



2025 Supplementary National Budget Bulletin – Income Tax and Customs Amendment Bills



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Introduction

Anticipating change, managing impact, and preparing for implementation

The 2025 Income Tax and Customs and Excise Amendment Bills currently before the Zambian National Assembly represent a pivotal moment in the country's fiscal policy direction. These proposed legislative changes—focused on increasing government revenue, broadening the tax base, and aligning regulatory frameworks—are expected to have far-reaching implications for investors, businesses, and the broader economy. This Bulletin provides an analysis of the key provisions in the Bills, their technical details, and the anticipated economic and business impacts, along with practical recommendations for stakeholders.



2

Minimum Alternative Tax: Broadening the tax base and ensuring fair contribution

Minimum Alternative Tax

The Income Tax (Amendment) Bill, 2025 proposes the introduction of a 1% Minimum Alternative Tax (MAT) on turnover, aimed at ensuring that all businesses with significant turnover and low profitability contribute a fair share to the national treasury, even if they report low or no taxable income in a charge year.

1%

Tax base

1% of total turnover

100%

Applicability

All companies and partnerships with significant turnover excluding those on turnover tax

5 years

Credit mechanism

MAT paid can be credited against future income tax liabilities for up to five years

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Exclusions

Taxpayers already under presumptive or turnover tax regimes



Minimum Alternative Tax (MAT)

2.1 Business and economic impact

The 1% MAT on turnover aims to broaden the tax base by ensuring that all companies with significant turnover contribute to government revenue, regardless of profitability, while exempting those already under presumptive or turnover tax regimes. Although this measure may increase the effective tax burden on businesses with low profit margins, requiring, it includes a credit mechanism that allows MAT paid to be offset against future income tax liabilities for up to five years.

Stakeholder	Direct Impact
Effective tax rate	May exceed statutory 30% for low-margin businesses
Cash flow	Higher tax payments based on turnover, not profit
Sectoral incentives	Potential erosion of policy incentives in priority sectors
Compliance burden	Urgent system changes, staff training, and re-budgeting
Investment climate	Possible deterrence for high-turnover, low-margin sectors

2.2 Stakeholder considerations

- Businesses should assess the impact of the 1% MAT on their tax liabilities and cash flows, particularly if they operate with low profit margins or benefit from significant tax incentives.
- Ensure internal systems can accommodate dual tax calculations (regular income tax and MAT) and track MAT credits over the allowable five-year period.
- Adjust financial forecasts and budgets to account for potential increases in tax payments due to MAT.
- Monitor for any regulations or guidance issued by the Minister regarding MAT administration to ensure ongoing compliance.
- Sectors such as retail, mining, agriculture, and manufacturing should evaluate the risk of cash flow challenges and the possible erosion of existing sectoral incentives.
- Prepare for urgent system changes, staff training, and re-budgeting to accommodate the new MAT requirements.

3

Withholding Tax on Government Securities

Withholding Tax on Government Securities

The Income Tax (Amendment) Bill, 2025, seeks to raise the withholding tax (WHT) on interest from government securities—specifically Treasury Bills and Government Bonds—from 15% to 20% for both resident and non-resident investors. This move is designed to harmonise the tax treatment of government securities with other interest payments to non-residents, promoting consistency.

Investor Type	Instrument	Current WHT	Proposed WHT (Bill)
Resident	Treasury Bills	15%	20%
Resident	Government Bonds	15%	20%
Non-resident	Treasury Bills	15%	20%
Non-resident	Government Bonds	15%	20%



Withholding Tax on Government Securities

3.1 Implementation and Compliance Considerations

The proposed increase in withholding tax from 15% to 20% on interest from government securities is intended to harmonize tax treatment and boost revenue collection. This change may reduce after-tax yields for investors, potentially influencing investment strategies and necessitating updates to financial forecasts and portfolio allocations. Additionally, financial institutions and paying agents will need to promptly adjust their systems and processes to comply with the new rate, which could involve added administrative efforts.

