

Zambia: Modernization of Tax Administration Project, Phase I & II

The challenge:

Paying taxes in Zambia is a time consuming and costly activity, both for taxpayers and Revenue administrators. For taxpayers, outdated operating procedures require them to physically go to the Zambia Revenue Authority (ZRA) to file and pay their taxes.

ZRA administrators have to deal with a tax administration system that has five different software which are not integrated. This has led to laborious processes that increase the risk of erroneous tax reconciliations. Consequently, ZRA's ability to effectively monitor debt is reduced, leading to insufficient enforcement of outstanding tax debt.



The solution:

ICF is working with the Zambian Government to improve tax administration. Phase I of ICF support focused on establishing a ZRA customer call centre and rolling out a taxpayer education program in an effort to increase tax compliance. The project cost a total of US\$ 1,121,000; of which ICF provided US\$ 515,000 and the Government of Zambia provided US\$ 606,000.

Phase II of ICF support will implement a new integrated tax administration system which provides one software solution for all tax products. This will enable ZRA to process, monitor and enforce taxes using one platform. The system will enable taxpayers to register, file their taxes and pay online, making it easier for them to comply with ZRA regulations. Phase II of the project is expected to cost a total of US\$ 15,463,000; of which ICF is providing US\$ 2,148,000 and the Government of Zambia is providing US\$ 13,315,000.

Project results:

Phase II of ICF support is on-going and is expected to reduce the time for registering a taxpayer from 3 days to 1 day. The time for filing, processing and paying tax returns is expected to go down from 10 days to 1 day for VAT, and from 16 days to 1 day for Pay As You Earn. Processing of tax refunds is expected to go down from 45 days to 30 days. Already, the project has been sensitizing taxpayers to prepare them for the new online system which is expected to be launched in July 2014.

Project duration: August 2012 – September 2014

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