

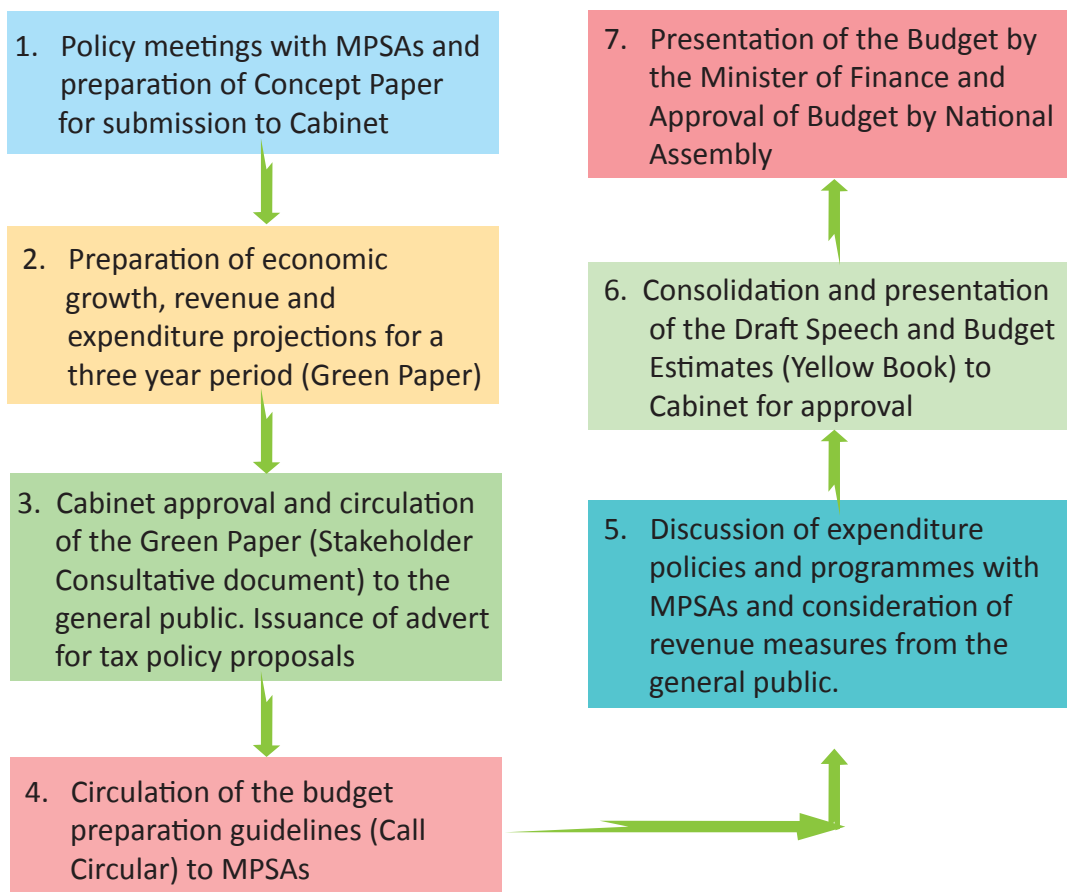
INTRODUCTION

What is the Citizens' Budget?

It is a simplified version of the National Budget, which aims at making it easy for all citizens to understand how the Government raises and spends its money. The citizens' budget also helps citizens to monitor the plans and activities that Government has for the year.

How does the Government come up with the National Budget?

Firstly, the Government reviews its performance in relation to the national plan and other policy pronouncements. The general public is then given an opportunity to comment or to make suggestions on the proposed plans and policies for the National Budget. In addition, consultative meetings are held with all Ministries, Provinces and Spending Agencies (MPSAs) to agree on priorities to be included in the Budget. Preparation of the National Budget is summarized as shown below:



WHAT ARE SOME OF GOVERNMENT'S MAJOR GOALS FOR 2015?

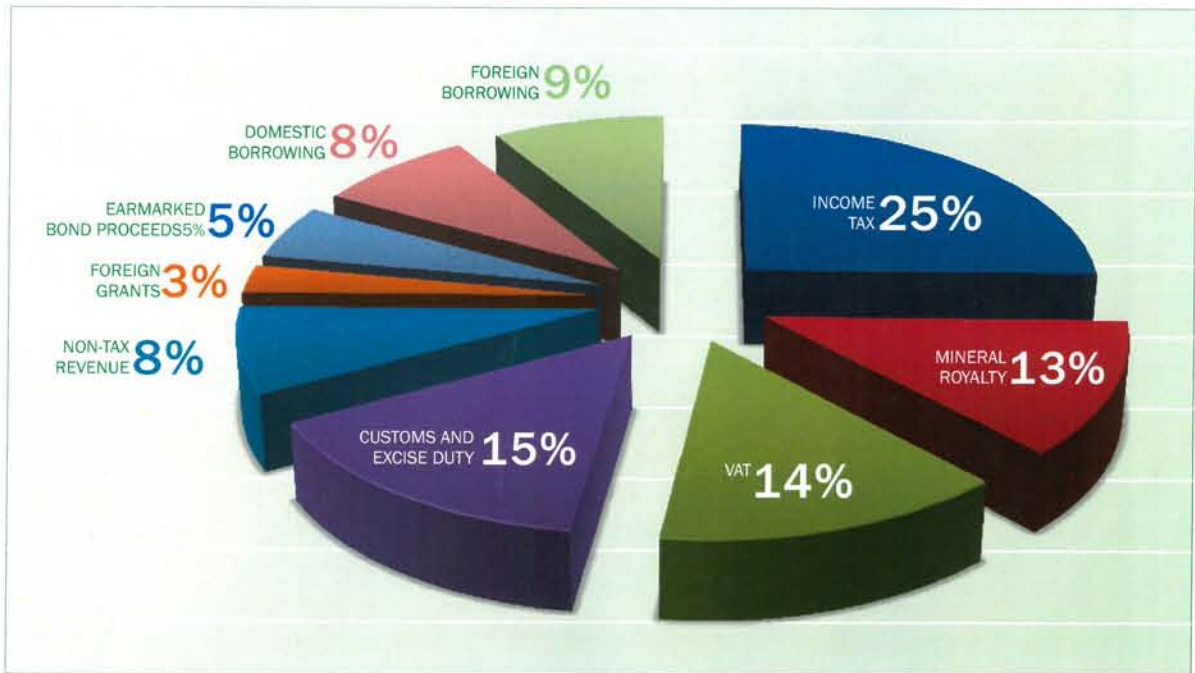
The specific goals for 2015 are to:

- Develop and expand the number and output of industries and business activities in the country;
- Contain price rises of food and other services so that they are affordable;
- Increase Zambia's foreign currency reserves (US Dollars) to cover the amount of goods that can be bought from outside Zambia for a period of four (4) months from 3 months in 2014;
- Raise the amount of money collected by the Government (from taxes and non-taxes) from K29.54 billion in 2014 to K35.1 billion in 2015;
- Limit the amount of money borrowed by Government from within the country to not more than K3.8 billion;
- Continue to grow the economy and create jobs, especially for the youths;
- Continue with efforts of ensuring that all Zambians have access to education, health services and clean water.

