

# MINING TAX REGIME INFOGRAPHIC

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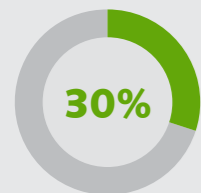
*“The alignment of taxes to prevailing copper prices will see Zambia benefit in periods of high copper prices while sustaining the industry in periods of low copper prices.”*

2014

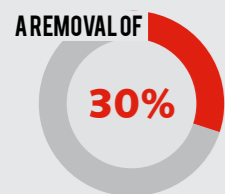
### MINING TAX REVISIONS



**CORPORATE INCOME TAX RATE ON INCOME** earned from tolling.



**CORPORATE INCOME TAX RATE ON INCOME** earned from processing of purchased mineral ores, concentrates and any other semi-processed minerals, currently taxed as income from mining operations.



**CORPORATE INCOME TAX ON PROFITS** from mining operations.

1. Simplifying the mining tax regime and avoiding conflict in the interpretation of tax legislation, which has characterized the sector.
2. Accounting for the differences in operating costs between underground mining and open-pit thus taxing each differently under the new tax regime.
3. Increasing the level of tax revenue with expected excess revenue of **K1.7 Billion** as a result of the new tax regime.

2015

### MINING TAX REVISIONS



**30%**

Reintroduction of **CORPORATE INCOME TAX (CIT) ON INCOME** earned from mining operations.

**35%**

**CORPORATE INCOME TAX ON INCOME** earned from mineral processing.

**15%** IF EXCEEDS 8%

**VARIABLE PROFIT TAX ON INCOME** earned from mining operations will be 15% when taxable income exceeds 8% of the gross sales.

**50%**

Deduction of **TAX LOSSES CARRIED FORWARD** to be limited to 50% of taxable profits.



Stiffening of penalties for **TAX OFFENDERS**.



Zambia Revenue Authority (ZRA) will introduce **STRINGENT ENFORCEMENT MECHANISMS** to effectively monitor mining activities and ensure greater transparency among mining companies when reporting revenue and expenditure. The government announced an expected revenue loss of K2.3 Billion as a result of the revision.

During the implementation of the 2015 National Budget, key stakeholders from the mining sector expressed concern over the proposed regime. Mining houses stated that the proposed Tax regime was not economically viable and would result in some mines closing operations. After consultations between Government and Stakeholders in the first and second quarters of 2015, the Government revised tax regime to take into account concerns raised and to ensure that a viable business environment in the sector was maintained.

2016

### MINING TAX REVISIONS



Introduction of a varied mineral royalty rate for copper based on the prevailing copper price.

**5%**

Introduction of **FLAT MINERAL ROYALTY RATE** of five percent (5%) for other base metals, industrial and energy minerals.

**6%**

A **FLAT MINERAL ROYALTY RATE** of six percent (6%) for precious metals and gemstones.

**10%**

Suspension of the ten percent (10%) **EXPORT DUTY ON ORES AND CONCENTRATES** for which there are no processing facilities in Zambia.



Removal of the **VARIABLE PROFIT TAX ON INCOME** from mining operations.

1. The proposed tax measures are aimed at sustaining operations in the mining industry, securing jobs for the citizens as well as collecting more tax revenue in times of relatively high copper prices.
2. This review in the taxation regime is deemed necessary to sustain continuous operation of existing mining companies and avert the continuation of suspension of mining operations and job losses.

### PMRC ANALYSIS

An analysis of the Revised Mining Tax Regime reveals that the Government has taken steps to ensure that the mining sector remains stable and sustainable. This move ensures that many jobs are saved and that mining operations are also sustained. The introduction of a mining tax on precious metals and gemstone shows commitment towards diversification away from copper.

In the short term, the reduction and suspension of some of the previous taxes will lead to a loss in revenue, however the losses in revenue will be offset by the economic contribution of the many jobs to be saved as well as an enabling environment that will encourage medium to long term investments in the sector. The alignment of taxes to prevailing copper prices will see Zambia benefit in periods of high copper prices while

sustaining the industry in periods of low copper prices. PMRC reiterates the need for the Government to continue on its path to reform the tax regime so that it remains stable and predictable in order to encourage further inflow of Foreign Direct Investment (FDI).

**Policy Monitoring and Research Centre** believes that while it is important to ensure that policies in the mining sector remain predictable and

stable, it is equally important that these policies also remain responsive to prevailing trends in the industry. It is evident that the revision is aimed at cushioning players in the mining sector from fluctuations of copper prices on the international market while ensuring that the Government collects optimal taxes and benefits from increased revenue collection during periods of high copper prices.