

ZAMBIA

CORPUS LEGAL PRACTITIONERS



FIRM INFORMATION

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COUNTRY INFORMATION

Zambia has a population of 13.4 million (2012). Lusaka is the capital city. Other major cities include Kitwe, Ndola and Livingstone.

GROSS DOMESTIC PRODUCT (GDP)

GDP projected growth for 2016 has been revised downwards to 3% against a budgeted 5% with a real GDP growth of 3.4% targeted for 2017.

INFLATION RATE

Inflation dropped to 12.5% by October 2016 from 22.9% in the first quarter of 2016. The Government is targeting inflation of less than 9% in 2017.

POLITICAL SYSTEM

Zambia has a multiparty democracy. It is a unitary state headed by a President who is elected by universal suffrage for a term of five years. He chooses his cabinet from Parliament. All laws are subject to the Constitution which contains all the fundamental freedoms of a modern democracy.

INVESTMENT CLIMATE

Zambia has one of the most liberal business environments in Southern Africa and encourages private investment in all major productive sectors including agriculture, mining, manufacturing, tourism and energy. It has introduced new economic policy measures and liberalised trade and investment conditions. Export processing zones have been established and applications for zoning are being encouraged. All exchange controls were abolished in 1994.

Investment opportunities exist in various sectors including textile mills, collieries, services, fertiliser and chemicals manufacturing. Zambia also has opportunities for investment in agro-industry and the tourism industry.

Investment incentives are available depending on the category in which the investor falls. Five categories of investors are recognized depending on the size of their investment within

a particular industry. The Government provides incentives in terms of the Zambia Development Agency Act in the form of allowances, exemptions and concessions aimed at increasing levels of investment and international trade as well as increased domestic trade.

Zambia's active participation in the Southern Africa Development Community (SADC) Trade Protocol (with fourteen African countries) as well as the Common Market for Eastern and Southern Africa (COMESA) with nineteen African member states, offers preferential tariff access to a total market of over 380 million people.

As a member of COMESA, Zambia has moved ahead of other member states in adopting tariff reductions of up to 80% on most trade commodities. Zambia has also entered into bilateral trade agreements with South Africa and Zimbabwe.

Zambia has a stable political climate which promotes security and stability for investors. Having eight neighbouring countries makes it a focal point for the export of manufacturing and agricultural commodities within the region. By virtue of its central location Zambia is a communications hub with road networks that connect it with the surrounding countries and the various ports within the region. The Government is also working towards turning Zambia into an information and communication technology (ICT) hub for the region. To achieve this, it has set out various objectives, including a commitment to improving ICT infrastructure through the development of an optic fibre infrastructure backbone to facilitate internet broadband connectivity through the establishment of community telecenters, particularly in rural areas.

FORMS OF BUSINESS

The following forms of enterprise may be established under statute and common law.

Statute

- Company limited by shares
- Company limited by guarantee
- Unlimited liability company



- Statutory corporations
- Societies generally
- Co-operative societies

Common Law

- Agencies, licences and distributors
- Partnerships
- Trusts
- Business Names
- Franchises

FORMATION OF A COMPANY

The incorporation of a company is effected through the Companies Registry. The operation of certain businesses may require licences from one or more licensing authority depending on the sector including telecommunications, mining, oil marketing and professional services (such as accounting, valuation and architecture). Establishing a business in Zambia involves the following:

- check name for uniqueness at the Patents and Companies Registration Agency (PACRA)
- open a bank account
- register the company at PACRA
- register with the local Zambia Revenue Authority (ZRA) office (direct tax division) to obtain a tax payer's identification number
- file a VAT registration form with ZRA to obtain a VAT tax number
- register with the National Pension Scheme Authority for Social Security
- register the company with the Workers Compensation Control Board
- register with ZRA for "Pay As You Earn" tax payments on behalf of employees
- obtain a trading license and a fire certificate from the local council

EXCHANGE CONTROLS

The Bank of Zambia does not apply any exchange controls. The exchange rates are determined entirely by market forces of supply and demand for foreign currency and there are no restrictions on externalising profits, dividends or royalties.

