

Tuesday

One of the
RSM team



INVESTMENT INCENTIVES IN ZAMBIA

TAX INCENTIVES FOR AUSTRALIAN BASED COMPANIES

BACKGROUND

Zambia gaining attention as a top investment destination? Known for its political stability, Zambia has made impressive strides to foster a transparent, investor-friendly environment through recent economic reforms. The country has invested heavily in its infrastructure—think new highways, improved energy access, and modernized telecommunications—which makes doing business here smoother and more efficient.

So, why is Zambia an ideal destination for investment, especially for Australian-based companies? One key reason is Zambia's competitive tax incentives, which make it an attractive location for businesses looking to expand into Africa. Zambia offers a variety of tax benefits, including reduced corporate tax rates, tax holidays, and exemptions from customs duties on imported capital goods and machinery. These incentives make it easier for companies to establish and grow operations while minimizing their financial burden.

<https://www.zda.org.zm/>

We exist to instill confidence
in a world of change.

6th largest global assurance, tax and consulting network

64,000	820	120
People worldwide	Offices	Countries

INTRODUCTION TO ZAMBIAN TAX

Zambia operates a **source-based taxation system**, meaning that any income sourced within Zambia is subject to taxation there. This principle ensures that both local and foreign businesses operating in Zambia contribute taxes on income earned within the country. Upon registering for taxes with the Zambia Revenue Authority (ZRA), businesses and individuals receive a **Taxpayer Identification Number (TPIN)**. The TPIN is a unique identifier linked to all of the taxpayer’s obligations, making it easier to manage multiple tax types.

Key Taxes Payable in Zambia

Tax Types	Details
Corporate Income Tax	Companies operating in Zambia are required to pay corporate income tax on their profits. Rates can vary depending on the sector, with special rates applied to certain industries, such as mining and hospitality.
Value-Added Tax (VAT) VAT Reverse Charge	VAT is applied to goods and services at a standard rate, but certain sectors, like tourism and agriculture, may have zero-rated or VAT-exempt items. Reverse VAT applies to some imported services, shifting the tax liability to the Zambian recipient.
Withholding Tax	Withholding tax is deducted at source on specific types of payments such as dividends, interest, royalties, and certain service fees.
Pay As You Earn (PAYE)	PAYE is a tax on employment income, deducted by employers from employees’ salaries or wages and remitted to the ZRA.
Property Transfer Tax (PTT)	PTT tax is levied on the sale or transfer of property, including land, buildings, and shares. The rate is typically a percentage of the deemed value of the property or shares being transferred.
Customs and Excise Duties	Customs duties are applied to imported goods, while excise duties are charged on certain goods, such as alcohol, tobacco, and fuel, both imported and locally manufactured.

ELIGIBILITY AND AREAS FOR TAX INCENTIVES

Eligibility Criteria for Incentives

Investor Type	Shareholding Structure	Investment Threshold
Citizen Influenced Company	5% - 25% Zambian shareholding	US\$ 500,000
Foreign Investor	100% Foreign shareholding	US\$ 1,000,000

Areas for Tax Incentives

A Special Economic Zone (SEZ) is an area or premises declared as such in which industrial and commercial activities take place, catering for both export and domestic-oriented industries.” All SEZs have backbone structures such electricity, water, waste disposal facilities, telecommunication facilities, buildings and roads.

These are: Chambishi, Jiangxi MFEZ, Lusaka East, Lusaka South, Kalumbila, Ndola and Roma.

Currently Zambia has two types of such zones which are commonly referred to as Multi-Facility Economic Zone (MFEZ), Industrial Park (IP) and the process of developing Export Processing Zones (EPZ).

Advantages of doing business in Zambia

- ☐ Ease of doing business;
- ☐ Zambia has no exchange controls, therefore money can be moved in and out of the country easily with no restrictions;
- ☐ Investment guarantees and protection against State nationalization; and
- ☐ Tax incentives.

