

# 2022 SECOND QUARTER BUDGET PERFORMANCE

PREPARED BY

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Packaged by Communitions  
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## REVENUE PERFORMANCE

### Total revenues and grants

Total collections of Revenues and Grants amounted to K30 billion and were 5% above the budget target of K28.4 billion.

Tax Revenue amounted to K22.8 billion  
Non-Tax revenue amounted to K6.1 billion  
Grants amounted to K1.1 billion

### Tax revenue

#### 1. Income tax

Collection for the period under review amounted to K15.2 billion against the target of K12.5 billion and was above the target by 22%.

**K15.2 bn**  
Tax collections

Company Tax collections amounted to K8.8 billion against the target of K6 billion representing a positive collection variance of K2.8 billion or 47%.

**K8.8bn**  
Company Tax collections

**Mining tax** amounted to K 5.9 billion against the target of K4.2 billion representing a positive collection variance of 43%. The positive outturn is mainly attributed to higher declarations by major mining companies amidst high copper prices

**43%** positive collection variance higher declarations by major mining companies

**Non-Mining tax collections** amounted to K2.9 billion against the target of K1.8 billion representing a positive collection variance of 56%. The recorded surplus was due to upward adjustments of annual provisional declarations made during the period under review.

**56%** positive collection variance due to upward adjustments of annual provisional declarations

**PAYE collection** amounted to K4.15 billion against the target of K4.21 billion representing a negative collection variance of 2%. The performance is attributed to non-payment of obligations by taxpayers due to cash flow challenges and most of which are mining firms.

**2%** Negative collection variance due to cash flow challenges

**Withholding tax** amounted to K2.24 million against the target of K2.27 million representing a negative collection variance of 1%. The performance is attributed to non-payment by some taxpayers.

**1%** Negative collection variance

## 2. Value Added Tax (VAT)



VAT collection amounted to K4.9 billion against a target of K5.9 billion and was below the target by 17%.

The underperformance of **domestic VAT** was attributed to the low payment compliance by Withholding VAT agents with most of them requesting offsets against liabilities owed to them.

The underperformance of **import VAT** was attributed mostly attributed reduced import volumes especially copper concentrates and cane sugar.

## 3. Insurance Premium Levy



Insurance Premium Levy collection for the quarter amounted to K52.6 million against a target of K10.9 million and was 380% percent above the target.

**K52.6 million** (Actual Insurance Premium Levy Collection) **K10.9 million** (Target) **380%** (Above Target)

This was on account of the increased renewals of insurance policies during the period under review.

## 4. Customs and Excise duty

Customs Duty collection amounted to K1.4 billion against a target of K1.5 billion representing an under collection of 10%. The underperformance was mainly attributed to increased revenue foregone due to tax concessions on imports of fuel and ex-bonding of fuel from TAZAMA bonded warehouse on account of Statutory Instruments number 2 and 3 of 2022.



Excise Duty amounted to K1.1 billion against a target of K1.5 billion representing an under collection of 25%. Excise duty underperformed due to removal of fuel levy on diesel and reduction of the duty rate on petrol following the implementation of Statutory Instrument number 2 of 2022.

## 5. Export Duties



Export Duties collection was K17.7 million against a target of K40 million. This was below target by 56% percent.

his underperformance in the collection in the second quarter of 2022 was mainly due to the removal of the export duty of precious minerals.

## Non-tax revenue



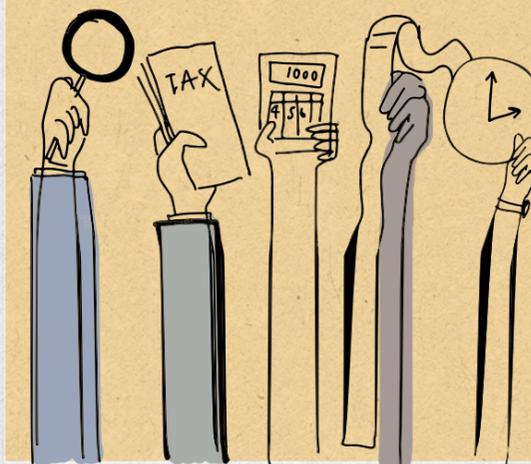
Collections under this category amounted to K6.1 billion against a target of K6.3 billion and were below the target by 4%. The underperformance is mainly attributed to lower than the projected collection in mineral royalty due to the slowdown of operations of the smelters at KCM and Mopani copper mines which have affected production.



