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Full rollout of e-invoicing in Zambia

A look at the key aspects

The full rollout of the electronic invoicing (e-invoicing) system, known as the ‘Smart Invoice’, administered by the Zambia Revenue Authority (ZRA) commenced on 1 October 2024. This follows the deadline of 30 September 2024, in which all taxpayers were required to fully implement and start recording all their transactions on Smart Invoice to generate and store fiscal information and transmit production, invoicing, and stock data in real-time to the ZRA. Accordingly, all taxpayers registered for eligible types of taxes that include Value Added Tax (VAT), Income Tax, Turnover Tax, Rental Tax, Insurance Premium Levy, Tourism Levy and Domestic Excise Duty are required to use Smart Invoice to record transactions.

Failure to use Smart Invoice attracts penalties ranging from ZMW 40,000 to ZMW 120,000 and/or imprisonment for a term not exceeding three years, based on the frequency of the offence. Additionally, all invoices issued outside the Smart Invoice System from 1 January 2025 cannot be used to claim input VAT except for invoices issued by taxpayers exempted from Smart Invoice use by the Commissioner General of the ZRA.

Introduction

During the 2024 National Budget address on 29 September 2023, the Minister of Finance and National Planning made a pronouncement to implement e-invoicing in Zambia. Accordingly, the ZRA introduced the use of Smart Invoice, and a pilot was rolled out on 15 December 2023 for selected VAT and Turnover Tax (ToT) taxpayers.

A deadline of 30 June 2024 was set for a full rollout to all taxpayers which was followed by a grace period of up to 30 September 2024 to allow taxpayers to fully implement and comply with the Smart Invoice Regulations.

Details

Prior to the introduction of Smart Invoice, it was a mandatory requirement to use Electronic Fiscal Devices (EFDs) by taxpayers registered for VAT and Insurance Premium Levy (IPL). However, the implementation of the EFDs was mainly based on physical gadgets (i.e. devices). Additionally, the EFD implementation only covered VAT and IPL.

Due to the above limitations of EFDs and in line with the government’s revenue mobilisation strategy as laid out in the Medium-Term Expenditure Framework for the period 2024 to 2026 (now revised to 2025 to 2027), Smart Invoice was introduced to improve taxpayer compliance and strengthen tax administration. This also covers other tax types such as Income Tax, Tourism Levy, Rental Tax, ToT, and Domestic Excise Duty.

Accordingly, the relevant Tax Laws were amended effectively from 1 January 2024 to formalise the implementation of Smart Invoice, whereas the issuance of the Smart Invoice Regulations was on 28 December 2023 through Statutory Instrument No.58 of 2023.

The salient features of the Smart Invoice regulations are as follows:

1. Key Definitions

- The electronic invoicing system is a system which has a fiscal memory or capable of generating and storing fiscal information and transmitting production, invoicing, and stock data in real-time to the ZRA, and has the capacity to and record data and other reports and includes software applications and web-based applications.
- The Issue Log-book is a record in a physical or electronic format where faults and notifications to the Commissioner General of the ZRA are recorded.

2. Invoicing requirements

- It is mandatory to issue tax invoices to customers using Smart Invoice for each sale of goods or services.
- For business-to-business or business-to-government sales, the invoice issued from Smart Invoice must include the name, address, and the Taxpayer Identification Number (TPIN) of the customer.

2. Invoicing requirements (…continued)

- Where the use of Smart Invoice is disrupted due to a technical failure or any other disruption, the supplier is required to use a manual tax invoice or an invoicing system that should be approved by the Commissioner General of the ZRA before use.
- In addition to the above, a valid tax invoice must have the following features:
  - TPIN of both supplier and customer in the case of a business-to-business or business-to-government transaction.
  - Address of both the supplier and customer.
  - Names of both the supplier and customer.
  - The words “tax invoice” displayed in a prominent place on the face of the invoice.
  - A sufficient description of the goods or services being sold or supplied and the relevant quantity or units and price.
  - The selling price excluding VAT and any discount.
  - The total amount of the VAT charged.
  - The total charge on the invoice inclusive of VAT, any discount, and the rate of VAT.
  - Where the invoice is issued in a foreign currency, an exchange rate of Kwacha equivalent should be displayed on the face of the invoice.

