Republic of Zambia

THE FINANCIAL INTELLIGENCE CENTRE

TYPOLOGY REPORT
2020

CORRUPTION, TAX EVASION AND ASSOCIATED MONEY LAUNDERING

THE FINANCIAL INTELLIGENCE CENTRE
TYPOLOGY REPORT, 2020

THE FINANCIAL INTELLIGENCE CENTRE
• • •

TABLE OF CONTENTS

ACRONYMS

AML/CTPF	Anti-Money Laundering/Countering Terrorism and Proliferation Financing
AMLA	Anti- Money Laundering Authority
AML	Anti-Money Laundering
BO	Beneficial Ownership
CTR	Currency Transaction Report
DNFBP	Designated Non-Financial Businesses and Professions
ESAAMLG Group FATF	Eastern and Southern Africa Anti Money Laundering Financial Action Task Force
FIC	Financial Intelligence Centre
LEA	Law Enforcement Agency
ML	Money Laundering
ML/TF/PF	Money Laundering/Terrorist Financing/ Proliferation Financing
MVTS	Money Value Transfer Services
NRA	National Risk Assessment
PIPs	Prominent Influential Persons
PF	Proliferation Financing
SDR	Spontaneous Disclosure Report
STR	Suspicious Transaction Report
TF	Terrorist Financing
CBCDRs	Cross Boarder Currency Declaration Reports
WT	Wire Transfer

MESSAGE FROM THE DIRECTOR-GENERAL

The Year 2020 was an unprecedented year in the operations of the Financial Intelligence Centre (the Centre or the FIC) in that like many other institutions the world over it too felt the impact of the COVID-19 global pandemic. However, despite the challenges that the Centre encountered as a result of this pandemic, it continued to dispense its core functions so as to ensure its continued prevention and detection of money laundering, terrorism and proliferation financing (ML/TPF) and other crimes.

In resonating with its vision, 'A Zambia with a stable financial system resilient to financial crimes,' the FIC's 2020 Typology Report gives the Centre's perspective of the emerging trends on corruption and tax evasion with the intention of educating the reporting entities and the public on the nature, methods and techniques employed by perpetrators of these two financial crimes.

As intimated in the previous reports, one of the major drivers for generation of proceeds of crime is corruption. Further, in light of the COVID-19 global pandemic, this is as good a time as any other for the 2020 Report to focus on corruption because the handling of this pandemic perfectly illustrates the need for integrity in the management of this crisis. For instance, the large sums of monies needed to deal with this crisis and the urgency created in disbursing these monies (which at times may necessitate overlooking strict adherence to set policies and guidelines on the disbursement of such funds) all brew the perfect environment for corruption to occur. Corruption is an obstacle to the development of our society and the general welfare of the Zambian people, therefore, the Centre would be failing in its obligations if it did not highlight the notable trends used to effectuate and conceal this vice.

The tax revenue generated by our Government is used to fund various sectors such as infrastructure, health, education and national security. The Centre has noted with concern the growing trend of both natural and legal persons deliberately avoiding to pay their true tax liabilities.

Notably, there is a direct correlation between corruption and the collection of tax revenue. Studies have shown that corruption not only lowers the tax-GDP ratio but also causes long-term damage to the economy by detracting investment, increasing the size of the underground economy, distorting tax structures and corroding the tax morality of taxpayers. This in turn reduces the long term revenue generating potential of the Zambian economy.

The year 2020 also saw the Centre implementing its 2020-2022 Strategic Plan whose focus is to enhance collaboration and cooperation with Law Enforcement Agencies (LEAs) and other stakeholders.This collaboration is necessary in the fight against financial crimes.

The Financial Intelligence Centre Act No. 46 of 2010 (the FIC Act) was amended in December 2020 through the enactment of the Financial Intelligence Centre (Amendment) No. 41 of 2020. Following the results of the 2019 Zambia Mutual Evaluation Report on its anti-money laundering and counter-terrorist financing measures, it was seen that there is need to further improve the provisions of the Act No. 46 of 2010 with regards to, *inter alia*, the obligations relating to customer identification and verification, wire transfers and administrative sanctions.

With the continued support of Government and in collaboration with all AML/CFTP stakeholders the FIC will continue to uphold its mandate in the fight against ML and TF.

Mary Chirwa (Ms.)
DIRECTOR-GENERAL
FINANCIAL INTELLIGENCE CENTRE

1.0 ORGANISATION STRUCTURE

The Director-General is the Chief Executive Officer of the institution appointed by the Board subject to the Minister's approval pursuant to section 7 of the FIC Act. The FIC comprises the following departments:

(i)   Monitoring and Analysis
(ii) Inspections
(iii) Compliance and Prevention
(iv) Legal and Policy
(v)   Information Communications Technology
(vi) Finance