SECURITIES

The Lusaka Stock Exchange (LuSE) was established with preparatory technical assistance from the International Finance Corporation (IFC) and the World Bank in 1993. The Exchange opened on 21 February 1994. The formation of LuSE was part of the Government's economic reform program aimed at developing the financial and capital market in order to support and enhance private sector initiatives. It was also expected to attract foreign portfolio investment and recognition of Zambia and the region as an emerging capital market with potentially high investment returns. Another important role of LuSE was to facilitate the divestiture of Government ownership in parastatals and create a broad shareholding ownership by the citizenry through a fair and transparent process. The LuSE has made great strides and is now not only a platform for trading shares and bonds but also a means of raising capital. During 2014,

trading activity on the LuSE increased, reflecting improved investor sentiment and participation. Market capitalisation closed at ZMW 57,668 billion by the end of December 2016 while the All-Share index closed at 4,195.95 by the end of December 2016.

TAXATION

Residents and non-residents are taxed on income sourced in Zambia as well as certain types of foreign income.

Resident companies pay corporation tax at a rate of 35% but mining companies are subject to a rate of 30% if the income of the mining company does not exceed 8% of the gross sales of the company. If the income of the company exceeds 8% of the gross sales of the company, then the corporate tax will depend on the assessable income. There is a 5% mineral royalty tax on companies mining base metals and industrial minerals. The tax rate is 6% with respect to precious metals and gemstones. Banks pay tax at a rate of 35%. Electronic communication businesses pay tax at 35% for the first 250 thousand Kwacha and 40% above 250 thousand Kwacha.

Generally, dividends are subject to tax at the rate of 15% but the rate is 0% for dividends paid to individuals by a company listed on the Lusaka Stock Exchange. A 15% tax is payable on management or consultancy fees paid to a resident and 20% if paid to a non-resident. The same rates apply to tax payable on royalties.

The standard rate of tax with respect to interest is 15%. The rate is 20% with respect to payments made to a non-resident or haulage contractor.

The standard rate of tax with respect to the payment of royalties is 15% if the recipient is a resident and 20% for a payment to non-residents. The standard rate of tax for rent from a source within Zambia is 10%.

Value Added Tax is payable at a standard rate of 16% (certain supplies are zero rated or exempt).

There are double tax treaties with Denmark, Finland, France, Germany, India, Ireland, Italy, Japan, Kenya, the Netherlands (this treaty is currently under review), Norway, South Africa, Mauritius, Seychelles, Sweden, Switzerland, Tanzania, Uganda, the United Kingdom, Canada, China and Romania.

Following the 2017 budget announcement, the following are some of the main tax changes likely to affect some sectors of business in Zambia in 2017:

- the increase of air time excise duty from 15% to 17.5%;
- the increase of customs duty from 5% to 15% on spare parts for certain machinery and equipment;
- the introduction of an import duty on copper concentrates at the rate of 7.5%;
- the increase of the specific excise duty on cigarettes from K200 per mille to K240 per mille and removal of the ad-valorem rate of 145% (1000 cigarettes makes up a mille);



- the increase in the exempt threshold for Pay As You Earn (PAYE) from K3,000 to K3,300 per month and the top marginal tax rate from 35% to 37.5%;
- the introduction of a skills development levy to be computed at the rate of 0.5% of total gross emoluments paid by an employer;
- capital allowances for plant, equipment and machinery used in farming and agroprocessing to be increased from 50% to 100%

The Government further plans to:

- increase advance income tax on importation of goods in the absence of a valid tax clearance certificate from 6% to 15%; and
- restructure the current turnover tax regime by introducing bands and presumptive amounts as follows:

