Joint Submission

By

ZAMBIA NATIONAL FARMERS' UNION

GRAIN TRADERS ASSOCIATION OF ZAMBIA

MILLERS ASSOCIATION OF ZAMBIA

TAX AND NON TAX PROPOSALS SUBMISSION TO

THE MINISTRY OF FINANCE FOR THE 2014 NATIONAL BUDGET

1.0: INTRODUCTION

The Agriculture landscape in Zambia is diverse and has undergone many phases of transformation but what is not in contention is that it is a sector with vast opportunities. Current statistics indicate that the sector employs over and above 80 percent of the people working in the informal sector, contributes over and above 20percent to the GDP and still remains the economic driver of the current policies by the PF Government.

The agriculture sector has been growing at an average rate of 7.7 percent in the past ten years however sustaining agriculture growth will require further improvement of the business environment to enable the sector compete both domestically and internationally. Indeed, with the right progressive policies, the old adage of 'Zambia having potential' could be swiftly turned into a reality. It is paramount to realize that currently the PF government is focusing on value addition through all its programmes, hence the tax and non tax proposals outlined in this document compliments government efforts of encouraging value addition.

Although the sector's growth has been tremendous in the past few years, this growth has been amid a number of challenges which among them include high costs of production because of VAT and other taxes applied on key inputs, poor infrastructure leading to agriculture productive areas, influx of imported agriculture products from all over the world, poor extension services, inconsistent policies guiding the growth of the sector as well as dependence on rain fed agriculture despite having more than 40percent of fresh water in sub-Saharan Africa. These and many more challenges need to be addressed if the agriculture sector is to realize its full potential.

It is in this regard that the ZNFU 2014 National Budget submission focuses on three key areas which have been identified to be crucial in moving the agricultural sector towards sustainable levels of production. There are three main areas have been identified for action to spearhead the growth of the agriculture sector and these are;

- Addressing key issues hindering the process of value addition throughout agriculture value chains
- Reduce costs associated with tax procedures and compliance costs
- Direct resources towards improved productivity which falls under the non tax issues.

It is also important to note the positive side which this measure will bring to the sector such as competitiveness of the sector, job creation as well as revenue that will come as a result of investments that will arise from the favorable business environment. The Union has also made a number of suggestions that would be an alternative source of revenue within the agriculture value chain to offset the revenue loss that may arise.

The proposals in this document are a joint submission by the Zambia National Farmers Union members, the Grain Traders Association of Zambia and the Millers Association of Zambia. Hence the proposals are a reflection of the industry consensus along the value chain.

2.0: TAX PROPOSALS- VALUE ADDED TAX

2.1: REMOVE VAT ON LEASE FINANCING

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ALTERNATIVE SOURCE OF GOVERNMENT REVENUE
Certain farm equipment and machinery (tractors under 90hp) are zero rated for VAT purposes if the transaction is an outright sale. However, if the equipment is sold on lease terms, VAT is charged at 16% on the transaction	Tractors under 90hp should be zero rated to assist small scale and emergent farmers. Charging VAT at 16% on leases disadvantages these farmers and makes access to mechanization even more difficult. Government should consider treating the lease as if it were an outright sale. VAT should not be applicable.	Implementing the measure will result in some loss of revenue, however it has to be noted that this will actually help in mechanizing the agriculture sector by making lease financing cheap and thereby encouraging farmers to use the facility to invest in tractor mechanization and others equipments thereby improving their competitiveness	Alternative sources of revenue have been discussed in the last chapter

2.2: VAT ZERO-RATING FOR BARLEY

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ALTERNATIVE SOURCE OF GOVERNMENT REVENUE
There is need for barley to be VAT Zero-rated with a view to lowering the cost of production and improve the competitiveness of the Zambian barley	Barley is one of the products whose value addition is being done outside the country due to lack of investment in processing facilities. By Zero rating Barley like wheat, it will give incentive for investors to invest in local processing which will result in diversification of winter crops and export of malt hence creating jobs and revenue for the government	There will be loss of some revenue , however the loss will be compensated by the investments that will come into the industry	Alternative sources of revenue has been discussed in the last chapter