CHART 1: ORGANISATION STRUCTURE
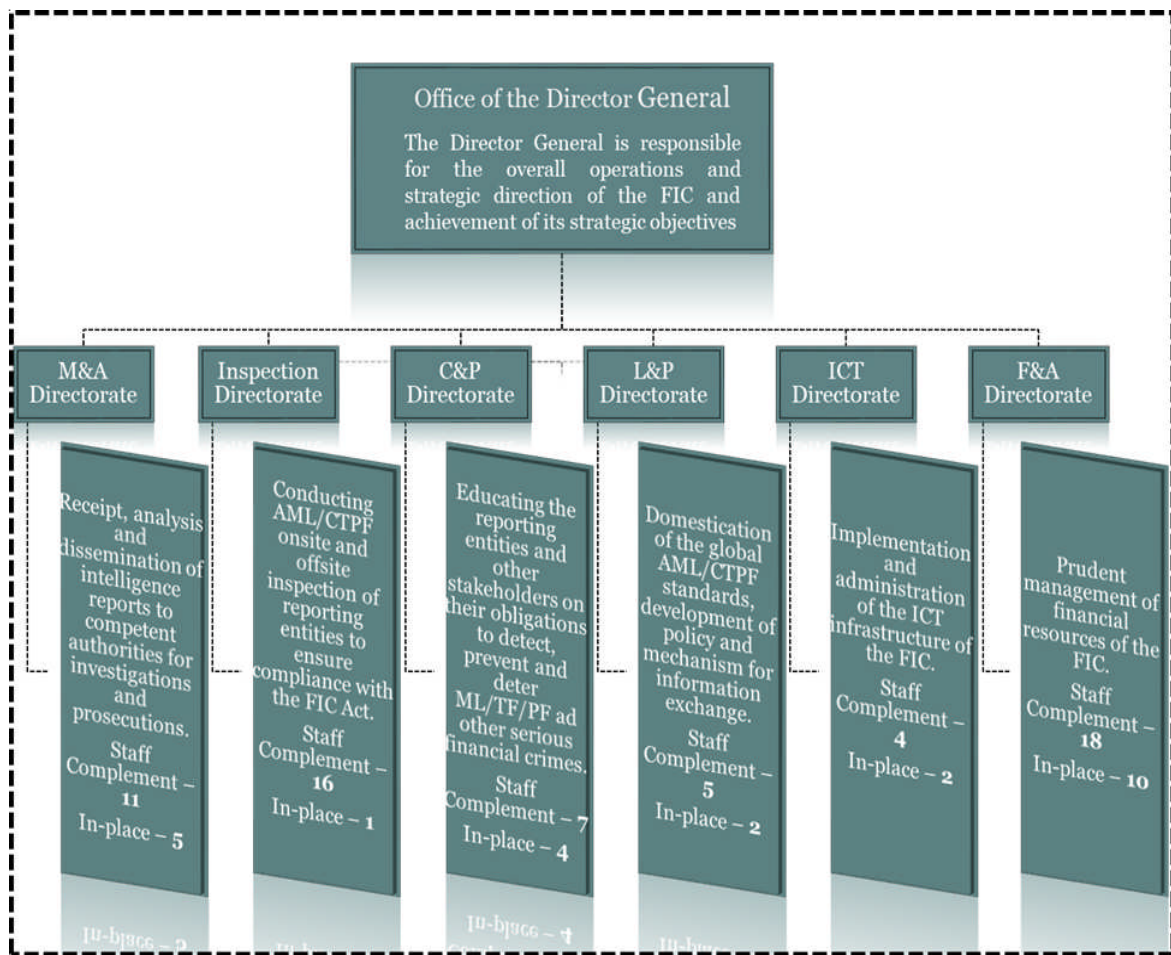
Source: Financial Intelligence Centre, Zambia. 2020

2.0 CORE FUNCTIONS OF THE FINANCIAL INTELLIGENCE CENTRE

The functions of the FIC as provided under Section 5 of the Financial Intelligence Centre Act No. 46 of 2010 (as amended) are *inter alia* to:

(a) Receive, request, analyse and evaluate suspicious transaction reports and information from any other source authorised under any written law to make a suspicious transaction report including a designated foreign authority to determine whether there are reasonable grounds to transmit reports for investigation by law enforcement agencies or designated foreign authorities;

(b) Disseminate information, spontaneously or on request, to law enforcement agencies and other competent authorities, where there are reasonable grounds to suspect money laundering or financing of terrorism or proliferation;

(c) Provide information relating to suspicious transactions to any designated foreign authority, subject to conditions that the Director-General may determine, in accordance with this FIC Act.

The STR value chain

Source: Financial Intelligence Centre, Zambia 2020

3.0 OVERVIEW

This Typology Report gives the Financial Intelligence Centre's perspective on how the fight against corruption and tax evasion is inextricably intertwined with that of Money Laundering (ML). Proceeds of financial crimes are not beneficial unless they are placed, layered, and integrated into the financial system. This Report differs from other reports previously produced by the FIC in that it focuses on two prominent predicate offences (Corruption and Tax Evasion) observed in the past three(3) years.

3.1 Corruption

It is globally accepted that corruption hurts economic performance by adversely affecting private and public investment, reducing tax revenue, resulting in an inefficient financial system. Further, corruption can also have adverse distributional effects as it hurts the poor disproportionally. Countries with high levels of corruption achieve lower literacy rates, have higher mortality rates, and overall have worse human development outcomes. Corruption deepens poverty by reducing pro-poor public expenditures, creating artificial shortages and congestion in public services, and inducing a policy bias in favor of certain sectors of society, which perpetuates unemployment.

The main perpetrators of corruption are both public and private individuals who are in privileged positions. The findings of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) typology study of 2019 on 'Procurement Corruption in the Public Sector and Associated Money Laundering in the ESAAMLG Region' established that the main perpetrators of procurement corruption in the Region were Politically Exposed Persons (PEPs), Investors, public procurement officials, suppliers, agents of

suppliers, political party members and foreign companies and governments[1]. The report further established that health, defence and infrastructure sectors are the most vulnerable to procurement corruption.

Zambia conducted a ML/TF National Risk Assessment (NRA) in 2016. The report established that corruption is among the top five (5) most prevalent financial crimes in Zambia. The Auditor- General's Report of 2019 equally unearthed methods and techniques of corrupt activities taking place in Government Ministries, Parastatals and quasi-Government institutions.