Monthly Turnover Category	Proposed Regime
K1-K4,200.00	K100 per month + 3% of monthly turnover above K3,000
K4, 200.01-K8,300.00	K225 per month + 3% of monthly turnover above K4, 200
K8,300.01-K12, 500.00	K400 per month + 3% of monthly turnover above K8,300
K12, 500.01-K16, 500.00	K575 per month + 3% of monthly turnover above K12, 500
K16, 500.01-K20, 800.00	K800 per month + 3% of monthly turnover above K16, 500
Above K20, 800.00	K1, 025 per month + 3% of monthly turnover above K20, 800.00

IMPORT/EXPORT

Zambia's main export commodities include cobalt, compressor lubricants, copper, cotton, fresh flowers, electric appliances and parts, hardwood, lead products, mineral products and lime. Its main imports include capital goods, chemical products, crude oil, fertilisers, petroleum products and raw materials.

LEGAL SYSTEM

Zambia has a dual legal system. It applies local laws and English common law concurrently. English law (which includes statutes in force in England on 17 August 1911), common law and doctrines of equity are applied as long as there is a "lacuna" in local law. Further, the English law must be in substantive conformity with local laws. Where there is a conflict between local laws and English law, local laws prevail. There are also specific English statutes passed after 17 August 1911 which apply.

International treaties to which Zambia is party do not automatically apply. Parliament has to enact enabling legislation in order for an international treaty to have force in Zambia.

INTELLECTUAL PROPERTY

Intellectual property rights are protected. Statutes cover patents, trademarks, registered designs, merchandise marks,

article works and copyright. The statutes incorporate the provisions of various relevant international conventions such as the Berne Convention.

FINANCIAL SERVICES / INSURANCE

The Banking and Financial Services Act regulates banking and financial services and provides safeguards for investors and customers. The Central Bank enforces regulatory requirements. The Insurance sector is regulated under the Insurance Act.

KEY STRATEGIC GROWTH INITIATIVES BY GOVERNMENT/PRIVATE SECTOR

In 2004 the Government introduced the Private Sector Growth Initiative to reform and create an appropriate environment for a vibrant private sector. Growth in the private sector has further been enhanced by the Government through Public-Private Partnerships (PPP). Most construction, including the rehabilitation and maintenance of infrastructure, is being contracted to the private sector.

TREATIES AND BILATERAL AGREEMENTS

Zambia has signed bilateral reciprocal promotional and protection of investment protocols with most COMESA and SADC member states. In November 2001 COMESA signed a Trade and Investment Framework Agreement with the United States. On 2 October 2000, Zambia became a beneficiary of the African Growth and Opportunity Act (AGOA). Zambia signed the Eastern and Southern Africa (ESA) interim Economic Partnership Agreement (IEPA) with the European Union on 30 September 2008. The provisions of the trade in goods chapter and related annexes of the ESA IEPA now apply to Zambia.

MEMBERSHIP OF INTERNATIONAL AND REGIONAL ORGANISATIONS

Zambia is a member of 44 international and regional organizations, including the United Nations, World Trade Organization, African Union, COMESA and SADC.

ECONOMIC DEVELOPMENTS

Currently the main drivers of economic growth are mining, construction, wholesale and retail trade, real estate and business services, manufacturing, tourism and agriculture.

Reforms made in the past decade include the abolition of exchange controls, the deregulation of interest and foreign exchange rates, the removal of price controls and consumer subsidies, the reform of land tenure, the reduction of tariffs, a privatisation programme for many state-owned enterprises and the strengthening of financial markets through merchant banking and the stock exchange. After tax profits, dividends and capital may be repatriated without restriction.



ROAD AND TRANSPORT

Zambia's road network consists of about 21000km of main, trunk and district roads, 16000km of urban and feeder roads, and 30000km of ungazetted roads. Roads between the important centres are mostly paved and in good condition. Gravel roads connect smaller towns to the major highways. Road communications within Zambia and with neighbouring countries to the north, east and south are good.

