



Tax Alert

March 2026

Zambia's Voluntary Disclosure Programme

A proactive approach to managing legacy tax exposure

In brief

Zambia has introduced a permanent Voluntary Disclosure Programme (VDP) under the Income Tax Act, effective 1 January 2026. The programme allows taxpayers to voluntarily disclose omissions, errors, or mistakes in their tax affairs in exchange for a complete waiver of penalties and the possible remission of interest. It covers all taxes assessed under the Income Tax Act, including Corporate Income Tax (CIT), Withholding Tax (WHT), Pay-As-You-Earn (PAYE), and transfer pricing. The Zambia Revenue Authority (ZRA) has also signalled a willingness to extend favourable treatment to Value Added Tax (VAT) and Customs matters under its discretionary powers.

While the VDP is permanent, its relevance is driven by timing. Once ZRA commences an audit or enquiry, access to relief may be lost for issues within scope.

Transfer pricing is often the most effective starting point for a voluntary disclosure conversation because it is where cross-border positions and documentation requirements are typically tested first, and where a focused review can quickly surface related exposures across other tax types. In practice, we are also seeing transfer pricing enquiries used as a gateway into broader cross-border matters. A targeted review at the outset helps organisations understand where the real issues sit and decide next steps with greater clarity and control.

We would welcome the opportunity to discuss your tax affairs confidentially and explore how PwC can assist you with a tax health check and, where appropriate, a VDP application.

Why this matters

Tax risk rarely stems from a single event or failure. It more often develops gradually, as businesses evolve, rules change, and historic positions interact with new facts and interpretations. Over time, this can create exposure that is not immediately visible, even in well-governed organisations, and which only comes into sharp focus when reviewed by the tax authority.

In practice, ZRA reviews often begin with a focused enquiry, for example, around transfer pricing or cross-border payments, but can broaden quickly as information is requested and analysed. Once formal assessments are raised, positions tend to become entrenched and matters move into objection and appeal, where timelines lengthen and the scope for pragmatic resolution narrows.

The VDP allows tax risk to be addressed before it is shaped by assessments and dispute processes. It enables organisations to step back and analyse their tax position objectively, forming considered views based on technical merit, commercial reality, and substance, rather than responding defensively to positions already adopted. Where disclosures are made proactively and in good faith, penalties can be waived and interest may be mitigated, subject to the completeness of the disclosure and the Commissioner-General's discretion.

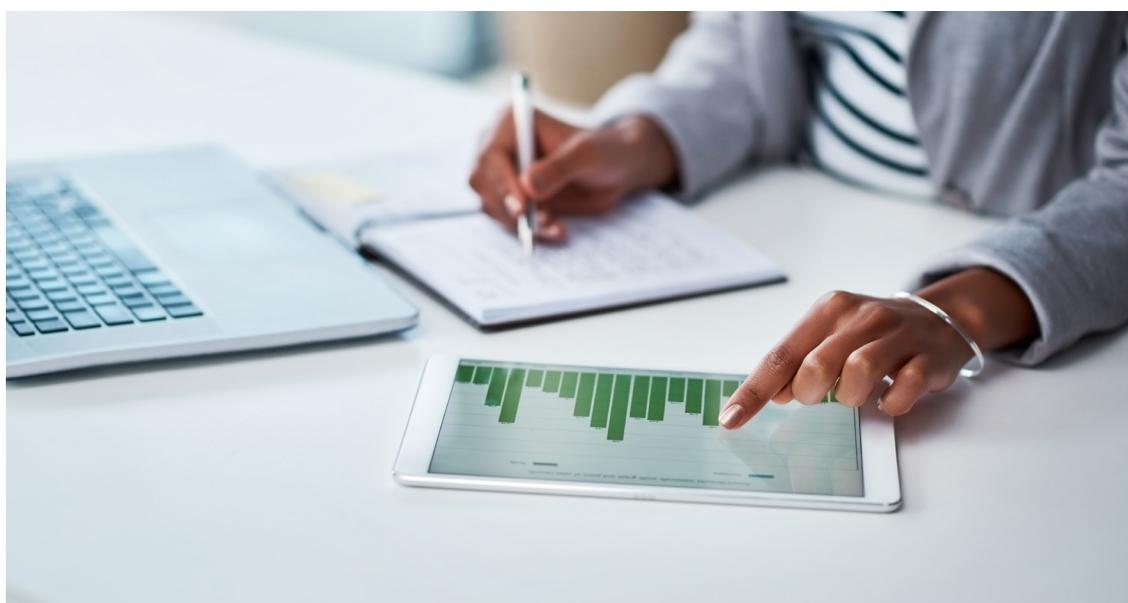
Why transfer pricing is often the most effective starting point

Transfer pricing is often the most effective starting point for a voluntary disclosure conversation because it is where cross-border positions and documentation requirements are typically tested first, and where a focused review can quickly surface related exposures across other tax types. In practice, we are also seeing transfer pricing enquiries used as a gateway into broader cross-border matters. A targeted review at the outset helps organisations understand where the real issues sit and decide next steps with greater clarity and control.

