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Mining taxes revised

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Cabinet says the approved changes to the 2015 mining tax regime will result in revenue loss of about 2 point 3 billion Kwacha.

Acting Chief Government Spokesperson, Vincent Mwale told the media after the 7th Special Cabinet Meeting at State House in Lusaka today that Mineral royalty tax rate for open cast mining operations will be pegged at 9 percent from the initial 20 percent.

He also announced that Corporate income tax on income earned from mining operations will be 30 percent while Corporate income tax on income earned from mineral processing will be 35 percent.

Mr. Mwale said Variable profit tax on income earned from mining operations will be 15 percent when taxable income exceeds 8 percent of the gross sales.

Below is the full statement as issued by Mr Mwale:

CABINET ANNOUNCES CHANGES TO 2015 MINING TAX REGIME

LUSAKA (Monday, April 20, 2015) — At its 7th Special Meeting held this morning, Cabinet deliberated

on the proposals to revise the 2015 taxation regime for the mining sector. Cabinet approved the following measures:

- i. Mineral royalty tax rate for open cast mining and underground mining operations will be pegged at 9 percent;
- ii. Corporate income tax on income earned from mining operations will be 30 percent;
- iii. Corporate income tax on income earned from mineral processing will be 35 percent;
- iv. Variable profit tax on income earned from mining operations will be 15 percent when taxable income exceeds 8 percent of the gross sales; and
- v. Deduction of tax losses carried forward to be limited to 50 percent of taxable profits;
- vi. Stiffening of penalties for tax offenders; and
- vii. Zambia Revenue Authority will introduce stringent enforcement mechanisms to effectively monitor mining activities and ensure greater transparency among mining companies when reporting revenue and expenditure.

In order to implement today's Cabinet decision, Government will undertake all the necessary administrative and legislative measures rapidly. Once the Bill has been approved by Parliament, the effective implementation date will be 1st July 2015 so that there is a logical sequencing in the merging of two tax regimes in one fiscal year.

Cabinet has stressed that the approved mining taxation regime will bring about the desired stability, predictability, consistency and transparency in the mining sector. Government is planning to link mining taxation to the Medium Term Expenditure Framework to ensure greater stability and predictability in the sector.

And Cabinet deliberated on the unfortunate situation regarding the outbreak of xenophobic violence in South Africa. Following last week's Press Release on the regrettable xenophobic violence in the Republic of South Africa, the Government of the Republic of Zambia would like to reassure the public that the welfare of Zambian nationals living in, and travelling to the Republic of South Africa remains one of top priority during this period.

The Zambian Mission in Pretoria continues to closely monitor the situation in South Africa and to date, no Zambian national living in South Africa has been reported to have been victim of these unfortunate. The Zambian public is therefore assured that Government, through the Zambian High Commission in Pretoria, will continue to maintain high vigil on the state of affairs in South Africa, which is a matter of great concern to all members of the SADC region, and the continent as a whole. To this effect, His Excellency President Edgar Chagwa Lungu has continued to consult with His Excellency President Robert G. Mugabe, in his capacity as the Chairperson of both SADC and AU as well as the leadership of the Government of the Republic of South Africa. Zambia is confident that the intervention under the leadership of President Jacob Zuma will soon bring the attacks to an end. Once again, all Zambians living in South Africa have been reminded to exercise caution in their daily activities and to continue to avoid those areas that are affected by xenophobic attacks.

Issued by:

Hon. Vincent Mwale

ACTING CHIEF GOVERNMENT SPOKESPERSON
(MINISTER OF YOUTH AND SPORT)

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