Recently the Government launched a 27 trillion Kwacha roads project dubbed the 'Link Zambia-8000' to connect outlying areas of Zambia to all of the ten provinces. The project will be implemented over a five-year period. The Government also introduced the pave Zambia 2000 and Lusaka 400 projects to upgrade urban township roads. The Government is also operationalising a road tolling programme as an innovative and self-financing mechanism for sustainable road rehabilitation and maintenance. Currently, three toll gates are operational and these are Kafue toll gate along Kafue road; Kafulafuta and manyumbi along great north road.

In an effort to improve the railway network and reduce the heavy load on the roads, the Government took over the management of the main railway system in Zambia with the intention of developing and rehabilitating its infrastructure. Progress has been made in rehabilitating four major rail networks and the refurbishing of livestock wagons and passenger coaches.

The key railway lines run from Livingstone on the border with Zimbabwe through Lusaka and the Copperbelt into the Democratic Republic of the Congo and Angola. The Tanzania-Zambia railway extends from Kapiri Mposhi to Dar es Salaam in Tanzania. The Livingstone route runs through Zimbabwe to the ports of Durban and Cape Town in South Africa. Operations on the Chipata-M'chinji railway line have commenced and will enhance regional trade through the Nacala Corridor to Mozambique.

The country's major international airport is the Kenneth Kaunda International Airport in Lusaka and this is serviced regularly by a number of international airlines. Local airlines service regional routes in central and southern Africa and domestic charter companies support air travel within Zambia.

ENERGY

Zambia's energy sector is endowed with enormous resources which include coal, hydropower, woodlands and forests as well as other renewable energy forms such as solar and wind. There has been a steady increase of investment in the energy sector especially with respect to power generation. Hydroelectric plants account for 92% of the total installed capacity and 99% of the total electricity generated in the country.

A total of 360 megawatts power has just been brought on stream with the completion of the Kariba North Bank hydro power extension project. Another 120 megawatts at the Itzhi-Tezhi Hydro Power Plant, and 150 megawatts at Kalungwishi are being developed by the private sector and will come on stream to further enhance Zambia's power generation capacity. Maamba Collieries Limited is also constructing a 300

megawatts thermal power plant in Sinazongwe of which 150 megawatts of thermal power was commissioned in 2016. When fully commissioned, the plant will produce 300 megawatts. The Government has pledged to continue the extension and rehabilitation works on transmission and distribution networks under the Power Rehabilitation Project. The 750 megawatts Kafue Gorge Lower Project, including two 330kv transmission lines, is back on course following the strengthening of the governance structure for the project in line with international good practice.

The Government through its investment vehicle, the Industrial Development Corporation, and with the support of the World Bank Group's Scaling Solar Program (Scaling Solar) has targeted the development of up to 600 MW of solar photovoltaic (PV) power. Scaling Solar has been designed to enable African governments and utilities to execute quick, simple, professional and competitive tenders to procure high quality, privately designed, built, owned and operated solar PV power plants under long-term contracts at competitive tariffs. At present, the Government is undertaking the development of two grid-connected solar photovoltaic electricity generation plants with a capacity of approximately 50 MW each.

The Government's policy in the petroleum sector is to ensure a stable supply of fuel in all parts of the country. To this end, the Government has embarked on a nationwide program of building provincial fuel depots. Some of the fuel depots were commissioned in 2015 including the Ndola fuel depot which was undergoing rehabilitation, the Solwezi fuel depot and the Mongu fuel depot. The Government is identifying additional sites in the remaining provinces. The Government is also reviewing the petroleum supply chain and financing options to reduce costs. The Government has embarked on discussions at a bilateral level with oil producing countries for the supply of crude and finished products to streamline procurement

TELECOMMUNICATIONS

Domestic and international telecommunications infrastructure is well established. Telecommunications are regulated by the Zambia Information and Communication Technology Authority (ZICTA). There are cellular phone services available through ZICTA and a number of other privately-owned companies. A microwave network carries telecommunications from Lusaka to all provincial capitals in the country.