The FIC disseminated eighty (80) intelligence reports to Law Enforcement Agencies (LEAs) in 2018, involving suspected financial crimes valued at ZMW 6.1 billion of which ZMW 4.9 billion related to corruption. The most prevalent forms of corruption noted in 2018 were those involving bribery, self-dealing/conflict of interest. In 2019, the Centre analyzed one hundred and one (101) STRs of which a total of forty four (44) intelligence reports were disseminated to LEAs bordering on ML and various predicate offences. Of interest, four (4) disseminated Intelligence reports bordered on suspected corruption involving an amount of ZMW332 million.

During the period under review, the FIC analyzed three hundred and sixty four (364) STRs compared to one hundred and one (101) in 2019. A total of sixty one (61) intelligence reports were disseminated to LEAs compared to forty four (44) in 2019. The intelligence reports disseminated in

---

[1]Procurement Corruption in the Public Sector and Associated Money Laundering in the ESAAMLG Region, 2019

2020 bordered on suspected money laundering and other various predicate offences including corruption. Out of the sixty one (61) disseminated Intelligence reports, fourteen (14) bordered on suspected corruption involving ZMW 2.2 billion. The FIC has continued to observe that cases of corruption continue to be linked to public procurement contracts and are often perpetrated by Prominent Influential Persons (PIPs) or their associates.

3.2 Tax-Evasion

Governments around the World primarily raise revenue through taxation to fund public services and operations. In particular tax revenue is used to fund various sectors including infrastructure, health, education and national security. However, there has been growing concern around the World on the lack of tax transparency among tax payers. Lack of tax transparency has been cited by various studies as contributing to illicit financial flows from developing countries annually.

The lack of tax transparency in Zambia has negatively affected Zambia's domestic resource mobilization efforts. The absence of tax transparency masks tax crimes and other practices such as tax evasion.

Tax evasion can be understood as deliberate practices by individuals and/or corporates to circumvent tax laws in-order not to pay their fair share of taxes[2]. In this context, certain methods of tax evasion will require the income generating activity to remain outside the formal economy. In Zambia, practices such as the use of personal accounts for business in order to circumvent paying taxes

have exhibited a growing trend[3]. The 2016 Money Laundering National Risk Assessment revealed that tax crimes were the second most prevalent predicate offense of money laundering in Zambia. Tax crimes in the form of tax evasion can end up cascading into other financial crimes such as corruption and money laundering. This trend of cascading financial crimes has been observed in Zambia. Proceeds of tax evasion can be used to bribe officials and further down the chain laundered to hide their illicit origins[4]. In most cases, income generated from corrupt activities is usually not declared for tax purposes and it is eventually laundered in various sectors.

In the period under review, the Centre analysed 364 STRs compared to 101 in 2019. The increase in the number of reports analysed was as a result of sufficient funding to carry out analysis. A total of 61 intelligence reports were disseminated to LEAs out of which 14 were on corruption and 24 on tax evasion compared to 4 and 17 respectively in 2019. The amount involved in the disseminated reports relating to corruption was [ZMW 2.22 billion: 2020] compared to [ZMW 332 million: 2019]. This represents 71% of the total value of dissemination amounts in 2020. Disseminations on suspected tax evasion accounted for [ZMW 717 million: 2020] compared [ZMW 144 million: 2019]. The increase in the value of disseminated intelligence reports for both corruption and tax evasion is attributed to higher value of the reports analysed.

During the period under review, the reports analysed showed that corruption and tax evasion occurred concurrently. It was noted that corporates and/or individuals involved in corruption were non-compliant with tax obligations. Table1 below shows the number and values of disseminated reports over the past three (3) years.

---

[2] Uncovering the unknown: An analysis of Tax Evasion in Zambia, ZIPAR,2014

[3] 2019 Financial Intelligence Centre: Trends Report on Money Laundering and Terrorist Financing
[4] OECD, 2019

4.0 TRENDS

In the period under review, the Centre analysed 364 STRs compared to 101 in 2019. The increase in the number of reports analysed was as a result of sufficient funding to carry out analysis. A total of 61 intelligence reports were disseminated to LEAs out of which 14 were on corruption and 24 on tax evasion compared to 4 and 17 respectively in 2019. The amount involved in the disseminated reports relating to corruption was [ZMW 2.22 billion: 2020] compared to [ZMW 332 million: 2019]. This represents 71% of the total value of dissemination amounts in 2020. Disseminations on suspected tax evasion accounted for [ZMW 717 million: 2020] compared [ZMW 144 million: 2019]. The increase in the value of disseminated intelligence reports for both corruption and tax evasion is attributed to higher value of the reports analysed.

During the period under review, the reports analysed showed that corruption and tax evasion occurred concurrently. It was noted that corporates and/or individuals involved in corruption were non-compliant with tax obligations. Table1 below shows the number and values of disseminated reports over the past three (3) years.

Table 1: Disseminated Intelligence Reports

Suspected Offence	2020		2019		2018	
	No. of reports	Values (Millions)	No. of reports	Values (Millions)	No. of reports	Values (Millions)
Tax Evasion	24	717	17	144	51	1,000
Corruption	14	2,228	4	332	7	4,795

Source: Financial Intelligence Centre, Zambia 2020

4.1 Observed Trends on Corruption

Corruption is a predicate offence to money laundering. Intelligence reports bordering on suspected corruption are disseminated to the Anti-Corruption Commission which is the principal institution responsible for combating corruption in Zambia pursuant to the Anti- Corruption Act No. 3 of 2012.