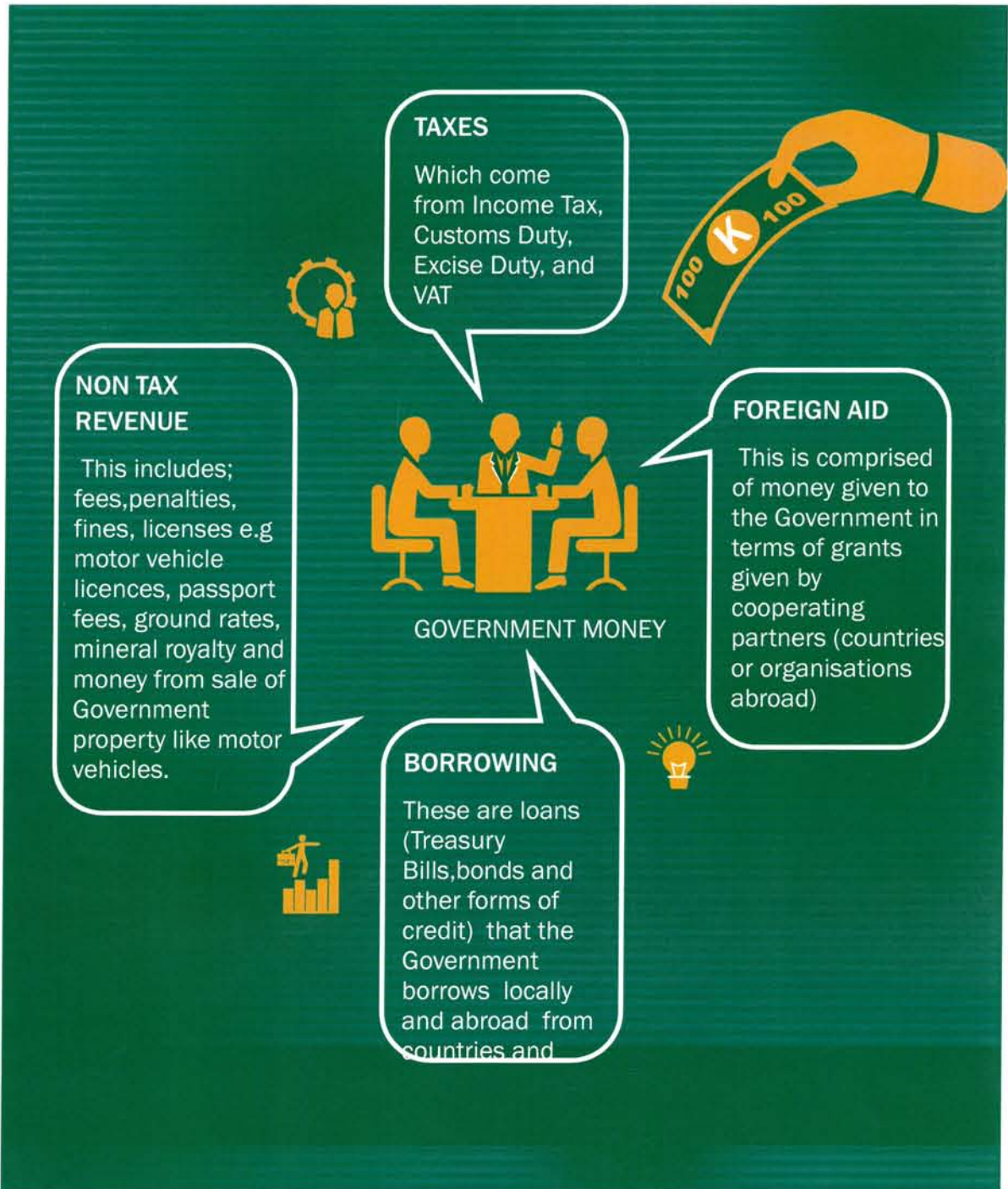
WHAT IS THE 2015 BUDGET?

In 2015 the Government has planned to spend a total of K46.7 billion which is an increase of about K4 billion from the K42.7 billion in 2014. This money will come from taxes, non-taxes, donor support and borrowing and earmarked bond proceeds.

The pie-chart below shows the main sources of Government revenues in 2015:



SUMMARY OF THE GENERAL SOURCES OF GOVERNMENT REVENUE:



TAX POLICY CHANGES IN THE 2015 BUDGET

In the 2015 National Budget, the following changes have been made to the tax system and will be effective from 1st January, 2015;

CUSTOMS DUTY:

Customs duty is a tax Government charges on goods being brought into Zambia from another country. This tax is usually collected at points of entry into Zambia where Zambia Revenue Authority have offices, e.g. airports, border posts, post office etc. Customs duty is based on the price or value of a good.

- In 2015, the Government has removed the 5 percent customs duty on fuel for aeroplanes and helicopters. This has been done to promote tourism and encourage companies and people to invest in aeroplanes and helicopters in Zambia so that their businesses grow and employ more people.



- To promote local value addition and increase production of goods in Zambia, the Government has increased customs duty on imported roofing sheets to 30 percent and on explosives to 25 percent.



EXCISE DUTY

Excise duty is a tax on particular goods or products, whether imported or produced domestically, imposed at any stage of production or distribution, by reference to weight, strength or quality of the goods or products or by reference to their value.