In addition to the above the Non-Fiscal Incentives for investments above \$500,000 that are available are:

- ☐ Guaranteed work permits for expatriate staff;
- ☐ Guaranteed Investment permits for Investors; and
- ☐ Able to own land which ordinarily is restricted to Zambian citizens.

For Investments above US\$500,000 that are in a Priority sector and either in an MFEZ or designated rural area the following fiscal incentives are available:

- ☐ Zero percent tax for a period of 10 years from the first year of commencement
- ☐ Zero Percent on dividends declared on profits made on exports from the first year of commencement of works, for companies in an MFEZ or IP for a period of 10 years
- ☐ Zero percent tax on profits made on exports from the first year of commencement of works,
- ☐ For year 11 to 13 only 50% of the profits to be taxed
- ☐ For years 14 – 15 only 75% of profits to be taxed.

The ZDA License is valid for ten (10) years from the date of issue. The investor may apply for renewal of the Certificate of Registration before the date of its expiry.

TAX INCENTIVES

- ❑ **Zero-Rating of VAT on Exports**
Exports of taxable products are zero-rated for VAT, ensuring that Zambian businesses remain competitive in international markets by exempting these sales from VAT.
- ❑ **VAT Relief on Transfer of Business as a Going Concern**
When a business is transferred as a going concern, VAT relief applies to the transaction, supporting business continuity and reducing tax burdens in mergers or acquisitions.
- ❑ **Equal Treatment of Services for VAT (Reverse VAT)**
Services provided by both domestic and foreign suppliers are treated equally for VAT purposes, with a reverse VAT mechanism in place. This ensures fair taxation on imported services used within Zambia
- ❑ **Cash Accounting for VAT for Certain Groups**
Members of the Association of Building and Civil Engineering Contractors (ABCEC), intending traders, and suppliers in the electricity sector can use cash accounting for VAT, allowing them to pay VAT based on cash receipts rather than invoices, thus improving cash flow.
- ❑ **Voluntary VAT Registration for Small Businesses**
Compliant businesses with an annual taxable turnover below K800,000 can opt for voluntary VAT registration, allowing smaller businesses to benefit from VAT registration if desired.
- ❑ **Product under Import VAT Relief for VAT-Registered Businesses**
VAT-registered businesses receive import VAT relief (deferment) on eligible capital goods, reducing upfront VAT costs and easing cash flow when acquiring essential equipment for operations.
- ❑ **VAT Relief on Input Tax for Eligible Purchases**
Registered suppliers are eligible for VAT relief on input tax paid on qualifying purchases, reducing the overall tax cost on supplies and promoting cost-efficiency.
- ❑ **Reduced Tax on Non-Traditional Exports**
Income from non-traditional exports is taxed at a lower rate of 15%, or 10% if the income is derived from farming or Agro-processing, to encourage export diversification.

GENERAL INCENTIVES (CONT)

- ❑ **Income Tax Exemption for Collective Investment Schemes**
Approved collective investment schemes are exempt from income tax to the extent that income is distributed to participants, incentivizing investment in these schemes.
- ❑ **Exemption of Interest on Finance Leases**
The interest component of finance leases is exempt from VAT, reducing the tax burden for businesses acquiring assets through leasing arrangements.