During the period under review, a total of fourteen (14) intelligence reports were disseminated to competent authorities on corruption involving an amount of [ZMW 2.22 billion: 2020] compared to [ZMW 332 million: 2019].

Graph 1 below shows the dissemination amounts for suspected corruption over the past 3 years.

Graph 1: Suspected corruption
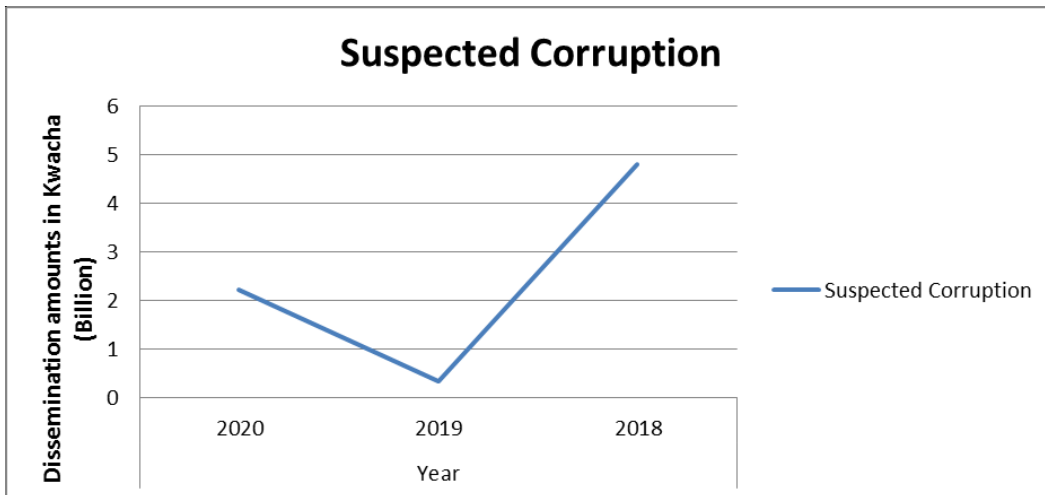
Source: Financial Intelligence Centre, Zambia 2020

During the period under review, the number of intelligence reports associated with suspected corruption increased compared to 2019. This was as a result of the increase in the value of intelligence reports associated with this predicate offence.

Techniques

The following are some of the techniques that the perpetrators would use to advance their corrupt activities.

(i) PIPs used their positions in public institutions to influence the awarding of contracts to companies in exchange for gratification in the form of cash, real estate and motor vehicles.

(ii) Contracts being awarded to individuals with advance payments without any intentions to execute the works.

(iii) Awarding of contracts to entities that had no capacity and were none compliant for tax purposes.

(iv) Exploitation of single sourcing

(v) Companies awarded contracts to close associates of PIPs to conceal ultimate beneficial owners.

(vi) Overpricing of contract amounts.

Sectors involved

During the period under review it was noted that the health, Construction, Transport and Mining were the sectors where corrupt acts were most prevalent.

Main Perpetrators

The disseminated cases revealed that the main perpetrators of corruption were PIPs and their associates, political party sympathizers and private individuals.

4.2 Observed Trends on Tax Evasion

In the period under review, the Suspicious Transactions Reports (STRs) analysed revealed a continued trend in which Individuals deposit large cash amounts from businesses into personal accounts. Furthermore, it was noted that some of these individuals are not registered for any type of tax.

6

The FIC in 2020 disseminated 24 intelligence reports on suspected tax evasion amounting to ZMW 717 million compared to 17 reports amounting to ZMW144 million recorded in 2019. This represents a 65% increase in the number of intelligence reports disseminated in the review period.

ZRA assessed ZMW 63.3 million as a result of the disseminations made by the Centre in 2020 compared to ZMW 27.7 million assessed in 2019.

The graph below shows the dissemination amounts for suspected tax evasion over the past 3 years.

Graph 2: Suspected tax evasion
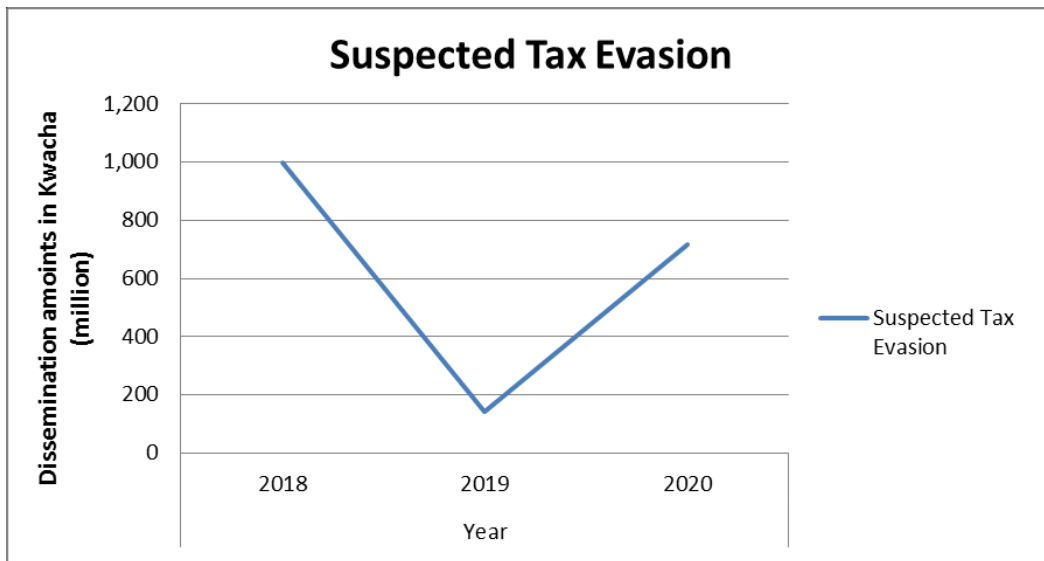
During the period under review, the number of intelligence reports associated with suspected tax evasion increased compared to 2019. This was as a result of the increase in the value of intelligence reports associated with this predicate offence.