3. Customer obligations

- A customer is required to report a supplier to the ZRA in the following instances:
  - Where the supplier does not issue a customer with a valid tax invoice.
  - Where a customer has been issued with a tax invoice that does not contain accurate information relating to the taxable supply.

4. Disruptions and faults

- Where Smart Invoice has been disrupted for a period of more than 24 hours, suppliers are required to notify the Commissioner General of the ZRA. At this point, details on how the ZRA must be notified have not been provided.
- Transactions that are captured manually or outside the Smart Invoice system by a supplier must be uploaded to Smart Invoice within 72 hours from the restoration of the system.
- A supplier must keep and maintain an Issue Logbook for each approved invoicing system as a record of system faults and notifications to the ZRA.
- A supplier must notify the ZRA of such disruptions by clearly stating the following within 72 hours:
  - The time and description of the fault and the period the system was not in use and when use was restored.
  - The reasons for an unreportable fault if any.
  - Any other information relating to the fault as may be required by the Commissioner General.

5. Input Tax

- From 1 January 2025, a claim or deduction of input tax on a tax invoice issued by a supplier is only valid if:
  - The tax invoice is recorded or issued from Smart Invoice.
  - In the case of a system disruption, a manual tax invoice or system-generated invoice from a system approved by the ZRA.

6. Record of sales

- Each sale must be recorded using Smart Invoice.

7. Transfer of System

- Taxpayers are prohibited from transferring an approved invoicing system to a third party. The approved invoicing system should solely be used by the taxable supplier to whom this has been approved for.

8. Cessation of business

- In an instance where a business winds up or ceases trading, it is a requirement to formally write to the Commissioner General of the ZRA to request the deactivation of Smart Invoice. The application for deactivation should be made within 30 days from the date of cessation of business.
- Suppliers should ensure that records and accounts from the deactivated Smart Invoice are kept and maintained for at least a period of 6 years.

7. Penalties

- The following penalties apply for non-compliance and supplier offences:
  - First offence – a penalty not exceeding hundred thousand penalty units which is currently equivalent to ZMW 40,000.
  - Second offence – a penalty not exceeding two hundred thousand penalty units which is currently equivalent to ZMW 80,000.
  - Third or subsequent offence – a penalty not exceeding three hundred thousand penalty units, which is equivalent to ZMW 120,000, imprisonment for a term of 3 years, or both.

- In addition, a supplier commits an offence if that supplier:
  - Modifies or attempts to modify an approved invoicing system without authorisation from the ZRA Commissioner General.
  - Enters false data on the approved invoicing system.
  - Tampers, alters, or falsifies data recorded, which is analysed, formatted, or stored by the approved invoicing system.

Invoicing Solutions

To fulfil the requirement to use Smart Invoice, taxpayers are required to use any of the following invoicing solutions approved by the ZRA:

1. Mobile application - A software application that can be installed in an android based mobile phone, tablet, or Personal Digital Assistant (PDA). It is most suitable for taxpayers on ToT and not those registered for VAT or other tax types. To use this application, the user is required to have a device running on Android 8 or a higher version. This solution has the following features:

- Generates a sales report on a daily, weekly, and monthly basis depending on the user's needs.
- Has ability to modify or change a pricing unit of a product or service and a feature to include discounts on products or services.
- Allows the user to choose which mode/method of payment a customer can use when making a payment for goods or services. These include cash, mobile money, credit, and debit card payments.

2. Desktop and tablet application - This application is installed on a windows-based desktop computer, laptop, or tablet. It enables users to create, customise, and manage transactions on their own devices.

The application is suitable for all taxpayers except those with accounting packages. It can be used by small, medium, and large taxpayers and is supported on windows 10 or higher.

Users can register and manage customers and their contact information using the Customer Management feature. The application also has the sales, purchase, import and stock management features, which allows the user to manage their sales, issue proforma invoices, sales invoices, and credit notes. Additionally, it allows the user to manage stock, check stock movement associated to transactions made in the business, and adjust stock accordingly.