2.3: REMOVE VAT ON MAIZE, LOCALLY CRUSHED OIL SEED AND MILK

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
1. Since the VAT status of maize changed from zero rating to exempt, the food value chain suppliers have been suffering the input VAT paid on the production of maize, mealie-meal, bran, thereby making the growing of maize and maize products expensive. As a result, the additional costs have to be passed on to the consumers in form of increased prices. This does not reflect well as maize is the staple food of the majority of the Zambian population. Every effort should be made to make the cost of producing the staple food as low as possible in order to fight poverty. A healthy population would result in higher productivity.	Maize and its products should be zero rated for VAT purposes in order to make the production of the staple food competitive and affordable to consumers. At a time when government has eliminated all forms of subsidies on major inputs such as fuel and subsidies on maize to millers and reduction of subsidies to farmers under FISP, VAT zero rating maize would eliminate added costs on input taxes. Alternatively, the Government should consider to zero-rate the inputs that are used in the production of maize and its products, which would include: (i) Seed (ii) Fertilizers (iii) Chemicals (iv) Farming and Milling equipment spares (v) Grain bags (vi) Electricity, (vii) Fuel etc.	While this might lead to loss of government revenue in one or the other, it is important to note that 90% maize production in Zambia is by the small-scale farmers hence this measure will address the poverty reduction issue the country is facing. Additionally, maize produced in Zambia would become competitive and sustainable for exports.	Alternative sources of revenue has been discussed in the last chapter
2. **Locally crushed oilseeds should be zero rated while imports should be subjected to VAT**.	This will make the locally produced crushed oilseed more competitive, attract further investments in the sector along the value chain and create the much needed jobs. Further the measure will reduce the current smuggling of the product into the country	There will be revenue loss, however currently the government is losing more revenue through smuggling and under-declaring at the borders.	
3. **Milk should be VAT zero rated**.	Due to this classification, a very low percentage of input tax can be claimed, which results in making the milk 16% more expensive than if it was Zero Rated. Zero rating milk will be for the	There will be revenue loss, however by zero rating milk, it will make the product more	

	benefit of the consumers.	competitive in the local market and enable more milk intake by the Zambians	

2.4: ZERO RATING ESSENTIAL INGREDIENTS IN STOCK FEED

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Feed Phosphates (Dicalcium Phosphate, DCP / Monocalcium Phosphate. MCP / Mono-diCalcium Phosphate, MDCP). Now imported under HS codes: 28.35.2500 and 28.35.2600. In general these products are comparable with those under HS heading 31.03 (Phosphate fertilizer). The products under HS code 28.35 are more refined and free of heavy metal contamination. Products under HS heading 31.03 do contain traces of heavy metals, making it "dangerous" for use in animal feeds. **Amino acids**; as essential additives to any type of stock feed. Four of these are currently used in stock feed production in Zambia:, * Lysine (in bulk) HS code 29.22.4110, * Methionine (in bulk) HS Code 29.30.40.10, * Threonine (in bulk) HS code 29.22.4910 (Other Amino Acids) * Tryptophan (in bulk) HS Code 29.22.4910 (Other Amino Acids), **Limestone flour:** used for inclusion as source of calcium in stock feed (stock feed lime) and also used as fertilizer (agricultural lime). Comes under HS code 25.21 **Salt** for use in stock feed (Fine and Coarse salt for use in stock feed)	Feed phosphates, amino acids, limestone flour and salts are key ingredients in the production of stockfeed, an important input in the livestock sector. Whilst stock feeds are vat exempt, their ingredients attract VAT a factor which make the final product very expensive. One of major challenges facing the livestock sector is the high price of stockfeed. ZNFU proposes that to reduce the cost of stockfeed and help revamp the livestock sector, the essential ingredient in the stock feed be zero rated. In general these products are comparable with those under HS heading 31.03 (Phosphate fertilizer). The products under HS code 28.35 are more refined and free of heavy metal contamination. Products under HS heading 31.03 do contain traces of heavy metals, making it "dangerous" for use in animal feeds. Further **limestone flour** is used for inclusion as source of calcium in stock feed (stock feed lime) and also used as fertilizer (agricultural lime). This Comes under HS code 25.21 **Salt** for use in stock feed (Fine and Coarse salt for use in stock feed)	The measure will result in government loss of revenue; however this will be offset by the measure outlined in the document. ,	Alternative sources of revenue have been discussed in the last chapter

2.5: REMOVE VAT ON ANIMAL FEED

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Currently VAT is being applied on animal stockfeed thereby making the final products expensive to the end user	The measure is intended to encourage diversification into livestock keeping and encourage further production of oil seeds.	There will be loss of revenue but this will be offset by the competitiveness of the sector, jobs that will be created and revenue that will be collected by the government along the value chain	Alternative sources of revenue have been discussed in the last chapter