Prevalent methods employed to evade tax:

(i) Repatriation of proceeds from mining companies in Zambia to offshore jurisdictions while declaring losses in Zambia

(ii) Use of employee accounts by corporates in order to reduce the revenue and therefore the tax liability

(iii) Entities operating in Zambia without being registered for taxes.

(iv) Use of personal accounts for business purposes by business proprietors.

(v) False accounting techniques to reduce tax obligations.

Main Perpetrators

The disseminated cases revealed that the main perpetrators of tax evasion were cross border traders, local and foreign nationals, PIPs and their associates and multi-national corporations.

4.3 Observed Trends from Currency Transaction Reports

In the period under review, the Currency Transaction Reports (CTRs) analysed revealed a continued trend in which Individuals deposit large cash amounts from businesses into personal accounts. In certain instances, many third parties would deposit funds into an individual's bank account, accompanied by wire transfers (WTs) outside the Country for various business activities. It was further noted that some of these individuals were not registered for any tax type.

Tables 2 and 3 below show the number and values of both Corporate and Individual CTRs received over the past three years.

Table 2: Summary of the Corporate CTRs

CORPORATES		Currency				
Year	No.	ZMW	USD	GBP	ZAR	EUR
2020	85,095	28,501,782,782.19	6,267,100,864.50	906,528.89	46,896,445.66	13,272,579.99
2019	121,609	31,096,100,316.14	3,734,903,113.29	139,271.81	13,395,525.56	10,597,929.05
2018	55,658	10,808,403,865.09	1,869,864,663.88	351,873.68	2,710,350.00	28,750.00

Source: Financial Intelligence Centre, 2020

There was an increase of 118.5% in the number of corporate CTRs received from 2018 to 2019. In 2020, a total of eighty five thousand and ninety five (85,095) corporate CTRs were received compared to one hundred and twenty one thousand six hundred and seven (121,607) in 2019 representing a decrease of 30%. The decrease could be attributed to most corporate entities using digital channels as the result of the COVID-19 regulations.

Further, analysis of corporate CTR's revealed that most of the cash transactions were made by construction companies as the sector remained active in 2020 despite the COVID-19 restrictions. The FIC continued to observe a rapid increase in the number of individual CTRs received over the last three (3) years. In 2020, the number of individual CTRs received increased by 59.7% from 2019. This can be attributed to continuous use of cash in the informal sector and the reluctance by individuals to adhere to COVID -19 guidelines.

Table 3: Summary of the Individual CTRs

INDIVIDUALS		Currency				
Year	No.	ZMW	USD	GBP	ZAR	EUR
2020	44,731	10,030,488,242.96	962,820,146.38	7,868,395.94	9,166,746.59	2,853,268.75
2019	28,016	5,314,335,071.38	380,456,069.73	3,056,045.12	13,500,757.11	266,505.84
2018	19,934	4,850,931,898.77	399,819,450.03	-	4,475,430.00	-

Source: Financial Intelligence Centre, 2020

4.4 Observed Trends from Suspicious Transaction Reports

In 2020, the FIC received a total of two thousand two hundred and sixty six (2,266) STRs compared to seven hundred and forty-eight (748) in 2019, representing an increase of 203%.

Table four (4) below shows the number of STRs received over the last three (3) years.

Table 4: STRs received by number

Year	Number of STR received
2020	2,266
2019	748
2018	724

Source: Financial Intelligence Centre, 2020

The sharp increase in the number of STRs received between 2020 and 2019 can be attributed to the COVID-19 pandemic as most transactions which would be carried out in person were done through the digital platforms to avoid the use of cash thus prompting the bank to increase their surveillance. Accordingly the FIC during the year issued a guidance note urging reporting entities to monitor new and emerging ML/TF/PF threats associated with COVID-19. Reporting entities were urged to continue monitoring transactions and pay particular attention to unusual and suspicious patterns in customer's behavior and financial flows, identifying risk indicators and implementing processes and controls to prevent suspected ML/TF/PF. However, it was noted that the DNFBPs in the period under review did not submit STRs.

4.5 Observed Trends from wire transfers

In the year 2020, the FIC analysed the wire transfer information and observed the following:-

➢ Most of the transfers were to Asia for various reasons, including upkeep, salaries and management fees.

➢ A number of Chinese Nationals sent funds to China with narrations "family upkeep".

➢ Some Zambian Nationals who declared low monthly incomes were noted to be sending huge amounts outside Zambia.

➢ It was also noted that some narrations did not give a clear description of what the payments related to such as "purchase of goods".

➢ Some Multi National Corporates (MNC) were noted to make payments to tax haven countries such as Mauritius and Isle of Man.

5.0 CASE STUDIES

The case studies presented below depict some of the analysed and disseminated intelligence reports during the year under review.

5.1 Case studies on Corruption

Case 1:   Suspected Procurement Corruption

The FIC analyzed an STR bordering on suspected corruption and money laundering against an individual **DZ, PIPs**, Company **A** and Company **B**. The suspicions pertained to the awarding of three public contracts in excess of USD 30 million to individual **DZ**, Company **A** and Company **B**.

The analysis revealed the following:

(a) The bid criterion required the bidders to have a 3 year average turnover which is at least three (3) times the total value of the bid. Bidders were required to submit a copy of their bank statements as evidence of their turnover.