- In 2015, the Government has introduced an excise duty at the rate of 125 percent on the raw material (un-denatured spirit) used for making spirits such as whisky. At the same time, the Government has passed another law that will allow manufacturers that are licensed to manufacture spirits not to pay excise duty on the raw material. This will encourage formalization of companies through licensing to improve tax compliance.



VALUE ADDED TAX

Value Added Tax (VAT) is a tax on the consumption of a good or a service. In Zambia VAT is at a rate of 16 percent.

- In 2015, claiming of input VAT by companies registered for VAT that are in the process of beginning trading (Intending trader) will be restricted to the particular products that they are registered for. e.g. if you register as a trader to be dealing in cotton wool you will only be allowed to claim VAT refunds for inputs used in the production of cotton wool.

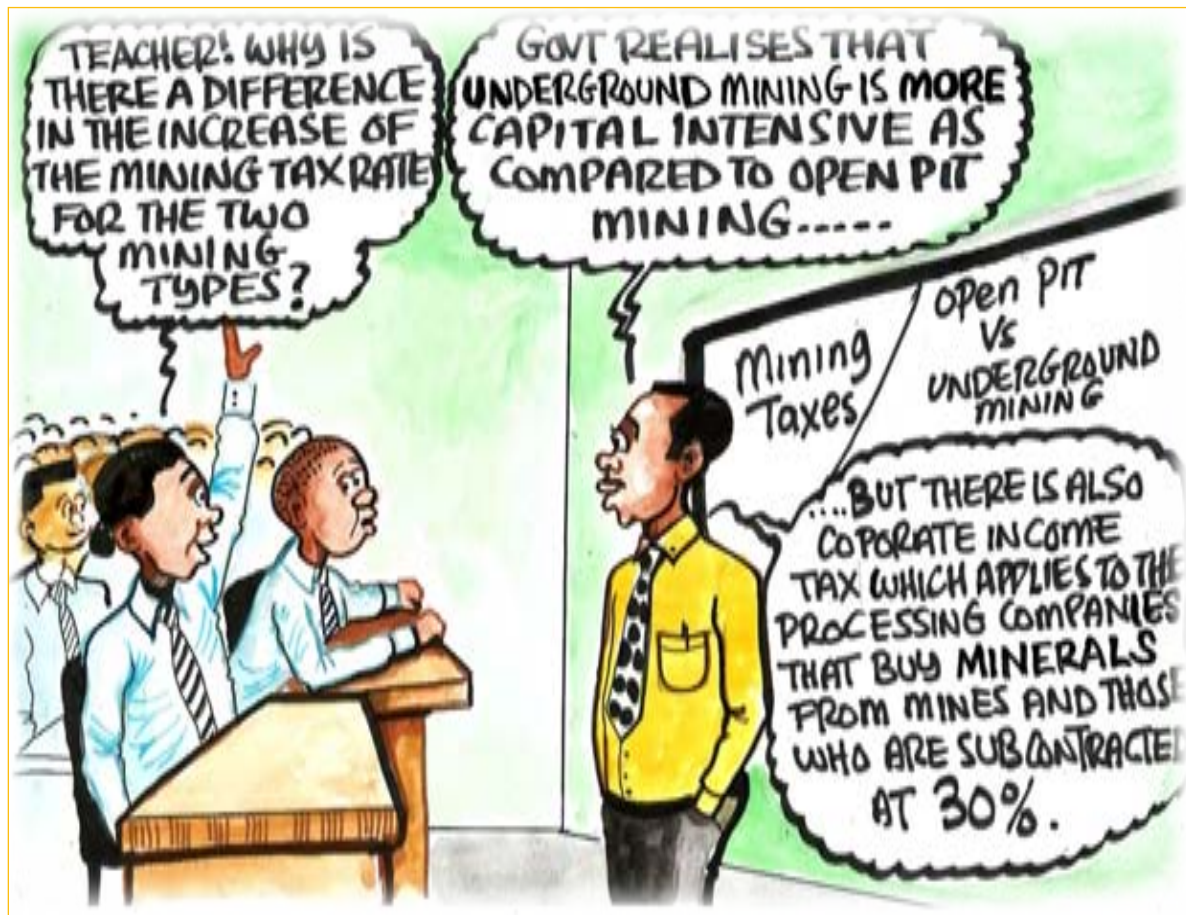
TAXES FOR THE MINING SECTOR

Minerals are a non-renewable resource, when they are used they can never be replaced. A lot of minerals are extracted and exported from the country every year. This earns mining companies money on which taxes are paid. However, the amount of money that is collected by the Government through taxes on mining companies does not match the value of the depleting resource. Therefore, the mining tax system has been simplified by:

- 1) Reducing company income tax to 0% from 30% on the extraction of minerals and replacing it with a simplified royalty based structure as follows;
 - The mineral royalty tax for Underground mining operations has been increased from 6% to 8%; while
 - Mineral royalty tax for Open Cast mining operations has been increased from 6% to 20% and these will be final taxes.
-
- 2) Taxing income from mineral processing at the rate of 30%.



The simplification of the mining tax system with regards to extraction will enable Government to generate more revenues from Zambia's natural resources. Taxing processing separately from extraction has been done to promote value addition in the country.



These measures are expected to raise an additional amount of K1.7 billion from the mining companies in 2015.

TAX COLLECTED FROM PUBLIC TRANSPORT SERVICE PROVIDERS

To ensure everyone contributes to the development of Zambia, a simple form of tax called presumptive tax is levied on the informal sector (e.g. marketeers and public transport vehicles such as buses, minibuses and taxis). However, the presumptive tax on Public Service Vehicles has not been changed since 2004. Over the last 10 years with no increment, the real value of the tax has been eroded.

