



JESUIT CENTRE FOR THEOLOGICAL REFLECTION

3813 Martin Mwamba Road, Olympia Park

P.O Box 37774, 10101 Lusaka, Zambia

Email: admin@jctr.org.zm

www.jctr.org.zm

Tel: +260 211 290410 | **Fax:** +260 211 290759

PRESS STATEMENT

For Immediate Release

Employed Zambians Equally Affected by Food Insecurity and High Cost of Living – A Call for Inclusive Economic Relief

Lusaka, Zambia – October 1st 2024 – We are deeply concerned by recent remarks from the Finance Minister Dr. Situmbeko Musokotwane where he is quoted in the public media justifying not adjusting the Pay-As-You-Earn (PAYE) structure by focusing on supporting the unemployed through Social Cash Transfers (SCTs).

While we applaud the government's commitment to supporting the most vulnerable people of the society through SCTs, it is important to recognise that employed Zambians under PAYE are also struggling. The rising cost of living, driven by drought and food insecurity, affects all households, including formal workers, especially those on the lower category of the payroll. Statistics for 2022 show that poverty in urban areas, where most paid employees reside, increased at a faster rate than rural poverty, highlighting the need for broader economic relief.

PAYE and SCTs serve different roles: SCTs aim to alleviate poverty among the most vulnerable households who are outside formal employment, while PAYE taxes target those in formal employment as part of their contribution to the economy. These two measures although serving different functions should not be seen as mutually exclusive or substitutes.

We commend the current administration for providing the PAYE concessions in the three previous national budgets (2022, 2023 and 2024). Although such concessions were helpful they have now been

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negated by the rising inflation which has eroded worker's disposable income. For instance, the cost of the basic needs and nutrition basket for a family of 5 in Lusaka has increased by over K1,200 between September 2023 and 2024. This is the reason why JCTR and other CSOs along with the worker's movements proposed provision of further tax relief through PAYE in the 2025 National Budget submissions.

We therefore urge the government to adopt a more inclusive economic relief approach to support all Zambians. The relief must target both unemployed and employed people to prevent further inequality in the wake of rising urban poverty due to the rising cost of living. Additionally, we believe that other non-tax financing options could have been explored to support social protection programs. Such options include but not limited to tapping into un-used funds from the Constituency Development Fund and redirection of the Local Government Equalisation Fund to Cash and Food for Work Programmes. Additionally, certain capital projects could have been put on hold to redirect resources to humanitarian needs amidst the drought. A good example of such capital projects includes the K1.3 billion with K700 million allocated for provincial airports. The K17.2 billion savings announced in the 2024 Supplementary Budget could also offer an opportunity to reallocate such resources to social protection in the 2025 National Budget. JCTR also believes that there are other forms of taxes which government could have adjusted to raise funds for social protection in 2025. This could have allowed the government to still afford provision of the PAYE concessions in the 2025 National Budget.

Issued by

Father Alex Muyebe, S.J.

Executive Director

For media enquiries, please contact:

Mr. Bernard Mwaba

Communication and Digital Engagement officer

bernard.mwaba@jctr.org.zm

+260973366244

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Muyebe, Alex S.J

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