3. Online application - An online invoicing platform that is accessed through a web browser or an online portal. It is suitable for taxpayers in the service industry who issue few invoices. This solution has the following features:

- The item management feature, which allows users to search items by classification and view registered items' information by filtering with different parameters.
- Sales and purchase information can also be monitored on a daily, weekly, or monthly basis depending on the needs of the user.
- A stock management feature, which allows the monitoring of stock such as inventory and stock history. Stock can be accessed and filtered by client or supplier. The features also allows the user to view the list of imported items by date of importation, name of stock imported, and name of importer.
- Allows a user to issue credit notes.

4. Certified Invoicing System - This solution refers to systems that are integrated with Smart Invoice after certification, suitable for taxpayers with Accounting Packages or Enterprise Resource Planning Systems (ERPs).

The integration is achieved through an interface with the Virtual Sales Data Controller (VSDC), which is a bridge between the Certified Invoicing System (CIS) and the ZRA Smart Invoice System.

The VSDC is a software module communicating with both the CIS and the ZRA for processing invoices.

The CIS allows businesses to efficiently control sales and stock in accordance with the requirements specified by the ZRA. A CIS can also encompass an electronic cash register, a terminal equipped with cash register software, a computer utilising invoicing software, or any comparable system employed for recording and transmitting transactions.

A CIS will not be able to receive importation and purchase data or produce invoices unless connected to a functional VSDC. The VSDC securely retains all essential data from transactions in an irreversible manner.

A CIS once integrated with ZRA Smart Invoice should generate invoices that must show the taxpayer's name, TPIN, taxpayer's address, buyer's TPIN, buyer's phone number, invoice type, and transaction type.

In addition, the invoice should indicate a serial number from an uninterrupted ascending number of series per invoice type. The invoice when generated, should also include the currency, exchange rate, quantity, price, and VAT charged.

Implementing Smart Invoice Solutions

The implantation of Smart Invoice solutions involves two steps:

- **Step 1** – Taxpayers need to visit the ZRA website and navigate to the Smart Invoice section, sign up, and apply for the invoicing solution that suits their business needs.
- **Step 2** – Once signed up, taxpayers are required to engage the ZRA following which an officer or a team will be assigned to the taxpayer to assist with the interface of the chosen solution and any other technical help required.

It is worthwhile noting that there is no monetary threshold or revenue required to register on Smart Invoice for any of the tax types where Smart Invoice is applicable – a supplier does not need to meet or attain a certain target of revenue before registering for Smart Application and Online Invoicing packages. Further, the ZRA provides the mobile application and desktop case for taxpayers who choose the CIS. The taxpayers will bear the cost of integrating their system with the Smart Invoice.

There are currently two options of integrating a system with Smart Invoice as follows:

- In-house taxpayer developed invoicing systems (via ZRA interface).
- Third-Party Invoicing Solutions (via an approved vendor).

Regarding the in-house invoicing system, taxpayers are required to interface their in-house invoicing system with the ZRA via the VSDC.

Taxpayers can access this interface (VSDC) by clicking here. This can also be accessed via the ZRA website under the Smart Invoice tab.

Regarding the third-party vendor invoicing solution – invoicing solutions provided by third party vendors – the ZRA has provided a list of approved third party vendors that a taxpayer can use for integration with the ZRA. The list of approved external vendors can be found by navigating to the ZRA website under the Smart Invoice tab.

Stock management on Smart Invoice

Stock management is a feature on Smart Invoice that allows users to effectively manage their inventory and stock movements within the business and across the entire supply chain.

The feature allows users to monitor stock levels in real-time therefore ensuring up-to-date information on inventory to the taxpayer's invoicing solution. Stock quantity adjustments can also be made on the feature; however, a reason must be given for the stock quantity adjustment.

The feature also allows seamless transfer of imports from ZRA customs system (ASYCUDA World) to the taxpayer's invoicing solution. In addition, the feature allows automated transfer of stock items between buyer and seller for local sales transactions if both are using Smart Invoice.

How do we support?

- Training of staff to fully understand the Smart Invoicing requirements and options.
- Guide the steps to integrate Accounting Packages/ ERP Systems with the Smart Invoice.
- Guide the invoicing and other legislative requirements to comply with the Smart Invoicing regulations.
- Support with the engagements with the ZRA Smart Invoice team and help address queries of a non-technical nature.
- General advice on the Smart Invoicing regulations, practices, and updates on the changes in the law and ZRA practice.

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