Government has increased this tax as shown in the table below:

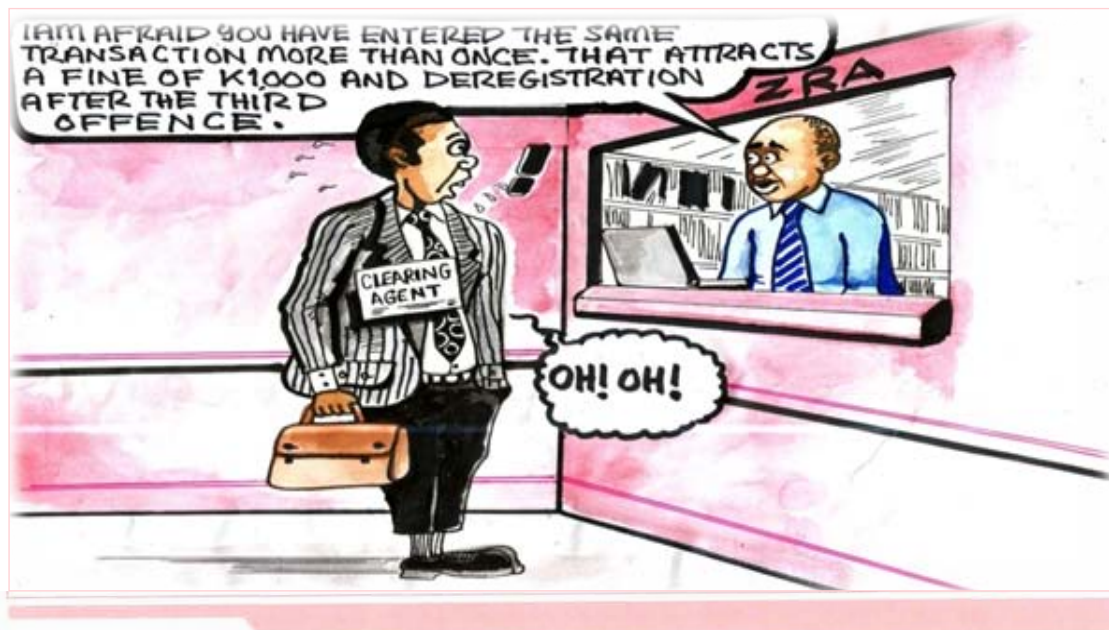
Type of vehicle (Based on its Sitting Capacity)	Amount of tax per vehicle 2004- 2014 (Per Year)	Amount of Tax Payable Effective 1st January, 2015 (Per Year)	Amount Per Month	Approximate Amount Per Day
64 Seater and above	K7,200	K14,400	K1,200	K39
50-63 Seater	K6,000	K12,000	K1,000	K33
36-49 Seater	K4,800	K9,600	K800	K26
22-35 Seater	K3,600	K7,200	K600	K20
18-21 Seater	K2,400	K4,800	K400	K13
12-17 Seater	K1,200	K2,400	K200	K6.5
Below 12 Seater	K600	K1,200	K100	K3



TAX ADMINISTRATION

In order to encourage the positive culture of paying tax and to raise money for the Government to carry out developmental projects such as construction of roads, schools and hospitals, the following are some of the changes that have been made to Tax administration in the 2015 budget:

- A clearing agent will be fined a fee of K1, 000 for entering the same transaction many times instead of correcting any queries or errors raised by the Revenue Authority when clearing goods in the ZRA system. This offence will also lead to de-registration of the clearing agent after the third offence.



- Companies will no longer need to submit financial statements when submitting returns using the internet. However, financial statements should be kept by companies for the required period and can be requested only when needed. This will save a lot of time for both the company and ZRA
- To enable tax payers to complete an accounting year without disturbance to their business, de-registration for VAT will only be at the end of an accounting year where a company's turnover (income) falls below the K800, 000 threshold required for VAT Registration.
- For every day that a business delays in submitting VAT returns (after 14th day of every month) a fine of K200 or 0.5 percent of the amount due will be charged; whichever is higher.
- Mobile phone services such as voice calls, internet, MMS and SMSs will now be grouped separately so that correct statistics can be gathered about the usage of these services for excise duty purposes.

EXPENDITURE ALLOCATION IN THE 2015 BUDGET

In 2015, Government has allocated resources towards key areas of the economy such as; education, health, agriculture, water and sanitation and social protection, with major investments in infrastructure development for roads and hydro power stations (electricity).

1. GENERAL PUBLIC SERVICES

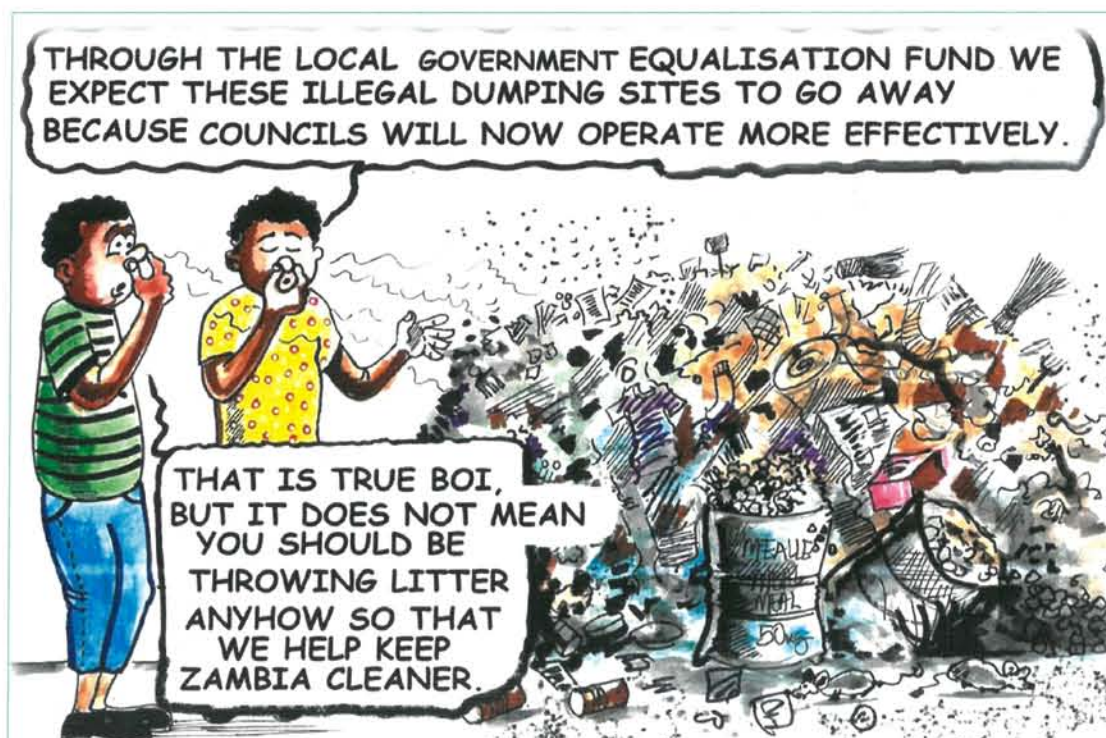
General public services include the costs of running the Office of the President and the Legislature. Debt service and the administrative costs of central government; central government grants to local councils are also under this function.