2.8: REDUCE VAT ON FUEL TO 10%

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Currently there is VAT charged at 16 % on diesel	This will reduce the cost of into-mill maize and wheat, and reduce the cost of distributing the processed mealie meal and flour to the remote parts of the country, and make the products affordable.	VAT reduction will result in government loss of revenue but this will be offset by overall reduction in cost of production, increased investment in productive sector, create jobs and revenue for the government	Alternative sources of revenue have been discussed in the last chapter

2.9: ERADICATION OF THE MINIMUM TAX VALUE (MTV) SYSTEM IMPLEMENTED BY THE ZRA OF 21% ON UHT JUICE

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
There is 21percent MTV on UHT juices which are locally processed and packaged as compared to imported finished products which attracts 0% as they are coming in duty free from SADC and COMESA region	This makes the locally produced products more expensive compared to similar imported products which come in duty free there by suffocating the growth of the local industry	There will be revenue loss however this will be recouped by the measure outlined in this document.	Alternative sources of revenue have been discussed in the last chapter

2.10: AGRICULTURE EQUIPMENT/INPUTS FOR RE-CLASSIFICATION FOR VAT PURPOSES

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
1) Drinkers and Feeders HS code 39.26.90.90 2) Egg Trays and Cartons -This product comes under HS code 48.23.7000 Moulded paper products. The suggestion is that a specific HS code for Egg Trays and Egg cartons be introduced and make this essential packing material VAT zero rated.	ZNFU proposes that the 2014 national budget zero rate the drinkers and feeders under the stated HS code and the egg trays and cartoon which are used by the small scale farmers as a major input in the poultry production. This measure will help address the high costs the sector is subjected to and guarantee its growth projections and contribute more to job creation.	Re- classification of this equipment will not result in substantial loss of revenue on the part of the government; however it will improve on the competitiveness of the poultry industry. Any loss that will result from this measure can easily be offset by the alternative sources identified below	Alternative sources of revenue have been discussed in the last chapter
3) Packaging Materials attracts a lot of taxes which makes the final products very expensive	Eliminate all forms taxes on packaging materials which makes most agriculture products more expensive and generally unaffordable compared to imported products	Removing taxes on packaging material will result in revenue loss which will be recouped through Vat as more and more products are products are sold	
4) Milking buckets, milk churns and milk strainers attract VAT and duty resulting in high cost of milk production per litre.	The cost of locally produced milk can be addressed if the cost of processing equipment are affordable to the small-scale farmers as they play a major role in maintaining the quality of milk produced by the small-scale farmers. Farmers currently are using plastic buckets thereby reducing the quality of milk which ultimately reduces the price for their milk	Implementing this measure will result in revenue loss for the government, however the measure will enable small scale farmers get the benefits of their input by improving the quality of their milk.	

3.0: OTHER TAXES IMPORT DUTIES AND FEES

3.1: REDUCTION OF COMPANY TAX RATE FROM 35% TO 25% FOR THE FOOD VALUE CHAIN COMPANIES

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Currently food processing companies are charged Company Tax on their taxable profits at 35%. Whilst appreciating the current reduced rate of 10% enjoyed on primary agriculture profits, the Government should consider recognizing the special nature of food value chain and attracting more investment in the sector to enhance food security by reducing the Company Tax rate for the agro-processing and handling to 25%. This measure would also be in line with the Government's policy of encouraging value addition.	The Government should consider reducing the Company Tax rate for the food value chain agro-processing and handling profits to 25% instead of the current 35%, in order to attract investment in the country. If both existing and potential investors are encouraged to increase investment in the country, it would result in higher economic growth, with associated employment creation and reduced poverty. It would also generate more revenue for the Government in terms of PAYE and consumption taxes due to the increased levels of consumption. The lower rate could also lead to increased voluntary compliance.	Investments that will come into this sector as a result of implementing this measure will offset the loss of revenue by the Government	Alternative sources of revenue have been discussed in the last chapter

3.2: REMOVE 100% IMPORT DUTY ON ELECTRIC DELIVERY VEHICLES

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Current electric delivery vehicles attracts import duties	Electricity is produced in Zambia unlike diesel. **b**. Hydro Electricity is "clean power" It would not contribute to global warming. **c.** Electric vehicles can be charged at night during off peak hours. **d**. Running cost is 10% of the equivalent diesel cost. (This might enable a few more farmers to stay in business and will reduce food prices.)	Revenue impact would be positive as VAT would still be charged. Current duty is almost totally blocking imports. 16% of any amount is more than 100% of nothing.	Alternative sources of revenue have been discussed in the last chapter