GENERAL GUIDELINES FOR PRIORITY SECTORS

Sector	Specific Criteria
It is important to note that fiscal incentives only apply to investments with an investment capital of not less than US\$500,000 for foreign investors.	
Manufacturing	<ul style="list-style-type: none"> Food and beverage processing Wood and wood products processing Paper and paper products processing Chemicals, rubber and plastic products processing Non-metallic mineral products processing Basic metal products processing Fabricated metal product processing
Energy and Water Development	<p>i. Power: Building, installation of power stations</p> <p>ii. Fuel</p> <ul style="list-style-type: none"> i. Building and installation of processing and refinery plants for bio-fuel; ii. Construction of petroleum refineries; iii. Construction of pipelines; and iv. Construction of rural filling stations. <p>iii. Water Supply</p> <ul style="list-style-type: none"> i. Construction of Depots; ii. (ii) Construction of Dams iii. (iii) Construction of irrigation canals; and iv. (iv) Construction of water and sewerage treatment plants
Agriculture	<ul style="list-style-type: none"> Establishment of farm blocks across all 10 provinces Development of value chain from the farm to the marketplace Research and development in order to improve crop, livestock and fish varieties; Development of crop and grain storage facilities and Establishment of fish feed plants, cold chain facilities and hatcheries.

GENERAL GUIDELINES FOR PRIORITY SECTORS (CONTINUED)

Sector	Specific Criteria
Construction and establishment of infrastructure excluding renovation, expansion and refurbishment particularly:	<p>Priority Sectors A – E are all entitled to Zero percent import duty rate on Capital equipment and machinery for five years.</p> <p>A. Education: Construction of education and skills training institutions;</p> <p>B. Health: Construction of health centers' as defined under the Health Professions Act of 2009;</p> <p>C. Tourism:</p> <ul style="list-style-type: none"> i. Construction and establishment of hotels; ii. Construction and establishment of convention centers; iii. Construction and establishment of exhibition centers; iv. Construction and establishment of museums; v. Construction and establishment of Theme parks; vi. Construction and establishment of art galleries; vii. Construction and establishment of theatres; and viii. Construction and establishment of a large retail complex containing a variety of ten or more stores, restaurants or other business establishments housed in a series of connected or adjacent buildings or in a single large building. <p>D. Housing: Development of fifty (50) or more houses erected or maintained under one management or control on land developed specifically for the citing of such houses in accordance with a comprehensive plan which provides for the laying out of roads and the furnishing and availability of services essential or ancillary to the use of such building as houses.</p> <p>E. Agriculture: construction of crop and grain storage facilities and</p>

PRIORITY SECTOR FISCAL INCENTIVES

	MANUFACTURING	AGRICULTURE	MINING	TOURISM
1	Guaranteed Input Tax Claim for Two Years Prior to Commencement of Production Manufacturers are allowed to claim back VAT on inputs for two years before starting production. This reduces the upfront costs of setting up manufacturing operations and provides liquidity during the establishment phase.	Guaranteed VAT Input Tax Claim for Four Years Businesses in the agricultural sector making taxable supplies can claim back VAT on inputs for up to four years prior to starting production. This provides liquidity during setup and helps reduce initial expenses.	Guaranteed Input Tax Claim for Pre-Production Expenditure Exploration companies in the mining sector can claim back VAT on pre-production expenses for up to ten years, reducing initial investment costs and providing vital financial support during exploration.	Zero-Rating of VAT on Tourist Services for Foreign Tourists Tourist services provided to foreign visitors, aside from those already included in tour packages, are zero-rated for VAT. This exemption lowers costs for foreign tourists, making Zambia a more attractive and affordable destination, and supports the growth of the tourism sector.
2	Reduction of License Fees for Manufacturers of Excisable Products Manufacturers producing excisable goods—such as alcohol, tobacco, and certain luxury items—can benefit from a reduction in licensing fees. The fee has been reduced from K9,000.00 to K4,500.00.	Zero-Rating of Agricultural Products and Supplies Certain agricultural products and supplies are zero-rated, meaning they are exempt from VAT. This lowers the cost of essential goods for both producers and consumers, supporting the agricultural sector’s competitiveness.	Interest Deduction Carry-Forward Interest costs exceeding the deductible threshold can be carried forward and deducted over the next ten years, providing flexibility in managing financing costs over time.	Exemption from Import VAT on Temporarily Imported Goods Foreign tourists are exempt from import VAT on goods they temporarily bring into Zambia. This policy facilitates travel and encourages tourists to bring necessary equipment, such as cameras or sports gear,.
3	Reduced Income Tax Rate on Fertilizer Manufacturing For businesses involved in the production of organic and chemical fertilizers, Zambia offers a reduced income tax rate of 15%..	Expanded List of Zero-Rated Agricultural Equipment The list of agricultural equipment and accessories eligible for zero-rating has been increased, allowing more items to be purchased VAT-free and reducing the capital costs for farmers.	Tax Loss Carry-Forward Mining companies can deduct tax losses from 50% of income generated from mining operations, with losses eligible to be carried forward for up to ten years. This helps companies manage financial risks associated with fluctuating profits.	Capital Allowances on Implements, Plant, and Machinery Hospitality businesses, including hotels and lodges, can claim capital allowances at 50% of the cost of implements, plant, and machinery.

