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## **PRESS STATEMENT**

### **Autonomy In Tax Administration: Is Making The Revenue Authority More Independent The Answer To Increasing Tax Collection In Zambia?**

**Lusaka, 4<sup>th</sup> February 2022:** Zambia like many other African countries has a unified Semi-autonomous tax administration. In this form of setup, functions of tax administration are granted to a semi-autonomous body- the Zambia Revenue Authority (ZRA). While ZRA is a semi-autonomous entity with a board of directors, there have been concerns raised as regards the actual independence of the authority from political interference as it is anchored under the Ministry of Finance. This has often been cited as a hindrance towards improving tax revenue performance in the country. Indeed, more autonomy of the tax collecting authority- backed with a political will, is likely to improve compliance in paying taxes.

Moreover, political interference often results to loss of revenues through corruption and can lead to using taxation for the benefit of only certain elite groups. In a developing country like Zambia, where political forces are incessantly integrated within the tax administration, the risk of corruption is more acute. Political commitment is a large determinant in a reform process which is aimed at improving revenue collection. Thus assuring autonomy for ZRA can reduce political interference. It can also help the revenue administrator focus better on its objectives as it acquires more responsibilities and accountability.

Revenue administration is fundamental to the essence of tax collection for any government. It is through the revenue administration policies and procedures that efficiency in any tax system can be achieved. This efficiency in part, depends on the revenue authorities' autonomy in implementing the tax policy. It is generally held that autonomous revenue authorities can realize better performance by reducing or eliminating barriers to effective operations of tax administrators. Of course, the major consideration in this respect, when looking at autonomy of any agency, would be the degree of independence itself that is retained and how that autonomy is guaranteed. This is affected by a number of factors including the amount of resources made

available for the daily operations of the agencies as well as the mandate to design and develop their operational strategy and policies.

In carrying out institutional reforms over the past two decades, a number of countries across the world have increasingly moved towards a unified semi-autonomous form of institution to administer their tax systems. The transition has been stimulated by the realization that ineffective collection of taxes and the subsequent poor performance of tax collection is much an institutional factor albeit economic and social factors also largely play a role. The move to a semi-autonomous form of institution for tax administration has gained popularity over the years in light of the internal factors affecting revenue performance. These factors include, the low technical skills characterized in most revenue administrations that only operate directly as directorates under the Ministry of Finance. Corruption is also another factor which has also contributed to low compliance levels among tax payers in many developing countries.

Autonomy however does not imply complete isolation. Studies have shown that maintaining a good relationship between the revenue authority and the Ministry of Finance has produced positive outcomes. The case of South Africa demonstrates how a stronger administrative corporation between the revenue authority, the Ministry of finance and the central bank led to the success of the South African Revenue Authority in revenue collection. Moreover, the role of the central Government still remains critical. Given that there is increased discretionary authority that comes with the advance of autonomy, it is necessary that guidelines and procedures are implemented without which unregulated autonomy may otherwise propel an environment in which corruption thrives.

Thus while autonomy is imperative in improving tax collection, it is equally important that revenue authorities are granted the level of autonomy that is necessary for them to execute their administrative function. Human resource functions at the highest level must be free from political influence. This can help improve the recruiting of qualified staff. Furthermore, it must be understood that improving tax revenue collection through an institutional reform approach involves addressing a number of factors beyond making tax administrations autonomous.

These factors include; institutional capacity as an ongoing process which would increase the revenue authority's ability to collect new taxes as well as upgrading information and communications systems- if the revenue authority is to capitalize from the modern economy.



**Issued by:**

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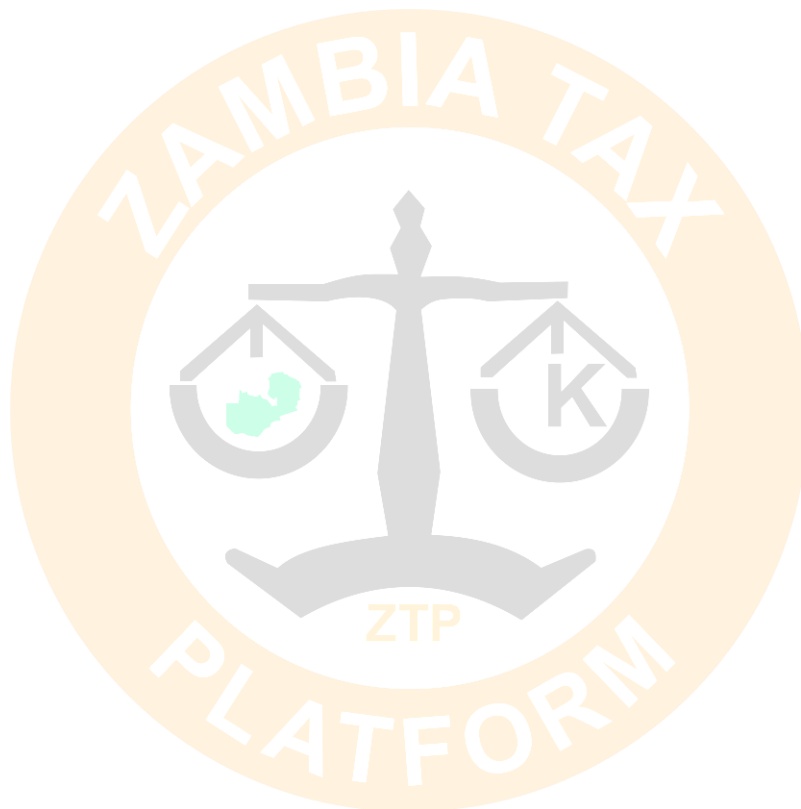
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The Zambia Tax Platform is a multi-stakeholder group that provides critical analysis of Zambia's tax policy regime, tax administration and promotes sustained advocacy on improving public finance management.