It was noted that individual **DZ***, Company* **A** *and Company* **B** *failed to meet these requirement*.

(b) The bid criterion further required audited financial statements for the past three (3) years.

Individual **DZ***, Company* **A** *and Company* **B** *failed to meet this requirement. Further, Individual* **DZ** *and Company* **A** *presented forged audited financial statements.*

(c) Individual **DZ**, Company **A** and Company **B**, falsified documents pertaining to their experience and technical capabilities.

(d) The ill-gotten funds were invested in real estate and hospitality industry

Despite the cited irregularities, individual **DZ**, Company **A** and Company **B**, were awarded the contracts. The analysis revealed influence peddling by **PIPs** and suspected abuse of office by using strategically appointed officials.

The analysis in the case above shows methods and techniques that perpetrators of corruption employ to launder ill-gotten proceeds.

### Case 2:   Suspected corruption, theft and money laundering

The FIC analysed STRs on suspected illegal mining and trade in precious metals involving Individuals **ZZ** and Individuals **QQ**. Individuals **ZZ** and **QQ** are prominent influential persons (PIPs) holding positions in public institutions and political parties respectively. Members of the local community were induced to illegally mine precious metals by individuals **ZZ** and **QQ**. Individuals **ZZ** together with individuals **QQ** would transport the illegally mined precious metals either by public transport or through use of private vehicles. The precious metals were sold domestically to Zambians and foreign nationals. Analysis by the FIC further revealed that over ZMW 160 Million was realized. It was observed that the subjects acquired property which included land, buildings, motor vehicles and houses. The analysis further showed that some of the proceeds were invested in fixed term deposits and in liquor store businesses. Some subjects incorporated companies and opened company accounts in which large cash deposits and withdrawals were made by either the subjects or third parties. Further analysis showed that there were some transfers made using money value transfer services (MVTS) platforms.

The case above shows how perpetrators of corruption use corporate vehicles and formal financial services to launder ill-gotten proceeds.

See link chart below:
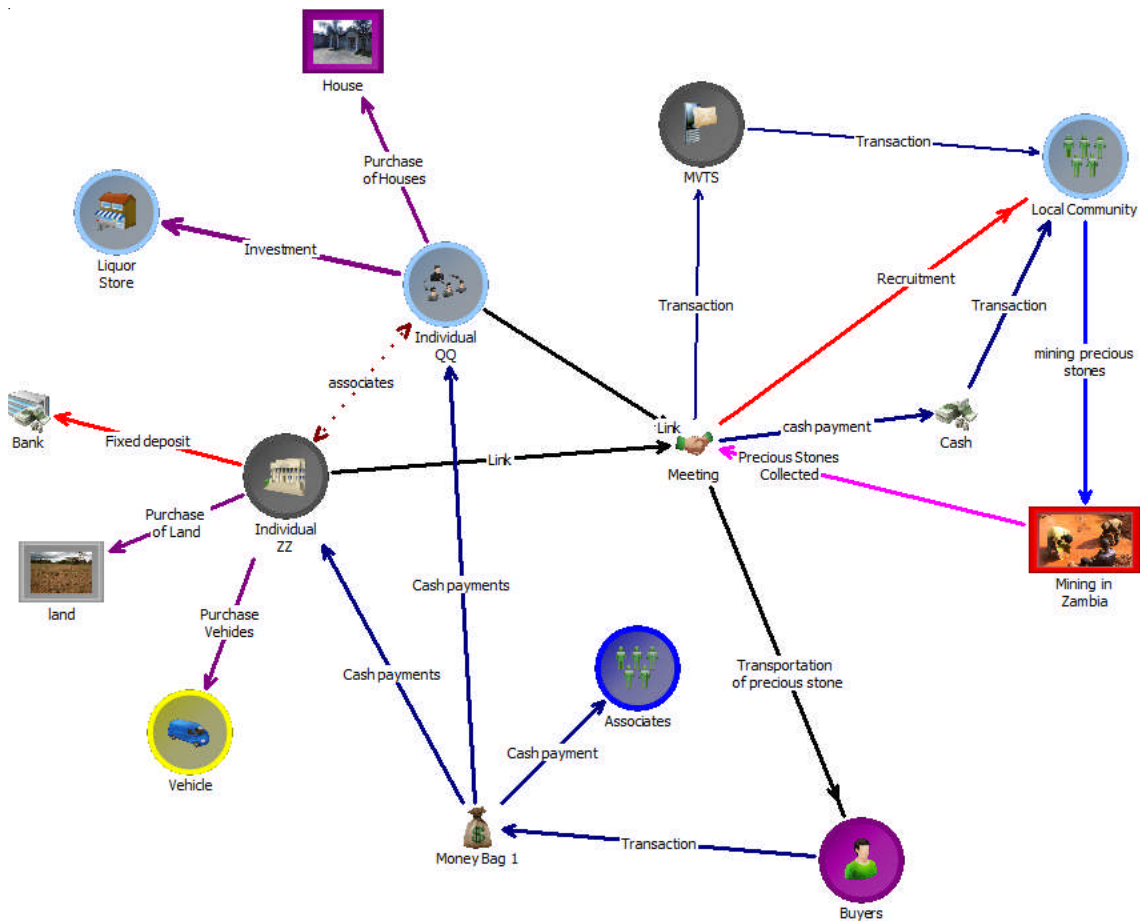
Case 3: Suspected Corruption

The FIC analysed an STR involving a PIP on suspected corruption. **PIP** incorporated company **R** that was used as a channel to receive bribes from foreign owned construction companies (Company **V**, Company **A** and Company **CH**). **PIP** facilitated the awarding of contracts through single sourcing to the mentioned companies. The analysis revealed that:

(i) Company **V**, Company **A** and Company **CH** purchased a number of properties for **PIP**. Further, Company **V** settled over ZMW 40,000 rent for Company **R**.