PRIORITY SECTOR INCENTIVES (CONTINUED)

	MANUFACTURING	AGRICULTURE	MINING	TOURISM
4	Capital Allowances on Industrial Buildings Manufacturers can claim capital allowances on industrial buildings used for manufacturing. A 10% deduction is available for buildings used for low-cost housing projects, and a 5% deduction applies to other industrial buildings.	VAT Deferment on Importation of Agricultural Equipment VAT on specific imported agricultural equipment and machinery is deferred, meaning VAT payments can be postponed, aiding cash flow and making these investments more affordable for farmers.	Reduced Corporate Tax Rate for Base Metals Mining companies holding licenses and involved in base metals extraction are taxed at a reduced corporate rate of 30%, supporting competitiveness and profitability in the mining sector.	Investment Allowance on Hotel Extensions Hotels expanding their facilities are eligible for an investment allowance of 10% of the cost of the extension. This allowance encourages expansion and improvement of hotel infrastructure, enhancing the capacity and quality of hospitality services.
5	Investment Allowance on Industrial Buildings Manufacturers who invest in industrial buildings are also eligible for an investment allowance of 10% in the first year of use.	Zero-Rating on Finance Leases for Agricultural Equipment The principal amount on finance leases for purchasing agricultural equipment listed in the VAT Zero-Rating Order is zero-rated.	0% Tax on Dividends from Mining Operations Dividends paid by mining companies holding a mining license are tax-exempt, allowing investors to maximize returns and reinvest in further exploration and development.	Wear and Tear Allowance on Hotel Extensions Hotels can also claim a wear and tear allowance of 5% on extensions, recognizing depreciation on these buildings and providing a consistent annual deduction for maintenance and upkeep costs.
6	Suspended Corporate Income Tax for Ceramic Manufacturers (2022-2023) Manufacturers of ceramic products in Zambia benefit from a suspended corporate income tax for the 2022 and 2023 charge years.	Reduced Income Tax Rate of 10% Income derived from agricultural activities is taxed at a reduced rate of 10%, which lowers the overall tax burden for farmers and encourages agricultural investment.	20% Mining Deduction on Capital Expenditure A 20% deduction on capital expenditure—covering buildings, railway lines, equipment, shaft sinking, and similar works—reduces taxable income, supporting investment in essential infrastructure and equipment.	Initial Allowance on Hotel Extensions A 10% initial allowance is available in the year an extension to a hotel is first brought into use.

PRIORITY SECTOR INCENTIVES (CONTINUED)