To ensure quality service delivery in the country, Government has set aside K12 billion in the 2015 budget to go towards the provision of general public services. This has increased from K10 billion in 2014. Some specific services to be provided will include:

- **Local Government Equalization Fund:**



The Local Government Equalization Fund (LGEF) was created to improve the provision of local government services such as running markets and garbage collection, K 586.4 million has been allocated for this Fund in 2015. The amount to be given to each council will be based on the number of people living in each council area and poverty levels to ensure that poorer councils receive more funds.



- **Constituency Development Fund:**

Is extra money that the Government gives to all the constituencies and it is managed by Councilors and Members of Parliament (MP's) for community projects. The fund is intended to directly support local development projects and achieve fair distribution of resources across the country. In this regard, Government has allocated K210 million in the 2015 budget to go towards the continuation of developmental projects such as roads, drainages, schools and drilling of boreholes.

- **Constitution Making Process:**

Government is committed to giving Zambians a people-driven constitution that will stand the test of time. In 2014, K44.2 million was allocated towards the constitution making process and this has since resulted in the release of the Final Draft Constitution. In 2015, K29.3 million has been set aside for the constitution making process.

- **Domestic and External Debt Service:**

Government is committed to servicing both its external and domestic debt. For this reason about K5.3 billion has been set aside to pay the interest on this debt.

Allocations to some of the general public services are as follows:

K'million	
Public Affairs and Summit	68.86
Constitution Making Process	29.26
Constituency Development Fund	210.00
Local Government Equalization Fund	586.76
Domestic Debt Interest	2,896.16
External Debt Interest	2,391.68
Compensation and Awards	100.00

2. DEFENCE



Government has the duty to protect its citizens and it has therefore provided K3.2 billion in 2015 to ensure the continuity of peace and security that we have been enjoying as a nation.

3. PUBLIC ORDER AND SAFETY

Government is committed to making sure that safety of all citizens is guaranteed and that everyone abides by the rule of law. Therefore, K2.2 billion has been set aside in 2015 for public order and safety. This amount will cater for but is not limited to the modernization of internal security wings, which focuses on improved skills training and procurement of advanced equipment. In addition, the government will continue building border posts for the immigration department and constructing prisons. The government will also recruit 900 security personnel under the Zambia Police, the Immigration Department, Judiciary/Courts of law, Drug Enforcement Commission and Zambia Prison Service.

4. ECONOMIC AFFAIRS

In order to grow the economy and improve the well-being of all Zambians, Government has allocated K12.7 billion to different areas of the economy compared to K11.9 billion in 2014. Some of the specific areas targeted are:

- **Roads:**

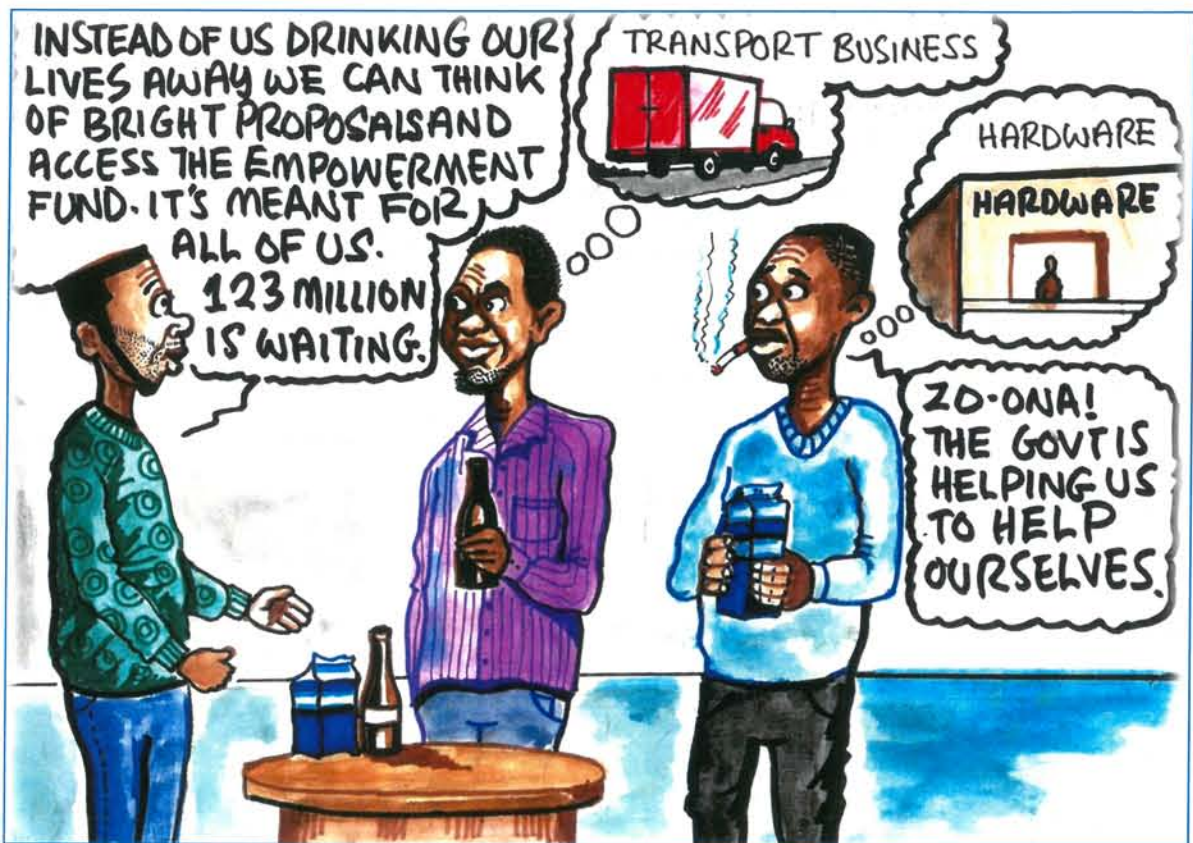
In 2015, Government will continue implementing the road infrastructure programme under the Link Zambia 8000, Pave Zambia 2000, Road Tolling and the Lusaka 400 Projects. Government has set aside K5.6 billion in order to speed up these projects and open up rural parts of Zambia as well as create more employment opportunities especially for the youths



- **Empowerment Funds:**

Every year Government sets aside funds to support women, youths and Small and Medium businesses. This is to encourage people to own their own businesses by giving them the required finances so as to increase their active participation and contribution in the economy. In 2015, Government has increased these funds from K108.7 million to K123.7 million





- **Sovereign Wealth Fund:**

In order to secure the future of the next generation, K100 million has been set aside for the establishment of the Sovereign Wealth Fund. This is a special purpose investment fund or arrangement owned and created by the government to invest in developing new economic activities that can sustain future generations when our mineral resources become depleted. Part of the profits from companies under the control of government will be deposited into this account.