3.3: REMOVE 5% IMPORT DUTY ON ANIMAL FEED PREMIXES

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Currently Zambia imposes a 5% import duty on animal feed supplements (pre-mixes - **-HS CODE 2309.90.20**) imported from SADC Free Trade Area, and yet these products are supposed to be imported free of duty when originating from a SADC country of which South Africa, the main source of these premixes is a member.	The pre-mixes were part of Zambia's offer to SADC FTA Member States but premixes were omitted, by mistake we believe, from Statutory Instrument No. 103 of 2007 (Offer to SADC). As a result of this omission Zambia Revenue Authority is currently charging 5% import duty on Premixes. This increases the cost of stock feed for livestock production, and as such it becomes prohibitive to most small scale farmers.	There will be minimal loss of revenue and Gove	Alternative sources of revenue discussed in the last chapter

3.4: AGRICULTURAL AND CROP PROCESSING EQUIPMENT ZERO RATING FOR VAT PURPOSES

WHAT IS THE ISSUE	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
2.2 SI 13 OF 2003 must be amended by addition of the following; 1) For Agricultural or Horticultural purposes(Pumps) HS code Ex 84 13 70 00 2) For Agricultural or Horticultural purposes(Pumps) HS code Ex 84 13 60 00 3) For Agricultural or Horticultural purposes (Hand Pumps) HS code Ex 84 13 20 00	These are used by small-scale and emergent farmers to improve their productivity. VAT is an additional irrecoverable cost when they acquire equipment as they are too small to register for VAT.	Re- classification of this equipment will not result in substantial loss of revenue on the part of the government; however it will improve on the mechanization process the government has embarked on. Any loss that will result from this measure can easily be offset by the alternative sources identified below	Alternative sources of revenue discussed in the last chapter
4) Harvester (used by emergent farmers)-HS code 8433.59.00 5) Silage cutter (chaff cutter)HS code 84411000 6) Other machinery-HS code 84378000 intended for cleaning, shelling, sorting or grading seed, grain or dried leguminous Vegetables(being shellers,threashers,Dehuskers for maize, rice etc)	For a long time, small scale farmers have been struggling to mechanize due to high costs of importation of most key agriculture equipments. This stifles efficiency of these farmers at the same time when government is trying to encourage the growth of the entire agriculture sector and bring about inclusive growth.	This will result in loss of revenue , however the loss will be recouped by the efficiency and improved productivity of the small scale farmers as a result of having access to cheap machinery	

4.0: NON TAX MEASURES

This section outlines the non tax measures to be considered under the 2014 national budget to improve the competitiveness of the agriculture sector. Among the measures highlighted under this section include reducing the refund period for the duty draw back claims, addressing the statutory and screening fees, local council levies, and investment in road and railway infrastructure, adjustment for the vote for FRA and licensing.

4.1: ADJUST THE FOREIGN CURRENCY RECEIPTS/DEPOSITS MINIMUM FIGURE to USD$ 20,000

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Foreign currency deposits Maximum bank deposit is $5,000 per day and this is constraining business opportunities **especially** for the exports into DRC	Exports to the DRC are paid in cash, and to facilitate exports to this particular country it is necessary to increase the threshold maximum deposit to $20,000 for exports to DRC only in line with the SI55	This will not result in any government loss of revenue, instead will improve the foreign exchange earnings for the country	

4.2: INTRODUCING AGRICULTURE FUEL ROAD LEVY REFUND SYSTEM

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
The ZNFU proposes that Government considers devising a system that will facilitate refund of 80% of the road levy charged on diesel being used in machineries used strictly on farms to reduce the cost of production and improve the competitiveness of agriculture products.	Agriculture is one of the sector's consuming considerable amounts of fuel mostly diesel and petrol. An analysis of the past five years from 2006 to 2010 revealed that the total petroleum consumption by the agriculture sector in Zambia was 3,827,674 litres of petrol and 123,045,053 litres of diesel. Currently, Government has a system in place for refunds to the Rail Systems of Zambia (RSZ) for the diesel used on the rail tracks. Within the region, Namibia has a system in place for refunding the agriculture sector up to	Road levy fund is a small component that makes the cost of fuel very high in the country. Implementing this measure will not result in substantial loss of government revenue but turn around the competitiveness of the economic sectors of the economy and hence create more revenue for the government	See the chapter on alternative sources of revenue

	80percent of total fuel levy.		

