

Zambia issues additional fiscal measures to mitigate the impact of COVID-19

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Executive summary

The President of the Republic of Zambia issued an update to the outline of Government's response to the COVID-19 pandemic on 9 March 2020. In his address, the President announced various measures to be implemented in response to COVID-19. Further to this, the President indicated that the Ministry of Finance would oversee the implementation of the Cabinet-approved COVID-19 contingency plan. On 27 of March 2020, the Zambian Minister of Finance issued a ministerial statement introducing various fiscal measures aimed at mitigating the impact of the pandemic on the Zambian economy.¹

On 20 April 2020, the Minister of Finance issued another statement introducing additional fiscal measures to mitigate the impact of COVID-19 on the country's economy.

These measures include:

- Easing liquidity
- Tax relief
- Building new and sustainable value chains
- Engaging multilateral organizations

Detailed discussion

Easing liquidity

The Government has released K500 million for payment of Public Service retiree benefits. The Government also released K170 million to banks so as to clear third-party arrears and K140 million for the payment of various road contractors. These funds form part of the K2.5 billion previously announced by the Republican President.

Furthermore, the Government has directed the Treasury to focus on the completion of the verification exercise aimed at permitting payments of K1 billion to Government suppliers of goods and services.

The Minister also indicated that the financial sector's liquidity challenges will be eased by accessing the K10 billion medium-term refinancing facility. This will provide funding to commercial banks and non-bank financial institutions for them to restructure, refinance or extend credit to businesses and households on more favorable terms. The terms and conditions for the access to this facility have already been issued by the Bank of Zambia.

Tax relief

The Minister has announced a waiver of tax penalties and interest on outstanding tax liabilities resulting from the impact of COVID-19. The Zambia Revenue Authority (ZRA) will issue guidelines on the period of relief, waiver qualification criteria and other related modalities.

The Government has also extended the list of medical-related devices that are not subject to Customs Duty and Value-Added Tax (VAT). The complete list is comprised of

38 individual items with the suspension of VAT and duty set to run for an additional period of six months. These medical devices include thermometers, ventilators, testing equipment and disinfectants. The full list of items will be published by the ZRA.

Building new and sustainable value chains

The Government has established a task force mandated to bring more Zambian products on the floor of major chain stores in shopping malls. This is in a bid to capitalize on the current situation which has presented a new opportunity for domestic agricultural and locally manufactured products to be sold in increased numbers. The task force is comprised of representatives of South African owners of chain stores, the Zambia Association of Manufacturers (ZAM), Zambia Farmers Union (ZNFU) and the Zambia Chamber of Commerce and Industry (ZACCI).

Engagement with multilateral organizations

Various multinational institutions have announced avenues of support and facilities to mitigate the impact of the pandemic. In light of this, the Government of Zambia has engaged the International Monetary Fund in a bid to explore facilities which the country would be eligible for. The Zambian Government has also submitted applications to the World Bank, African Development Bank and Afreximbank so as to be considered for support under the various COVID-19 emergency funds.

Furthermore, The Government of Zambia has held bilateral discussions with some G20 countries on the postponement or rescheduling of debt service payments over a period yet to be agreed upon.

Endnote

1. For background, see EY Global Tax Alert, [Zambia introduces fiscal measures to mitigate impact of COVID-19](#), dated 2 April 2020.

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