter compliance oversight, and improved revenue administration.

Importantly, the increasing interconnection between income tax, VAT, customs, and regulatory compliance means that non-compliance in one area may now have direct operational and cash flow implications in another. Businesses should therefore adopt a coordinated and proactive approach to tax risk management rather than addressing obligations in isolation.

We recommend that taxpayers:

- Conduct a comprehensive impact assessment of the 2026 amendments;
- Revisit financial models and cash flow projections, particularly where MAT or turnover-based taxation may apply;
- Review group structures in light of the anti-fragmentation and permanent establishment rules;
- Ensure tax clearance status and documentation systems are current and robust; and
- Consider voluntary disclosure where appropriate to mitigate penalty exposure.

Early evaluation and structured implementation planning will be essential to manage risk, preserve liquidity, and align operational strategies with the revised legislative framework. For further clarification on how these amendments may affect your organisation, please contact your RSM advisor.

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