4.3: REDUCING THE REFUND PERIOD FOR DUTY DRAW BACK CLAIMS

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
The approved Duty Drawback refunds should be repaid within 30 days, similar to the policy on VAT refunds**.**	Currently, the verified and approved refunds under the duty draw back scheme take, on average, 6 months to be paid to the taxpayer. Such delays by ZRA defeat the whole purpose of freeing up the funds for further business activities.	There is no loss of government revenue but the measure is likely to improve the efficiency of doing business and contribute effectively to compliance	See the chapter on alternative sources of revenue

4.4: LOCAL COUNCIL LEVIES

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Councils countrywide pass by laws to source revenues for the services they provide. The Union remains supportive of the Council's agenda to deliver services in the various municipalities and would like to propose that Councils consider seriously on how to strike a balance between the efficacy of mobilizing funds for their own existence against the services being provided. The Union would like to propose that livestock levies in the current format are abolished and that grain loading levies also be removed. This should pave way for Central government to work with the Councils and stakeholders for the re-negotiation of new forms of	The growth of the livestock sector which is the backbone of income by most rural households should be supported. However, the existence of unregulated livestock levies which vary across council frontiers result in farmers getting discounted prices as they amount to 7 to 10% of the total cost of production which is huge. In addition, fees are paid for movement permits, certification, disease testing and monitoring charges. Council livestock levies in the current form are like a punitive fee to the livestock sector and are retrogressive. In some areas, Local Authorities have passed by-laws turning the previous grain levies into loading fees. This has impacted negatively on the agriculture	The revenue loss will be compensated for by the fact that the removal of council levies will make the agriculture sector competitive and hence increase the sectors contribution to government revenue which will pave way for increased government revenue contribution to Councils in the form grants.	See the chapter on alternative sources of revenue

levies that should be capped as well as be linked to services provided.	sector, especially small scale farmers who are paid reduced prices to take into account the loading fees.		

4.5: INCREASE ALLOCATION OF RESOURCES TO ROAD AND RAILWAY INFRASTRUCTURE

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Road networks leading to agricultural farming areas are in a dilapidated condition leading to high costs of inputs while producer prices are reduced by the transportation costs. Secondly, Government should prioritize investing in fixing the railways system which has remained in a bad state for a long time	With good roads, farmers will be guaranteed access to inputs at reduced cost and agricultural products will reach the markets in good time. . Farmers will be assured of prices good enough to sustain production at farm level. Currently, the agriculture sector contributes to the road levy fund through a levy on fuel but roads in the farming areas have been neglected. Meanwhile, fixing the railway network would create an alternative cheaper mode of transporting agriculture inputs and agricultural products and remove the excessive use of transporting heavy truck loads on the existing road networks which reduces the life span of roads	There will be no revenue loss by implementing this measure but instead welfare gains will be recorded due to the fact that one of the key issues affecting the competitiveness of the private sector are the costs associated with transportation.	This measure will not result in any government loss in revenue; instead the measure is likely to improve the competitiveness of the private sector thereby creating revenue for the government in both short and long run.

4.6: REDUCE THE STATUTORY FEES AND RED TAPE

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
The industry has observed that statutory fees and red tape are continuously being imposed thereby increasing the cost of doing business, below are some examples. 1) Environmental Fees from ZEMA inspection including pending revision which are pending at the ministry of justice) 2) 2% FOB value for inspection upon importation of any veterinary drugs 3) Disease testing charges 4) Animal movement permits 5) Poultry export permits etc	if the agriculture sector is to become competitive against imports, there is need for sector strategic measures to reduce the cost implications if the Agriculture sector has to sustain growth	There will be some loss of revenue however this will be recouped by the competitiveness of the agriculture sector	See the chapter on alternative sources of revenue

4.7: FISP AND FRA FUNDING TO BE UNDER THE MINISTRY OF FINANCE

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
The budget for the Ministry of Agriculture and Livestock (MAL) is distorted by funding for the FRA and FISP.	Resources allocated from the national budget for the FRA crop marketing and funds allocated for the Farmer Input Support Programme(FISP) be removed from the Ministry of Agriculture and Livestock vault and be placed under a special vault under the Ministry of Finance and National Planning. Current funding for FRA and FISP distorts agriculture budget as more than 60 percent of the entire ministry budget goes to two programmes	No revenue loss as this measure will help improve accountability and targeting	