- **AGRICULTURE**

In 2015 Government has set aside a total of K4.1billion for various projects in the agricultural sector. These projects include construction and rehabilitation of agricultural infrastructure in all the ten provinces of Zambia.

Government is also committed to re-opening and rehabilitation of Farmer Training Institutes across the country. Some of the Farming Institutes include: The Zambia College of Agriculture in Monze and Mpika; The Popota Tobacco Institute; The Zambia Center for Horticulture Institute, The Zambia Institute of Farming Health, The Palabana Dairy Institute and the Kasama Fisheries Training Institute.

The table below shows the amount of money allocated for construction and rehabilitation of agricultural infrastructure in all provinces.

PROVINCE	Amount of Money Allocated for Construction and Rehabilitation of Agricultural Infrastructure
Central	K 6,525,515.00
Copperbelt	K 8,765,500.00
Eastern	K 8,670,000.00
Luapula	K 10,280,000.00
Lusaka	K 9,331,200.00
Northern	K 6,058,000.00
Southern	K 13,779,275.00
Western	K 7,796,882.00
North Western	K 8,439,397.00
Muchinga	K 5,551,200.00

- **Farmer Input Support Programme (FISP):**

Government has reserved K1.1billion for buying of farming resources (fertilizer and seed) in 2014/ 2015 farming season, of which K254.9 million will go towards the E-Voucher system. The E-voucher system will continue to give farmers a wide range of choice in the resources they use in farming such as fertilizer, feed, seed and equipment. In addition, this will serve as a means to encourage farmers to grow crops other than maize which are suitable for the Zambian climate such as soya beans, coffee, sunflower, wheat and rice.



- **Electrification:**

Government is committed to reducing the electricity shortages and ensuring that more Zambians are connected to electricity. For this reason Government has provided K600 million to ZESCO and a further K70.7 million to the Rural Electrification Programme to go towards generation and distribution of electricity in the rural areas of Zambia.



5. INFRASTRUCTURE

Infrastructure development is a very important pillar in government's efforts to raise the productivity of our businesses, diversify the economy and promote inclusive growth. In 2015, the government will focus on developing key infrastructure in the transport and communications and energy sectors.

- Airports**

In addition to removing customs duty on fuel for aeroplanes and helicopters to promote growth in the aviation industry, Government has set aside over K50 million for the construction and rehabilitation of airports and airstrips infrastructure as follows:

Rehabilitation of Nyangwe Airstrip	K 2,000,000
Mongu Airport	K 3,000,000
Construction of Feira Airstrip	K 1,000,000
Construction of District Aerodromes	K 8,000,000
Rehabilitation of Kasaba Bay	K 15,000,000
Rehabilitation of Kasama Airport	K 15,000,000
Rehabilitation of Mansa Airport	K 2,000,000
Rehabilitation of Chipata Airport terminal	K 2,000,000
Aerodromes Administration	K 500,000
Support to Provincial Aerodrome Offices	K 2,250,000

- Telecommunications Infrastructure**

Government wants all citizens to have access to telecommunication facilities. In this regard, over K17 million has been set aside for this project of which K7.1 million will go towards the installation of towers in various chiefdoms. This will be done through the Zambia Information and Communication Technology Authority (ZICTA).



- Canals and Inland Waterways Development and Management Infrastructure**
 Over K50 million has been allocated to these projects in order to develop water transport to ease the movement of people and goods. Some of the major projects under this sector are shown in the table below:

Construction of Harbours and Administrative Blocks	K 25,312,789
Rehabilitation of Dredging Equipment	K 1,206,000
Rehabilitation and Maintenance of Canals	K 10,000,000
Shang'omboRivungu Canal	K 17,677,040

- Border Infrastructure and Bridges**
 To ease the movement of every Zambian and open up rural areas, government is constructing a number of bridges. The construction of the Kazungula Bridge will commence in 2015 at the cost of overK56 million. A total of 22 bridges on the Mongu-Kalabo road are under construction. K1.5 million has been allocated for the completion of One-Stop Border facility at Nakonde.

6. ENVIRONMENTAL PROTECTION

Environmental protection is a practice of caring for or protecting our surroundings for the benefit of the people. Protecting the environment promotes social wellbeing, including better health, growth of the economy, and at the same time reduces environmental risks such as shortage of water, the effects of air pollution, and climate change. This has been recognized and Government has set aside K174.96 million to invest in programmes aimed at mitigating the impact of environmental damage including climate change. This is an increase from the K165.2 million that was allocated in 2014.



7. HOUSING AND COMMUNITY AMENITIES



Increasing access to safe drinking water and improving sanitation facilities such as good toilets and good drainage system in all provinces of Zambia has remained a priority for the Government in line with the Revised Sixth National Development Plan (R-SNDP). In this regard, K798.7million has been set aside in the 2015 national budget, of which K541million will go towards improving and making new water supply and sanitation infrastructure. The housing and community amenities budget for 2015 has been increased by 21% from K661 million in 2014.