Road tolls collection also underperformed, arising from reduced vehicle traffic during the period under review.

## Grants

Grants receipts in the second quarter of 2022 amounted to K1.1 billion and were 140% above the target. This favorable outturn was mainly due to increased inflows from some cooperating partners.



## EXPENDITURE PERFORMANCE

### Total expenditure

During the period under review, preliminary figures indicate that the Government released a total of K31.7 billion to finance public service delivery.

**K31.4 bn.**  
was financed from domestic resources

**K394 mn.**  
was foreign financed

## Personal Emoluments



The Government released K9.4 billion on costs relating to the Public Service Wage Bill and overseas allowances in order to achieve the timely payment of salaries for various public service workers, including teaching, medical and security personnel.

## Use of Goods and Services



The Government released K3.6 billion for general government operations. This was 34.7% above the projection due to higher releases towards drugs and medical supplies which accounted for K1.3 billion of the total releases under this category.

Other notable releases included K240 million to the Zambia Statistical Agency to facilitate the undertaking of the 2022 Census of Population, K148 million for foreign-financed projects in line Ministries and K100 million to the Compensation Fund.

## Service debt



Debt service during the period amounted to K8.7 billion comprising domestic debt service payments of K8.0 billion which included principal repayments on commercial bank facilities of K244.2 million.

External debt service, mainly multilateral amounted to K697.0 million with principal repayments amounting to K508.6 million.

## Social benefits



Releases under this category amounted to K508.0 billion and were released towards the Social Cash Transfer Programme.

## Transfers and Subsidies



Releases to transfers and other payments amounted to K4.3 billion and were 3% above the target due to higher releases on grants to grant-aided institutions and higher receipts of funds from cooperating partners for the implementation of programmes.

Other notable expenditures included K1.0 billion meant for the Constituency Development Fund (CDF), K467.2 million for the Zambia Revenue Authority Grant and K334.8 million for the Local Government Equalization Fund.

## Transactions in Non-Financial Assets



The Government released K3.3 billion for non-financial assets and this performance was 40.7% below the target.

Notable releases included K1.8 billion for road projects and K1.3 billion for ordinary capital projects.

## Transactions in Financial Assets & Liabilities



Releases under this category amounted to K1.9 billion and were below the projection by 14.7%.

This amount went towards dismantling fuel arrears and arrears to various suppliers of goods and services as well as the Citizen's Economic Empowerment under the Ministry of Small and Medium Enterprise.

## Financing



Financing over the period under review comprised K2.6 billion from government securities, K2.6 billion from the Special Drawing Rights allocation and K697.7 million from the World Bank for the implementation of the Fresh Project.

## RECOMMENDATIONS

The Government is urged to continue on a path of fiscal discipline. In the second quarter of 2022, expenditure was K10.1 billion beneath the target as compared to the second quarter of 2021 when expenditure was K17.2 billion Kwacha above the target.

Line ministries and institutions should submit monthly reports to support information availability in the quarterly review which will subsequently feed into a more comprehensive mid-term review.

All supplementary budgets should be backed and supported by a detailed policy analysis concerning how proposed supplementary budget items will affect both the country's revenue and expenditure plans as well as its overall benefits for the economy and society.

Because quarterly reviews and reports are a key accountability document, the budget committee needs to ensure that public funds have been spent on their intended purpose and anything that raises a query should be dealt with by relevant authorities. Particularly if coupled with sanctions for noncompliance.

Parliament should consider enshrining fiscal discipline rules in a strong legal framework of Fiscal Responsibility Laws (FRL). A legal base that will give clear disciplinary actions to any individual/s found wanting in terms of misapplication of public funds. It has been well documented that countries that have been unsuccessful in the implementation of their FRL have also, in general, failed to implement good practices in fiscal transparency.

As Government prepares for the launch of the 8NDP, expenditure on dissemination, translation, etc must be kept to budgeted amounts. In this regard, Government should call upon its co-operating partners to aid in the dissemination of the 8NDP.

Tax measures instituted in the 2022 National Budget need to be reviewed in the mid-term to assess their impacts on revenue.

The war in Ukraine is causing food and fuel crises. This situation calls for Government to quickly align spending in the agriculture sector to support key drivers of growth in the sector include extension services, research and development, livestock management and production, disease control and irrigation. These measures have the potential to grow the agriculture sector and reduce inequalities, as well as earn the country FOREX through the existing markets that have been opened up as a result of reduced food imports from Ukraine and Russia.