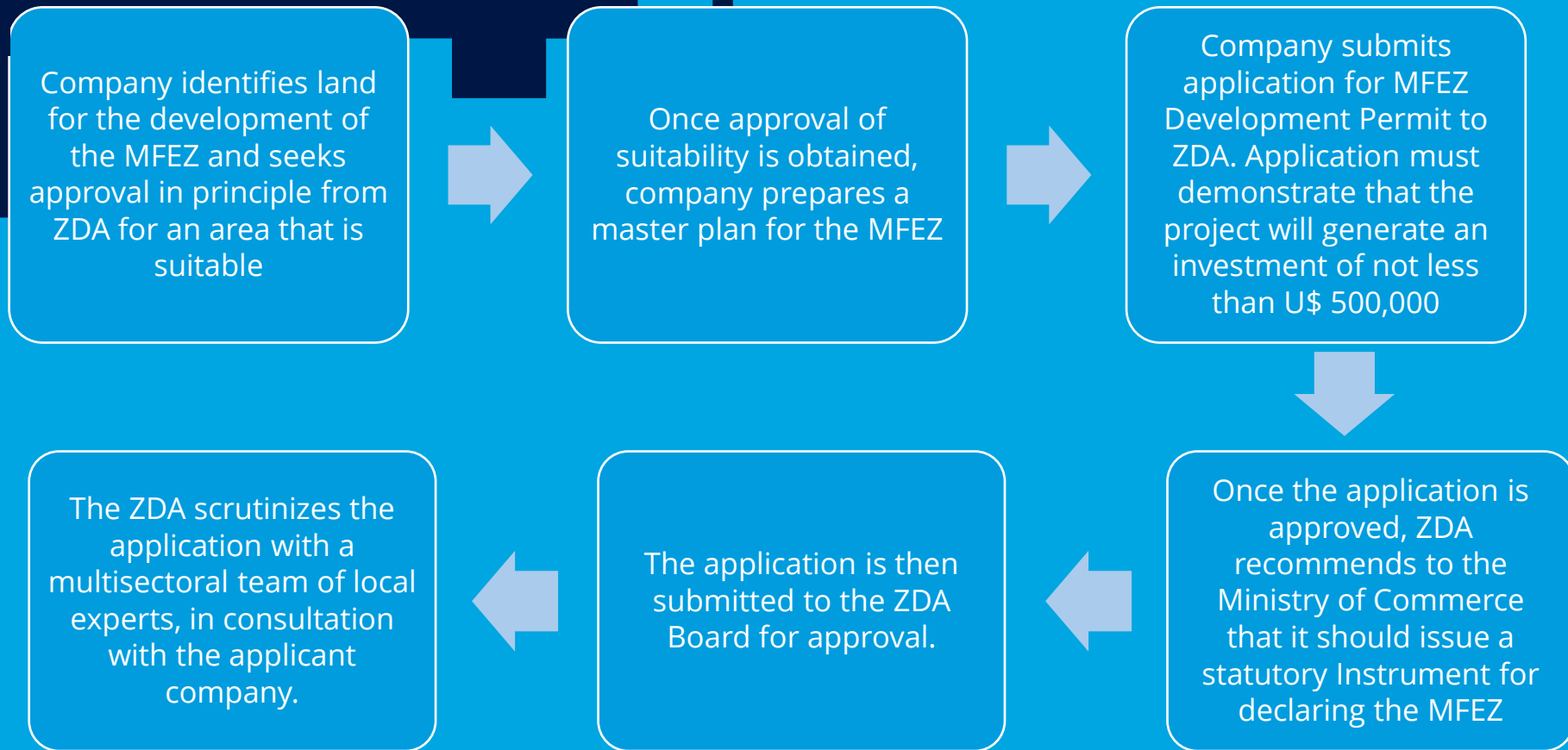
	MANUFACTURING	AGRICULTURE	MINING	TOURISM
7	Capital Allowances on Implements, Plant, and Machinery Manufacturers in Zambia can claim capital allowances at 50% of the cost of implements, plant, and machinery used in the manufacturing process. This generous allowance allows businesses to deduct half the cost of their capital expenditures in the year the assets are acquired, providing a significant tax break and improving cash flow for businesses investing in equipment and machinery.	100% Farm Improvement Allowance Farmers can claim 100% of the cost on improvements like fencing and farm dwellings for workers, up to K20,000. This provides immediate tax relief and encourages development in rural areas. 100% Farm Works Allowance Expenditures on essential farming activities—such as land clearing, soil conservation, boreholes, wells, and geophysical surveys—are eligible for a 100% tax deduction.	Deduction for Restoration and Environmental Protection Mining companies can deduct the actual costs of restoration and rehabilitation work, or payments made into the Environmental Protection Fund as per the Mines and Minerals Development Act of 2015, encouraging environmental responsibility.	Reduced Income Tax Rate for Hospitality Services Hotels and lodges benefit from a reduced income tax rate of 15% on income derived from accommodation and food services. This lower tax rate makes the hospitality sector more profitable, encouraging investment in Zambia's tourism infrastructure.
8	Initial Allowance on Industrial Buildings Businesses that incur capital expenditure on industrial buildings are entitled to claim an initial allowance of 10% of the cost in the year the building is first brought into use.	Tax-Exempt Dividends from Farming Profits Dividends from farming profits are exempt from tax for the first five years of a farming business, allowing investors to reinvest profits and supporting growth in the early years.	Mineral Royalty Deductibility Mineral royalties paid by mining companies are deductible for Corporate Income Tax purposes, reducing the effective tax burden.	Zero Rating of Capital Equipment and Machinery Capital equipment and machinery listed in the Second Schedule of the Zero-Rating Order are VAT zero-rated, reducing the cost of acquiring essential machinery for mining operations.