4.8: INCREASE ALLOCATION TO EXTENSION SERVICES

WHAT IS THE ISSUES	JUSTIFICATION	GOVERNMENT LOSS OF REVENUE	ATERNATIVE SOURCE OF REVENUE
Agriculture sector still face a number of productivity problems mainly at small scale level due to inadequate extension services	Extension services play a major role in improving agriculture productivity at the farm level which is important in addressing some of the challenges of competitiveness that most small scale farmers face as they will be able to access the much needed information in a timely manner and get exposed to new agriculture technology.	No revenue loss as this measure will help improve productivity	There will be no loss of revenue by implementing this measure; instead it will help improve the productivity of the agriculture sector more especially at small-scale level.

5.0: ALTERNATIVE SOURCE OF GOVERNMENT REVENUE

ZNFU is aware of the fact that undertaking the above measure will have revenue implications on the part of the government. However, ZNFU understands also that the agriculture sector has to make concessions to ensure that there is a balance between revenue losses by the government and also that measures to recover revenue losses are put in place. As a result the Union proposes the following measures.

5.1: APPLY DUTY ON IMPORTED FINISHED AND RAW IMPORTED PALM OIL

Edible oil sector in Zambia has grown in the recent past and this has driven two other industries (1) the poultry industry and (2) soyabeans production. However the sector has faced undue competition from imported cheap edible oil from the Far East. This is threatening the sustainability of the local industry as well as jobs which have already been created. Currently duty on finished product is 25% or Kr0.850 whichever is higher of any of the two.

However, some importers under declare the value of the product and in practice only pay between 10% to 15% duty instead of 25%. On the other hand duty on RBD oil olein/ semi finished in bulk is 5% instead of 15% since it is an intermediate product.
Further, current duty on crude palm oil is 0%. However, in practice some importers, import finished or semi-finished products in the name of palm oil. This has lead to government losing millions of kwacha which could have been utilized in funding social and economic infrastructure among others. As an alternative source of government revenue the following has been proposed

1. Finished packed oil — kr 2.2/kg or 25% of the value whichever is higher
2. RBD Olein (semi Finished) — Kr 1/kg or 15% of the value whichever is higher
3. Crude Oil — Kr 0.6/kg or 10 of the value whichever is higher

By implementing the above measure, government will realize substantial revenue to cushion some of the lost revenue from the proposed Tax proposals outlined above. Further the government will also help secure the current jobs along the value chain in the oil seed industry. Government can countercheck any complaints against this move by establishing the in country capacity to value add crude oil per annum and comparing with the excess volumes of crude being imported under the pretence of adding value locally.

5.2: IMPOSE A 15% IMPORT DUTY ON ALL DAIRY PRODUCTS FROM SADC AND COMESA

Another way of finding alternative source of revenue for the government will be to introduce an Import duty of 15% on all dairy imported products from SADC and COMESA, including full cream powder and UHT long life. However skimmed milk should remain at zero percent as it cannot stifle the operations of the local industry. This is currently receiving a duty concession of 5%. This move will increase the cost of reconstituted milk and thereby making the locally produced milk competitive and create jobs for the majority of the Zambian citizens. Government will realise substantial revenue and also help protect the local dairy industry.

5.3: EXTEND THE LIST OF PRODUCTS ON MINIMUM TAX VALUES

This concept is attractive in broadening the tax base hence ZRA should consider extending the list of products coverage especially for commodities that form the bulk of cross border trading. Broadening the tax base is one of the critical areas where government can recoup some of the lost revenue resulting from the proposed tax and non tax issues highlighted above. The informal sector provides such an avenue for government revenue, of course taking into account the difficulties that may arise in collecting this revenue from the informal sector. However this can easily be dealt with if the government through the 2014 national budget increased the number of products under the minimum tax value. Hence the Union proposes that the Government should increase the number of products under the minimum Tax value.

5.4: TAX ON TALK TIME

Broadening the tax base has always been a night mare for the government mostly due to difficulties and process that are involved in tax collection. The current development in the ICT sector has provided one avenue through which the government can raise its revenue; hence ZNFU proposes that the government introduces a tax on talk time as the measure will result in huge revenue collection by the government. It is also an easy action to implement.