



**Civil Society for  
Poverty Reduction**

2<sup>nd</sup> April 2026

## **CSPR STATEMENT – CABINET DECISION ON TAX EXEMPTIONS ON SELECTED PETROLEUM PRODUCTS AND A REFLECTION ON THE APRIL 2026 FUEL PUMP PRICES**

The Civil Society for Poverty Reduction (CSPR) has taken note of Cabinet's decision of 31 March 2026 to zero-rate Value Added Tax (VAT) and suspend Excise Duty on petrol and diesel for a period of three months, effective 1 April 2026, in response to the severe global oil price spike triggered by the USA-Iran military conflict. Specifically, at the 4th Cabinet (Special) Meeting convened by President Hakainde Hichilema on 31 March 2026 at State House, Cabinet approved three related measures:

- 1. Zero-rating of Value Added Tax (VAT) on petrol and diesel imports**
- 2. Suspension of Excise Duty on petrol and diesel imports**
- 3. Declaration of the current fuel supply situation as an emergency**

We acknowledge that the international oil price crisis has driven petrol prices up by 62.84%, diesel by 91.89%, and kerosene by over 102% at the international level and therefore pose a clear and present threat to the cost of living of Zambian households, the viability of businesses, and the integrity of the transport and food supply chains upon which the poor depend. Without Government's intervention, domestic pump prices could have more than doubled.

While Government through this policy measure has cushioned petrol and diesel consumers from a huge price increase, it has left the rural poor who depend on kerosene for cooking and lighting to absorb the full brunt of the crisis as no tax relief has been

provided on that commodity. Kerosene has seen a 53.13% price increase overnight following the Energy Regulation Board's (ERB) announcement of new petroleum pump prices effective 1<sup>st</sup> April 2026. We wish to stress that such a policy design does not reflect a fully poverty-sensitive approach. From ERB's announcement on 31<sup>st</sup> March 2026, kerosene now costs K32.26 per litre; up from K21.06, a K11.19 per litre increase is the primary source of energy for cooking and lighting for the majority of Zambia's 7.5 million people living in poverty, many of whom live in rural and peri-urban areas with no access to the electricity grid. The contrast is striking when compared to a middle-income urban household which will pay just K0.54 more for a litre of petrol this month while a rural family relying on kerosene will pay K11.19 more per litre. CSPR finds this inequity in the design of the Tax relief package deeply troubling.

Furthermore, CSPR notes with concern implication of the tax exemptions on the 2026 budget. In the 2026 National budget speech, the Minister of Finance and National Planning explicitly credited the elimination of fuel subsidies with generating the fiscal space to fund free education, increased Social Cash Transfers, and Cash-for-Work during the 2024 drought. The current suspension of taxes, while framed as a 3 months temporary emergency tax relief (rather than a subsidy), risks resurrecting the subsidy pattern that the government had previously and correctly eliminated. Our argument is that the distinction between "tax suspension" and "subsidy" is practically thin as both channel government revenue towards holding down fuel prices.

Even as we recognize that we face an emergency as a country, Zambia's hard-won fiscal consolidation gains must not be quickly eroded in the name of emergency fuel shock response measures. The 2026 Budget already allocated K7.65 billion to the Social Cash Transfer Programme, K26.2 billion to health, and K33.0 billion to education all of which are critical to poverty reduction. Any slippage in revenue collection threatens these allocations. Government must therefore be transparent about how it intends to manage this **revenue gap** without compromising social expenditure or diverting from the debt sustainability agenda. We support "emergency" fiscal measures that are necessary, targeted, time-bound, transparent and prudent.

Based on our analysis both of the 4<sup>th</sup> Special Cabinet's decision and ERB's announcement of the April 2026 fuel pump prices, we call on the Government to move urgently and decisively on the following;

1. Zero-rate VAT on kerosene for April to June 2026. This is the single most impactful pro-poor measure available at this moment. The fiscal cost will be modest given kerosene's smaller market volume, but the poverty impact will be enormous.
2. Publish a full fiscal impact assessment within 20 days. Citizens have a right to know the exact forgone VAT and Excise Duty revenue from this decision and how the gap will be managed, and whether any budget lines for social spending are at risk.
3. Publish the detailed ERB April 2026 fuel price build-up. In upholding transparency, ERB must make publicly available the complete price build-up document to enable independent verification of how tax exemptions have or will impact petrol and diesel pump pricing.
4. Government to make public the performance of the Strategic Reserve Fund which is Government's Fuel Price Stabilization mechanism and how it will contribute to mitigating the fiscal risk arising from the fuel crisis.

In conclusion, CSPR calls for a clear position on government to government deals with oil rich countries like our neighboring Angola and the TAZAMA pipeline open access framework as the only durable structural answer to Zambia's exposure to global petroleum price shocks.

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