8. RECREATION, CULTURE AND RELIGION

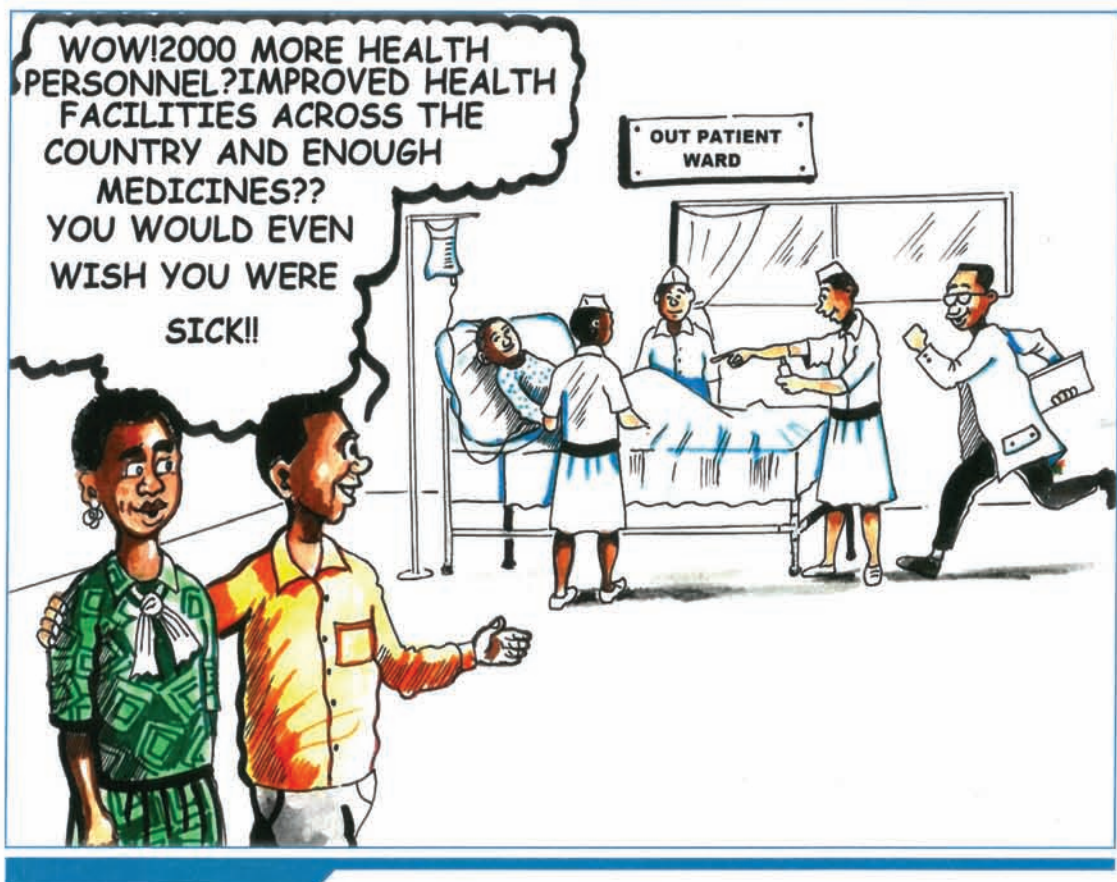


Government recognizes the importance of leisure activities, traditional practices and freedom of worship for all citizens. In this regard, K323.6 million has been set aside to go towards sports activities and traditional ceremonies. This is an increase of 8 percent from 2014.

9. HEALTH

To provide good health care and ensure that all Zambia's have a health facility as close as possible to them, Government has provided a total of K4.5 billion in the 2015 budget of which:

- K52.5 million will go towards employment of over 2000 health personnel
- K753.5 million for buying of the essential medicines as well as medical equipment in the country.



- K268.2 million for the construction and improvement of health facilities in various parts of the country. This money will go towards the construction and rehabilitation of district hospitals, health posts, housing units and health training institutions.



The table below shows the amount of money allocated to all provinces for health infrastructure.

PROVINCE	Amount of Money Allocated for Health Infrastructure
Central	K10,234,470.00
Copperbelt	K13,196,703.00
Eastern	K13,273,498.00
Luapula	K14,808,364.00
Lusaka	K8,741,272.00
Northern	K11,308,136.00
Southern	K15,657,880.00
Western	K11,421,733.00
North Western	K14,199,943.00
Muchinga	K12,732,872.00

10. EDUCATION

Government continues to value the importance of education and skills development as one of the strategies for achieving national development since an educated citizenry will enhance development by improving productivity (the quality and amount of goods and services that can be produced by Zambians).

Output-Based Budgeting (OBB)



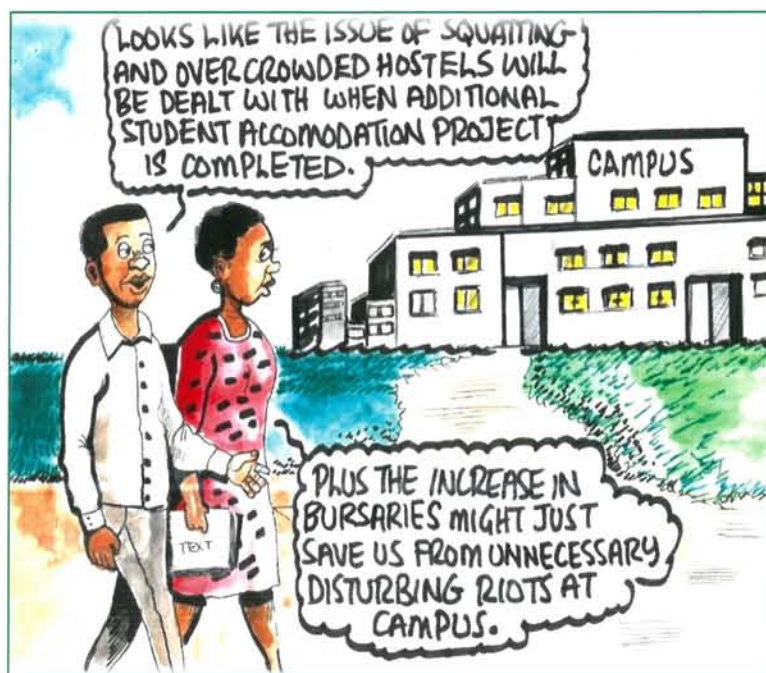
Government intends to shift from Activity Based Budgeting (ABB) to the more results-oriented Output Based Budgeting (OBB). The current ABB system, which Government has been implementing since 2004, has posed significant challenges - especially with regard to the management, analysis, reporting and performance of the Budget. Hence the need for the Output Based budgeting (OBB) which is a process through which government agencies are funded on the basis of delivery of planned and actual outputs and outcomes.

