

LEGAL ALERT

ACCOUNTING FOR VALUE ADDED TAX ON CROSS BORDER ELECTRONIC SERVICES



Introduction

Following enactment of the Value Added Tax (Cross Border Electronic Services) Regulations, 2024 (the “**VAT Cross Border Regulations**”), on 23 February 2024, the following should be noted with respect to accounting for value added tax (**VAT**) on cross border electronic services.

Cross border electronic services are defined as “*electronic services supplied in the Republic by a supplier who is resident or carries on business outside the Republic*”.

The following cross border electronic services attract VAT:

- streaming services, including films, television shows, music, games, sporting, political, cultural, artistic, scientific and entertainment events, video on demand and podcasts;
- software services, including software drivers, website filters, firewalls, virtual private network services, banner blockers and the provision of after sale services at a consideration, software updates, software version upgrades and other software support services;
- downloadable digital content including computer and mobile applications, electronic books, films, television shows, music, games, podcasts, images and text;
- website related services, including website supply, web hosting, remote maintenance of programmes and equipment;
- subscription based media including

news services, magazines, weather or travel reports and virtual playgrounds;

- search engines and automated help desk services, including customizable search engine services;
 - electronic data management services, including online warehousing, file sharing and cloud storage services;
 - online presence services, including advertising services and services providing or supporting a business or personal presence on an electronic network such as a website or a webpage;
 - ticketing services for events, theatres, restaurants and similar services;
 - online market services linking the supplier to the customer including the right to put goods and services up for sale on an online market; and
 - data monetization including sales, licensing or any other form or monetizing data generated from a user’s activities.
- The following supplies are exempt from application of the VAT Cross Border Regulations :
- broadcasting and telecommunication services;
 - physical media including read only memory compact disk, floppy disks and similar tangible media;
 - physical game media such as games on a read only memory compact disk;

- physical games media such as games on a read only memory compact disk; and
- professional services such as advice given by lawyers and financial consultants to clients by electronic mail.

Registration for VAT

The VAT Cross Border Regulations require suppliers of cross border electronic services to register under the simplified registration regime. Registration is by way of an online form determined by the Commissioner-General of the Zambia Revenue Authority (the “**Commissioner-General**”).

Where a supplier is unable to register using the online form, such supplier is required to appoint a tax agent resident in Zambia.

Following registration, the Commissioner-General will issue the supplier with a taxpayer identification number (TPIN).

Importantly to note is that registration does not create a permanent establishment for income tax purposes.

Invoicing

A registered supplier is required to issue a simplified invoice containing features to be determined by the Commissioner-General.

It is a requirement that the invoice should be in Zambian Kwacha converted using the exchange rate provided by the Commissioner-General as determined by the Bank of Zambia.

Tax Returns

Returns should be submitted electronically on or before the 25th of the following month.

Payment of tax

Tax on each filed return is due on or before the 25th of the following month.

Tax can be paid in Zambian Kwacha or any other currency that the Commissioner-General may determine.

Claiming of input tax

A supplier of cross border electronic services cannot claim or deduct input tax.

The input tax incurred by a recipient of a cross border electronic service can however be claimed or deducted.

Keeping of records and accounts

These may be kept at a location outside Zambia and be made available to the Commissioner General on demand.

Conclusion

The introduction of the VAT Cross Boarder Regulations has simplified the requirement for suppliers of cross border electronic services to register and account for VAT. The simplified registration process does not only ease doing business in Zambia but is also cost effective as it may eliminate the cost of appointing local tax agents for VAT purposes.

We hope you found this alert useful. Please contact our Corporate Advisory Partner and Associate, Jacqueline Jhala at JJhala@corpus.co.zm and Dalitso Ng’ona at DNg’ona@corpus.co.zm respectively, if you have any questions relating to this alert.



Jacqueline Jhala
Partner
Corporate Advisory Department
Corpus Legal Practitioners
Email: JJhala@corpus.co.zm
Tel: +2602 11 372300 / 01 / 04



Dalitso Ng’ona
Associate
Corporate Advisory Department
Corpus Legal Practitioners
Email: DNg’ona@corpus.co.zm
Tel: +2602 11 372300 / 01 / 04

This alert contains general information and should not be construed as legal advice or opinion or as a substitute for the advice of counsel. Stay Updated.

Follow us:



www.corpus.co.zm



Corpus Legal Practitioners



@corpus_legal