Income taxes — corporate income tax, withholding tax, and PAYE

The VDP expressly covers omissions, errors, and mistakes in relation to assessments under the Income Tax Act. This includes CIT, WHT on payments such as dividends, interest, royalties, management fees, and technical service fees, and PAYE obligations. Common areas of exposure we observe include under-declared income, incorrect or late PAYE remittances, and unreported withholding tax on cross-border payments to non-residents.

The consequences of non-compliance with income tax obligations are significant. Late payment penalties, interest charges, and additional penalties for incorrect returns — which escalate with the degree of culpability — can materially increase the overall tax exposure. In serious cases, criminal prosecution may also apply, carrying the risk of fines and imprisonment.





Indirect taxes – VAT and customs and excise

While the VDP does not directly extend to VAT or Customs and Excise, ZRA has publicly signalled a willingness to exercise its discretionary powers favourably where taxpayers proactively disclose irregularities in these areas. Under the VAT Act and the Customs and Excise Act, the Commissioner-General has the power to remit interest and additional duty, and the legislation recognises voluntary disclosure as a basis for seeking favourable treatment.

Common areas of exposure include misclassification of supplies for VAT purposes, incorrect customs duty valuations, and unremitted VAT. The consequences of non-compliance are substantial, with penalties under both the VAT Act and the Customs and Excise Act potentially including significant fines, multiples of the tax or duty at stake, and imprisonment.

We strongly recommend that any voluntary disclosure to ZRA cover all tax types comprehensively, including VAT and Customs, to ensure no exposures are overlooked and to maximise the prospect of favourable treatment.

The benefits of acting now

The VDP offers compelling benefits for organisations that act proactively. Under the programme, a taxpayer that voluntarily discloses an omission, error, or mistake before the

Commissioner-General discovers the issue can benefit from a complete waiver of penalties. Interest may also be remitted at the Commissioner-General's discretion. Beyond the direct financial relief, voluntary disclosure protects your Tax Clearance Certificate status and avoids the risk of criminal prosecution for tax offences.

Proactive disclosure is not about conceding issues; it is about retaining control. Addressing exposure early allows organisations to shape the narrative around historic positions based on sound analysis and judgement, reduce uncertainty around potential cash exposure, avoid the disruption and escalation typically associated with prolonged audits and disputes, and achieve a clearer path to closure and certainty on legacy matters. Proactive disclosure allows issues to be resolved on a planned and measured basis, rather than under the pressure of statutory timelines and hardened enforcement positions.

It is critical to understand, however, that the window for relief narrows with every passing day. Once ZRA commences an audit or investigation, VDP relief may no longer be available for matters within the scope of that audit. A disclosure made after ZRA has knowledge of a default may not be considered voluntary.

There is also an important practical consideration: ZRA will conduct verification audits following any disclosure to confirm its accuracy and completeness. Incomplete disclosures risk triggering full verification audits and loss of VDP relief if ZRA subsequently discovers additional matters.

How we can help

PwC Zambia's tax team has extensive experience assisting clients with comprehensive tax health checks, voluntary disclosure applications, and direct engagement with ZRA. Our approach covers all relevant tax types, CIT, transfer pricing, WHT, PAYE, VAT, and Customs, to identify and quantify the full scope of potential exposures before any disclosure is made. This includes assessing both the tax outcomes and the effectiveness of the underlying tax risk and control environment, to determine whether it remains fit for purpose as the regulatory landscape and business operations evolve. This ensures that when you approach ZRA, your disclosure is complete, accurate, and positions your organisation for the best possible outcome.

We would welcome the opportunity to schedule a meeting at your earliest convenience to discuss your tax affairs confidentially and explore how we can assist you with a tax health check and, where appropriate, a VDP application.





Contact us



George Chitwa
Country Tax Leader/ Head of Tax
george.chitwa@pwc.com



Malcolm Jhala
Partner, Tax Services
malcolm.jhala@pwc.com



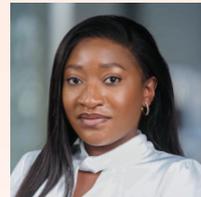
Emmanuel Chulu
Associate Director, Tax Services
emmanuel.e.chulu@pwc.com



Kapaya Kaoma
Senior Manager, Tax Services
kapaya.kaoma@pwc.com



Edwin Kweyu
Manager – Tax Services
edwin.a.kweyu@pwc.com



Sheeba Sakala
Assistant Manager – Tax Services
sheeba.sakala@pwc.com

This publication has been prepared as general information on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

© 2026 PricewaterhouseCoopers Limited. All rights reserved.