The OBB system will be implemented in phases and Government started with the Ministry of Education and will later on roll out OBB to other Ministries, Provinces and Spending Agencies (MPSAs) in the 2016 and 2017 Budgets. The shift from ABB to OBB has been done in order to better integrate the Budget with national development planning processes, thereby enhancing the Budget's role as a vehicle to spearhead development and deliver public services. Also, the shift to OBB will enrich the information reported in the Budget Estimates, thereby improving budget decisions and management.

The 2015 education budget has been increased from K8.6 billion in 2014 to K9.4 billion. Some of the projects to be undertaken include:



- Recruitment of 5000 teachers
- Construction of additional student accommodation at the University of Zambia, Copper belt University, Mulungushi University and Evelyn Hone College. This will reduce the accommodation problems at these institutions.
- Addressing some of the challenges facing school leavers who are not able to pay their school fees by increasing the number of students getting Government assistance. The allocation for this will be K200.2 million from K156.5 million in 2014.



- In 2015 Government has provided about K34 million for changing basic schools into secondary schools in various districts in all the provinces in the country and over K780 million for continuing the construction of schools in all the 10 provinces of Zambia.

PROVINCE	Number of basic schools to be improved to secondary schools	Number of Schools under construction	Number of Universities under construction	Number of Skills Development Infrastructure under construction
Central	9	15	1	1
Copperbelt	10	10	1	
Eastern	9	16	*	2
Luapula	11	13	1	1
Lusaka	8	12	2	1
Northern	10	12	*	2
Southern	12	10	*	1
Western	16	11	1	2
North Western	9	8	*	4
Muchinga	6	11	2	
TOTAL	100	118	8	14

* Feasibility studies for construction of public universities are underway in Northern, Eastern and Southern provinces.

Rehabilitation and construction of hostels, laboratories, trade training institutes and science technology and innovation centres are being done in some provinces.

11. SOCIAL PROTECTION

Government will continue addressing the challenges of poor and vulnerable people in society such as street children, the old, retired people, households that are very poor and children living without adult care. In 2015, approximately K1.3 billion has been set aside to ensure the wellbeing of these people, particularly:

- K805 million will go towards Public Service Pension Fund;
- K180.6 million has been set aside for the Social Cash Transfer Scheme and;
- K50 million for the Food Security Pack.



2015 EXPENDITURE BY FUNCTION

Function	2015 Budget	
	K'million	% of Budget
General Public Services	12,040.18	25.80%
Public Affairs And Summit	68.86	
Constitution Making Process	29.26	
Constituency Development Fund	210	
Local Government Equalisation Fund	586.76	
Domestic Debt Interest	2,896.16	
External Debt Interest	2,391.68	
Compensation And Awards	100	
Defence	3,247.21	25.80%
Public Order and Safety	2,180.02	4.70%
Economic Affairs	12,746.64	27.30%
Empowerment Funds	123.7	
Sovereign Wealth Fund	100	
Farmer Input Support Programme	1,083.17	
Strategic Food Reserve	992.9	
Rural Electrification Fund	70.71	
ZESCO Power Rehabilitations	600	
Roads Infrastructure	5,626.51	
O/W GRZ Contribution	3,226.34	
Environmental Protection	174.96	0.40%
Housing and Community Amenities	798.71	1.70%
Water Supply and Sanitation	540.99	
Health	4,464.09	9.60%
Drugs and Medical Supplies	753.52	
Medical Infrastructure and Equipment	268.24	
Recreation, Culture and Religion	323.63	0.70%
Education	9,433.33	20.20%
School Infrastructure	1,069.53	
University Infrastructure	650	
Social Protection	1,257.80	2.70%
Public Service Pension Fund	805	
Social Cash Transfer	180.59	
O/W GRZ Contribution	150	
Food Security Pack	50	
GRAND TOTAL	46,666.56	100.00%

GLOSSARY

Food Security Pack

A Government funded social transfer scheme that was established in November 2000 in response to threats of food insecurity and malnutrition that become prevalent following a drought and socio-economic problems that affected the country's capacity to produce adequate food at household and subsequently national level.

Gross Domestic Product (GDP)

The total value of goods and services produced within the country in a given period (at constant prices)

Income Tax

Tax that is charged on money earned by individuals and companies.

Intending Trader

This is an individual or company that registers for VAT before starting to trade, so that they can claim for refund on VAT on inputs used.

Mineral Royalty

Payments made to the legal owner of property or natural resource by those who wish to make use of it. It is a specific levy (based on volumes of minerals extracted) or a percentage (based on the value of minerals extracted)

Non-Tax Revenue

This is money that the Government raises through the charge of penalties, fines, fees e.g. license fees, passport fees, ground rent, mineral royalty and money from sale of Government property like motor vehicles which can be used for the provision of various public services by the government.

Presumptive Tax

These are taxes levied on the informal sector such as public service vehicles (buses, minibuses and taxis).

Public Service Pension Fund (PSPF)

This is a funded benefits pension scheme that provides pension benefits to retired and survivors of the deceased public servants. Types of benefits provided are

Retirement/old-age Benefits, Early retirement benefit, Medical benefits, and Survivors' benefits.

Social Cash transfer Scheme

These are programmes that aim to provide basic social protection to those sections of the population who, for reasons beyond their control, are not able to provide for themselves. The bulk of households in need of basic social protection are headed by the elderly, widows, children, or individuals who are disabled or chronically sick.

Tax

A mandatory and unavoidable contribution to the Government of Zambia charged on consumption of goods and services, money earned; profits from business, importation and exportation of goods.

Tax Compliance

The degree to which a taxpayer complies (or fails to comply) with the tax rules of his or her country, for example by declaring income, filing a return, and paying the tax due in a timely manner.

Wage Freeze

This is a deliberate measure by a company or Government to hold constant the amount of money paid to workers and not allow any increases over a period of time.

In 2014, the Government introduced a wage freeze on public servants salaries for two years. Currently, the wage bill accounts for 53% of the total budget and an increment in 2015 will entail that Government will not have enough money to spend on its other programmes such as medicines needed in hospitals, on recruitment of teachers, doctors and other essential public servants or on construction of schools, roads and other necessary infrastructure.

