

Press Statement

5th May 2020

About us

The Consumer Unity and Trust Society (CUTS) International, Lusaka is an NGO that was established in 2000 to function as a center for research, advocacy and networking on issues of trade and development, economic governance and consumer welfare.

The mission of the center is to function as a resource, co-ordination, as well as networking center, to promote South-South cooperation on trade and development by involving state and non-state actors (NSAs).

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THANK YOU!

Contact us



Extra Measures Required to Tackle Economic Impact of Covid-19 on Small Businesses and Households

Why is this important for you as a consumer?

As Covid-19 continues to stretch its impact on the Zambian economy, unemployment in various sectors including tourism as well as wholesale and retail is unfolding resulting in cuts in household income. This, compounded with inflation now at 15.7 percent, is exacerbating living conditions for the average Zambian. It is therefore paramount that households receive support from the Government to cushion them during this difficult time. As such, we urge the Government to consider adjusting income tax thresholds as well as the VAT rate for other essential good in addition to medical supplies, in order to support low income households.

On 20 April, the Minister of Finance addressed the nation on further measures aimed at mitigating the impact of Covid-19 on the Zambian economy. The ministry's efforts in supporting the economy despite the prevailing tight fiscal position by upscaling the level of support particularly to the business sector was welcome. Given the strain that businesses are undergoing during this time due to the: disruption in supply chains; stalled operations; and decreasing demand; the waiving of tax penalties and interest on outstanding tax liabilities by the government is progressive. The guidelines that were later released by the ZRA regarding the criteria of who qualified for this waiver, however, were restrictive and did not prioritise small medium enterprises and businesses that contribute significantly to employment. Rather, they provided the same requirements for all businesses regardless of their contribution to the economy and job creation thereby disadvantaging smaller businesses.

Owing to the fact that the magnitude of the effects of the pandemic is varied across different sectors, we urge the government to be sector specific in presenting its response to the pandemic. The tourism sector as well as the wholesale and retail sector, are sectors where we have already begun to see some of the biggest business losses due to cross border travel limitations. Businesses in these sectors would require more than the waiving of tax penalties and interest on outstanding tax liabilities in order to keep afloat. Considering the current growth in the number of confirmed cases, suspension of customs and VAT on additional key medical medical supplies is very helpful. We hope that medical service providers and medical commodity importers maximise this opportunity which in turn will allow for reduced morbidity and mortality rates in relation to the pandemic.

One key issue that was not addressed by the Minister of Finance, however, was measures to support households during this time. On account of the pandemic, consumers are losing their jobs and experiencing cuts in their household income. We urge the Government to consider adjusting income tax payment thresholds as well as extend VAT relief to other essential goods other than medical supplies to support low income households. On 30 April the Zambia Statistics Agency announced that inflation had escalated to 15.7 percent from 14 percent. Alarmingly, food inflation was recorded at 17 percent. The most hard hit by this inflation will be low income consumers given that a significant amount of their budgets are food. This escalated cost of living coupled with job losses in various sectors requires that the Ministry of Finance to target some of the support that it is receiving from cooperating partners to these groups. We therefore urge the Ministry of Finance to explore ways to cushion not only businesses that are providing income to households but also to consumers that are increasingly feeling the pinch of the increased cost of living.

By Aquila Ng'onga, Researcher