(ii) Fleets of vehicles were ordered by Company **V** for the benefit of **PIP**. An amount of ZMW 3 Million was remitted to a company in Europe for the purchase of vehicles.

The analysis in the case above shows how perpetrators of corruption use corporate vehicles to launder ill-gotten proceeds.

5.2 Case studies on Tax evasion

Case 1: Suspected tax evasion

This is a case in which the subject who is a cross border trader, declared an annual income of over ZMW 70,000 at account opening. The subject had a number of accounts which were

receiving huge cash deposits. Within a period of one year, his accounts had a credit turnover of more than ZMW 199 million. The funds were utilized through outward transfers mostly to an Asian country. It was noted that the subject was using his personal accounts to conduct business transactions and had no registered business. The analysis presented shows that the subject was evading tax.

Case 2: Suspected tax evasion

The FIC analysed an STR on suspected tax evasion on Individual **F,** an employee of Company **Y**, on suspicions that individual **F** was using their personal accounts to conduct business transactions. Analysis revealed that:

(i) Individual **F** was a director/shareholder of Company **H** despite being on a work permit.

(ii) Individual **F** declared a monthly income of over ZMW7,800 at account opening.

(iii) Individual **F's** accounts had credit turnovers in excess of ZMW 19.82 million and USD 4 million in the period under review.

(iv) Individual **F** received USD 125,000 and ZMW 500,000 from Company **H** during the period under review.

(v) Company **H** had credit turnovers of USD 2 million and ZMW 6 million in the period under review.

(vi) Company **H** was not compliant for tax purposes.

(vii) There were no salary credits into any of **Individual F** accounts from company **Y**, her purported employer.

(viii) **Individual F** made transfers of over USD 2 million and ZMW 3 million from her personal account to various companies in Asia to purchase goods.

(ix) Individual **F** was using their personal accounts to conduct business transactions on behalf of their company.

The analysis in the case above shows methods and techniques of tax evasion.

Case 3: Suspected tax evasion

The FIC analysed an STR involving a **PIP** on suspected tax evasion and corruption. The **PIP** is a beneficial owner of **Company J.** During the period under review, **Company J** was awarded a phantom contract to supply services to a public sector **institution T.** The analysis revealed the following:

(i) It was established that **Company J** was paid over ZMW 44 million by **institution T**.

(ii) The **PIP** received ZMW 20 million from **Company J** which was invested in a fixed term account.

(iii) Through fictitious transactions between related parties, **Company J** was able to reduce its taxable income out of the ZMW44 million received.

(iv) Funds in excess of ZMW10 million were withdrawn by shareholders from the **Company J**. Some of the cash was later deposited into the PIPs bank account.

(v) Further, it was noted that **Company J** was not compliant for tax purposes.

13

See link chart below:
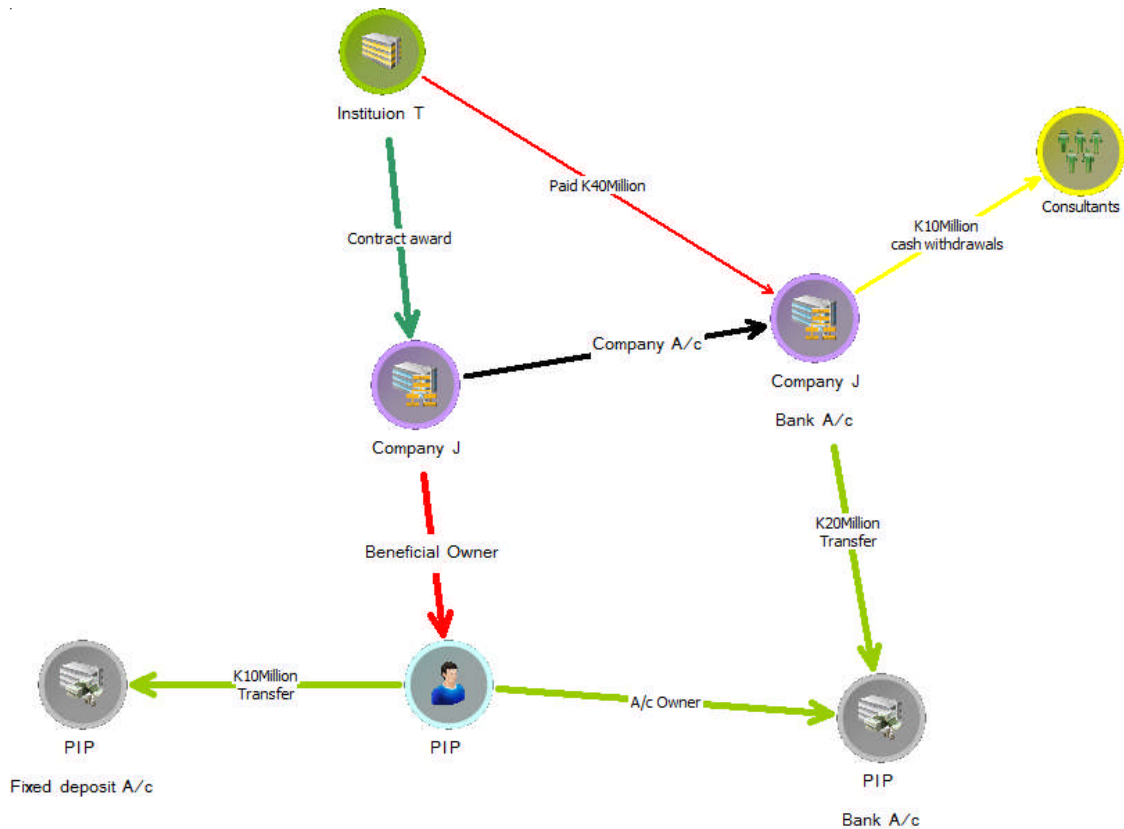
6.0 RECOMMENDATIONS

(i) Zambia should introduce a revenue based tax system on resource based products to reduce the level of tax evasion.