TRADE AND INDUSTRY

Metals currently dominate Zambia's exports. However, in an effort to diversify the economy away from copper, the Government has directed its efforts at increasing non-traditional exports by an annual target rate of 20%. These include horticultural, floricultural and other agricultural products, processed foods, manufactured products, gemstones and processed metal products.

Recognising that small and medium sized enterprises (SMEs)



hold the greatest potential for job creation, the Government has continued to further enhance medium to long term financing for SMEs by supporting initiatives such as the Alternative Investment Market launched by the Lusaka Stock Exchange. Such initiatives will allow SMEs to raise funds from the stock market at an affordable cost and tap into technical and managerial skills through new equity partners.

The Government has also granted a number of tax concessions over the past three years to spur growth in the manufacturing sector. The Government remains committed to the growth of the manufacturing sector through the promotion of Multi-Facility Economic Zones (MFEZ) and industrial parks such as those at Chambishi, Lusaka South, Lusaka East, Lumwana, Ndola (sub Saharan gemstone exchange) and Roma. The MFEZs and industrial parks are expected to house heavy and light industries including copper smelting, copper cable and other copper related products, agro processing, the manufacture of household appliances, bars, wires, electric cables, motor parts and explosives, horticulture, fisheries, and processing activities as well as the provision of services such as conference facilities and hotel accommodation. Construction of the MFEZ and industrial parks is expected to be completed by 2017.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Investments in this sector have increased since the Government launched its information and communications technology policy in 2007. More investments are expected in the sector when new optic fibre infrastructure is completed.

MINING

The Zambian economy has been heavily reliant on the mining of copper and cobalt and despite the positive steps taken to diversify the industrial and manufacturing base, this reliance remains. The other important metals produced have been zinc and lead. Zambia is internationally recognised as a major producer of copper and cobalt. Apart from copper, cobalt, lead and zinc, Zambia is endowed with reserves of gold, uranium, nickel, iron and manganese. Gemstone deposits include emeralds, amethysts, aquamarine, rubies, garnets and diamonds that are still unexploited.

As part of a policy to promote diversification to other minerals such as gemstones, gold, nickel, manganese and iron, the Government is promoting the exploration of oil and gas. Mapping the entire country will also be mapped to update the geological database to support future investment in the mining sector.

AGRICULTURE

While the country's main economic driver continues to be copper, the Government has continued to expand the agricultural sector. The Government's strategic focus is to achieve food security and promote crop diversification as well as increase productivity and value addition. During the 2015/16 farming season, the country recorded an increase in the harvest from the 2014/15 harvest of 2.6 million metric tonnes of maize to 3.5 million metric tonnes.

Zambia has excellent potential for development in the agricultural sector, being well endowed with good soil (60 million hectares of good arable land, of which only 15% is in use) and underground water. Climatic conditions are suited to a wide variety of crops including wheat, soya, beans, coffee, cotton, tobacco, sugar and paprika. Zambia also has prime livestock breeding areas with about ten million hectares of land available for ranching. It also has rich forestry reserves consisting mainly of pine and eucalyptus. More growth and investment is accordingly expected in the agricultural sector.

Annual national fish consumption currently stands at 130 000 metric tonnes. However, annual national production is 95 000 metric tonnes of which only 20 000 metric tonnes is from aquaculture and 75 000 metric tonnes is from rivers and lakes. The Government plans to undertake reforms that will ease the entry of citizens in the private sector into aquaculture production in order to meet the shortfall in the country's requirements and to increase exports.

TRADE AND INVESTMENT

The Government encourages foreign investment through the Zambia Development Agency (ZDA). The ZDA screens all investments for which incentives are requested and usually makes its decision within 30 days. Zambia also offers a competitive environment for trade by allowing a free market economy.

LABOUR RELATIONS

The Constitution, the Industrial and Labour Relations Act, the Employment Act, the Minimum Wages and Conditions of Employment Act, the Employment of Young Persons and Children's Act and the Factories Act govern labour relations in Zambia. The legislative framework provides a guideline on labour related issues in the country, including trade unions and collective bargaining, laws against child labour, discrimination and safe work place practices.