Stakeholder	Direct Impact	Broader Implications
Investors	Lower after-tax returns	Possible reallocation to other assets
Financial sector	System/process changes, compliance costs	Need for rapid IT and process updates
Government	Higher tax revenue, possible higher borrowing costs	May need to offer higher coupon rates
Financial markets	Short-term volatility, possible outflows	Pressure on currency, liquidity concerns

Withholding Tax on Government Securities

3.2 Stakeholder considerations

- Investors need to evaluate how the increased withholding tax (from 15% to 20%) on government securities will affect after-tax returns and consider rebalancing portfolios if necessary.
- Financial institutions must update all relevant systems and processes to apply the new withholding tax rate from the effective date, incurring potential compliance and IT costs.
- Proactively communicate with clients and beneficiaries about the change and its impact on net returns.
- Entities dependent on interest income should consider revising financial forecasts and budgets to reflect the reduced after-tax income.
- Stay alert to any shifts in government securities yields or investor behaviour that may arise from the tax change.
- Prepare for immediate operational impacts and the need for rapid system and process adjustments.



4

Customs and Excise Amendment Bill: Revenue, health, and social policy

Customs and Excise Amendment Bill

The Customs and Excise (Amendment) Bill, 2025 proposes to raise duty rates on selected goods and introduce a 10% excise duty on betting services. These measures are intended to boost government revenue, address budgetary gaps, and support social and infrastructure programmes, while also discouraging consumption of products with negative health and social impacts.



Customs and Excise Amendment Bill

Product/Service	Current Rate	Proposed Rate (Bill)
Cigarettes	K 452 per mille	K 750 per mille
Clear beer	40% (suspended)	50%
Spirits and wine	60%	80%
Non-alcoholic beverages	K 1.00 per litre	K 2.00 per litre
Betting services	N/A	10% of value of bets
Surtax (selected imports)	5%	10%

4.1 Business and economic implications

The Bill proposes higher duty and excise rates on selected goods and introduces a 10% excise duty on betting services, prompting businesses to update ERP and accounting systems to remain compliant. These changes may impact product pricing, sales volumes, and sourcing strategies, with companies potentially turning to local alternatives to offset increased import costs. Given the timing, businesses may need to make swift operational adjustments and maintain clear communication with supply chain partners and customers to ensure a smooth transition.

4.2 Stakeholder considerations

- Update ERP, customs, and accounting systems to reflect new duty and excise rates once enacted.
- Assess the impact of higher duties and excise taxes on product pricing and profit margins, especially for goods such as cigarettes, beer, spirits, non-alcoholic beverages, and betting services.
- Explore local sourcing options to mitigate increased surtax on imports.
- Revise budgets and forecasts to account for higher duty costs and potential changes in sales volumes.
- Inform customers and supply chain partners of impending price changes and potential supply disruptions.
- Prepare for rapid system and process adjustments due to mid-year changes, which may increase the risk of errors and penalties.
- Monitor for potential increases in illicit trade if price differentials with neighbouring countries widen.

5

Regulatory powers and change management



The Bills grant the Minister broad powers to make regulations for the administration, assessment, collection, and recovery of the new MAT and other tax changes. While this flexibility is valuable for responsive policy management, it also introduces uncertainty if not exercised transparently and predictably. Frequent or late regulatory changes can disrupt business planning and increase compliance costs.

2025 Income Tax and Customs Amendment Bill

Balancing flexibility and certainty

The Bills grant the Minister broad powers to make regulations for the administration, assessment, collection, and recovery of the new MAT and other tax changes. While this flexibility is valuable for responsive policy management, it also introduces uncertainty if not exercised transparently and predictably. Frequent or late regulatory changes can disrupt business planning and increase compliance costs.



5.1 Best practice recommendations

- Publish draft regulations for stakeholder comment before finalisation.
- Provide sufficient lead time for new regulations, especially those requiring system or process changes.
- Ensure regulations are clear, consistent, and harmonised with existing tax laws and practices.



Conclusion

Preparing for change and sustainable growth

Zambia's 2025 Income Tax and Customs Amendment Bills are ambitious

If enacted, these measures would represent a notable development in the country's fiscal framework. The government's aim of enhancing domestic revenue mobilisation is evident. However, the scope and timing of the proposed changes may present challenges for businesses, including adjustments to compliance processes and considerations for investment and economic activity.

A smooth transition will benefit from constructive stakeholder engagement, clear and timely communication, and a phased approach to implementation, alongside a willingness to review and refine measures as needed. By carefully balancing fiscal objectives with the importance of maintaining a stable and attractive investment climate, the government can support sustainable economic resilience and growth as these Bills progress through the legislative process.



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