



**REPUBLIC OF ZAMBIA
MINISTRY OF FINANCE**

**PRESS STATEMENT ON THE VALUE ADDED TAX (ZERO-RATING) (AMENDMENT) ORDER,
2020 - STATUTORY INSTRUMENT NO. 125 OF 2020**

MONDAY, 04 JANUARY, 2021. LUSAKA.

On 31st December 2020, the Ministry issued Statutory Instrument No. 125 of 2020, the Value Added Tax (Zero-Rating) (Amendment) Order, to include diesel and petrol on the zero-rating schedule of the Value Added Tax Act. This Statutory Instrument is effective from 1st January, 2021. The overarching objective of the Instrument is to cushion the potential pump price increase due to the worsening fuel pricing variables. The depreciation of the Kwacha against the major convertible currencies augmented by the increase in the world fuel prices, necessitated an imperative need to mitigate the potential upward pump price adjustment by removing the VAT from the fuel supply chain.

I wish to bring to the attention of the General Public that, Zambia's petroleum requirements are met through importation of petroleum feedstock and refined petroleum products. The Petroleum feedstock is imported via the TAZAMA pipeline from Dar-e-salaam in Tanzania to INDENI Petroleum Refinery in Ndola through the Government engaged suppliers. This account for about 43 percent of the National consumption. The finished petroleum products are imported predominantly via road and to a lesser extent via rail through the Government engaged Bulk Suppliers of petroleum products. This account for about 57 percent of the National consumption.

I wish to reiterate that the depreciation of the Kwacha against convertible currencies has negatively affected the operational costs of the players in the petroleum value chain. This has led to Oil Marketing Companies that are importing petroleum products to land the products in the country at a cost higher than the Energy Regulation Board set wholesale price. Further, the cost of doing business in the downstream value chain has gone up.

Therefore, in order to ensure sufficient supply of fuel, Government considered various options to keep the fuel price unchanged while reducing the cost of doing business for players in the petroleum value chain.

After evaluation of the options available, a consideration to Zero-rate the supply of fuel in addition to the existing relief on import duty was reached.

I wish to indicate that the zero- rating of fuel is expected to stabilise the pump price in the medium term.

I thank you.

FY Yamba

Fredson K. Yamba (Mr.)

SECRETARY TO THE TREASURY