

SOUTHMOD

Exercises

Zambia

MicroZAMOD v2.0

September 2019



Note: The exercises presented below are applicable to MicroZAMOD model v2.0.

Part A: Preparing to implement a policy reform in MICROZAMOD

Exercise 1: Add a new system

Difficulty level: Beginner

Activity:

Add a new system to MicroZAMOD.

Part B: Changing Existing Policies in MICROZAMOD

Exercise 2: Increase the VAT rate

Difficulty level: Beginner

Activity:

Increase the VAT rate from 16% to 18%.

Question:

How much extra VAT would this raise?

Exercise 3: Change the Turnover Tax policy in 2016

Difficulty level: Intermediate

Activity:

Amend the Turnover Tax policy in 2016. Increase the upper limit for Turnover tax from 800,000 Kwacha to 1,000,000 Kwacha and increase the turnover tax rate from 3% to 5%.

Questions:

How much will the government gain or lose in direct taxes? What would the impact on poverty and inequality be?

Exercise 4: Change the VAT rules by making certain additional items VAT-exempt

Difficulty level: Beginner

Activity:

A number of products which had been included in the normal rate of VAT are to become exempted. These products are all bread and cereals (coicop code: x011197), vegetables (coicop code: x011797) and meat (coicop code: x011297).

Question:

How much will the government lose in indirect taxes?

Exercise 5: Change the Personal Income Tax policy by increasing the tax rates for all but the lowest band

Difficulty level: Beginner

Activity:

Amend the Personal Income Tax policy. The current tax band rates are 0%, 25%, 30%, and 37.5%. Increase the personal income tax rate for every tax band (excluding the first band) by one percentage point.

Questions:

How much will the government gain in tax revenue? What would the impact on poverty and inequality be?

Part C: Introducing New Policies in MicroZAMOD

Exercise 6: Introduce a child benefit

Difficulty level: Intermediate

Activity:

Introduce a universal child benefit of 180 Kwacha per month for children who are aged 0-2 inclusive.

Question:

How much will this policy cost the government? What would the impact on poverty and inequality be?

Exercise 7: Introduce an old aged benefit for older people 65+

Difficulty level: Intermediate

Activity:

Introduce an old age benefit for people who are aged 65 and over. Decide on the monetary amount and the periodicity. *For this example, eligible individuals are awarded 150 Kwacha per month.*

Question:

How much will this policy cost the government? What impact would this have on poverty and inequality?

Exercise 8: Introduce a benefit for unemployed young people

Difficulty level: Intermediate

Activity:

Introduce a benefit for unemployed youth. Decide on the age band, monetary amount and periodicity. *For this example, the age band 18 to 35 inclusive was used. All eligible individuals receive 100 Kwacha per month*

Question:

How much will this policy cost the government? What is the impact on poverty and inequality?

Exercise 9: Introduce three benefit reforms and change the income tax policy to cover the costs

Difficulty level: Advanced

Activity:

Introduce all three benefit reforms (child benefit, older persons benefit, and unemployed youth benefit) at the same time, then change the income tax policy to cover the costs.

Question:

What is the impact on poverty and inequality?

Part D: Changing Eligibility Rules in MicroZAMOD

Exercise 10: Amending SCT for 2017

Difficulty level: Advanced

Activity:

In 2017 the eligibility rules for SCT changed. Currently, in MicroZAMOD v2.0, the policy rules for SCT are identical to 2016 and are therefore not correct, so we need to update them to reflect the new rules that applied in 2017.

Questions:

How much more or less will the government expenditure on SCT be in 2017 under the new SCT rules compared to what would have been required under the old SCT rules? What are the effects on poverty and inequality in 2017 of changing the SCT eligibility rules?