(ii) Government through the Ministry of Mines and Minerals Development should enact a law that compels companies in the precious metals sector to auction precious stones in Zambia to ensure transparency in the pricing mechanism and therefore fair taxes.

(iii) Government should consider differentiated tax rates for electronic and cash transactions to encourage use of electronic platforms.

(iv) Government should broaden its revenue base through collection of presumptive tax to informal sectors, especially small enterprises such as: barber shops, saloons and micro retail stores. This will reduce the administrative burden of tax collection whilst also increasing on both the tax payer compliance.

7.0 CONCLUSION

It is an undeniable fact that Government continues to lose revenue through corrupt practices and tax evasion which negatively affect revenue mobilization necessary for provision of public goods and services. To effectively address the threat of these vices, concerted efforts by various competent authorities in the value chain cannot be overemphasized.

8.0 WORKING DEFINITIONS

Competent Authority- refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the FIU; the authorities that have the function of investigating and/or prosecuting money laundering, associated predicate offences and terrorist financing, and seizing/freezing and confiscating criminal assets; authorities receiving reports on cross-border transportation of currency & BNIs; and authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFBPs with AML/CFT requirements.

Corruption- According to section (2) of the Anti-Corruption Act No.3 of 2012, 'corrupt' means the soliciting, accepting, obtaining, giving, promising or offering of a gratification by way of a bribe or other personal temptation or inducement or the misuse or abuse of public office for advantage or benefit for oneself or another person, and " corruption" shall be construed accordingly.

Direct bidding - this is a procurement method where a bid is obtained directly from a single bidder, without competition.

ESAAMLG- one of the Financial Action Task Force styled regional bodies.
FATF- FATF is an inter-governmental body which sets standards and develops and promotes policies to combat money laundering and terrorist financing.

Money Laundering- According to section 2 of the Prohibition and Prevention of Money Laundering Act No.14 of 2001 (as amended), *Money Laundering m*eans where a reasonable

inference may be drawn, having regard to the objective factual circumstances, any activity by a person -

(a) who knows or has reason to believe that the property is the proceeds of a crime; or

(b) without reasonable excuse, fails to take reasonable steps to ascertain whether or not the property is proceeds of a crime; where the person-

(i) engages, directly or indirectly, in a transaction that involves proceeds of a crime;

(ii) acquires, receives, possesses, disguises, transfers, converts, exchanges, carries, disposes, uses, removes from or brings into Zambia proceeds of a crime; or

(iii) conceals, disguises or impedes the establishment of the true nature, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of crime";

Mutual Evaluation - mutual evaluation is an assessment of a country's measures undertaken to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction. This includes an assessment of a country's actions to address the risks emanating from designated terrorists or terrorist organisations.

MVTS- Money or value transfer services (MVTS) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of

a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTS provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods. Sometimes these services have ties to particular geographic regions and are described using a variety of specific terms, including hawala, hundi, and fei-chen.

PIP - prominent influential person " means—

   (a) an individual who is or has, been entrusted with a prominent public function by a State or an international or local body or organisations but is not of middle or junior ranking and includes—

> (i) a head of State or of Government;
>
> (ii) a minister;
>
> (iii) a member of an executive organ of a political party;
>
> (iv) a magistrate, judge and other senior officials of quasi-judicial bodies;
>
> (v) a senior military official;
>
> (vi) a senior government official; and
>
> (vii) a member of the board or an official in senior management of an administrative or supervisory body, or a state owned enterprise or statutory body;

Predicate offences- According to FATF, predicate offences are specified "unlawful activities" whose proceeds, if involved in the subject transaction, can give rise to prosecution for money laundering**.**

Proliferation Financing- Section 2 of the National Anti-Terrorism and Proliferation Act No.6 of 2018 act defines Proliferation Financing as an act by any person who by any means, directly or indirectly, willfully or negligently provides funds or financial services to be used or knowing that they are to be used in whole or in part for proliferation, the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling, supply, sale or use of nuclear, ballistic, chemical, radiological or biological weapons or any other weapon capable of causing mass destruction and their means of delivery and related materials including both technologies and dual-use goods used for non legitimate purposes, including technology, goods, software, services or expertise, in contravention of this Act or, where applicable, international obligations derived from relevant Security Council Resolutions;

Financing of Terrorism - Section 2 of the National Anti-Terrorism and Proliferation Act No.6 of 2018 act defines Financing of Terrorism an act by any person who, irrespective of whether a terrorist act occurs, by any means, directly or indirectly, willfully provides or collects funds or attempts to do so with the intention that the funds should be used or knowing that the funds are to be used in full or in part—

> (i) to carry out a terrorist act;
>
> (ii) by a terrorist;
>
> (iii) by a terrorist organisation; or
>
> (iv) for the travel of a person to a State other than the person's State of residence or nationality for the purpose of perpetration, planning or preparation of, or participation in, terrorist act or the providing or receiving of terrorist training;