PRIORITY SECTOR INCENTIVES (CONTINUED)

	MANUFACTURING	AGRICULTURE	MINING	TOURISM
8	Initial Allowance on Industrial Buildings Businesses that incur capital expenditure on industrial buildings are entitled to claim an initial allowance of 10% of the cost in the year the building is first brought into use.	Tax-Exempt Dividends from Farming Profits Dividends from farming profits are exempt from tax for the first five years of a farming business, allowing investors to reinvest profits and supporting growth in the early years.	Mineral Royalty Deductibility Mineral royalties paid by mining companies are deductible for Corporate Income Tax purposes, reducing the effective tax burden.	Zero Rating of Capital Equipment and Machinery Capital equipment and machinery listed in the Second Schedule of the Zero-Rating Order are VAT zero-rated, reducing the cost of acquiring essential machinery for mining operations.
9		Development Allowance for Certain Crops Farmers growing tea, coffee, bananas, citrus, and similar plants can claim a 10% development allowance on expenditures related to these crops, offering added support for investment in these long-term agricultural ventures.	Capital Allowances on Mining Equipment Mining companies can claim capital allowances of 50% on the cost of implements, plant, or machinery used exclusively for mineral processing, providing significant tax relief for operational investments.	
10		Increased Capital Allowance Rate to 100% Capital allowances on implements, plant, and machinery used in farming and Agro-processing are now 100%, up from 50%. This allows farmers to write off the entire cost of their equipment in the year of purchase, providing significant tax savings.	Capital Allowances on Mining Equipment Mining companies can claim capital allowances of 50% on the cost of implements, plant, or machinery used exclusively for mineral processing, providing significant tax relief for operational investments.	

CAN A COMPANY DEVELOP AND MFEZ? - YES

USING THE STEPS BELOW A COMPANY CAN QUALIFY TO DEVELOP AN MFEZ?



The projects located in the MFEZ that will qualify for incentives are those with investments of US\$ 500,000 or more. They must be engaged in production of the following products in priority sectors:

- Floricultural, and horticultural products,
- Processed foods, beverages, stimulants – tea and coffee,
- Textiles – Cotton, cotton yarn, fabrics and garments,
- Engineering products – copper products, iron ore, steel and cobalt
- Leather products

CONCLUSION

Zambia offers a robust and dynamic tax incentive framework designed to foster economic growth and attract both local and foreign investments. The country's tax policies are tailored to stimulate investment in key sectors such as manufacturing, agriculture, mining, tourism, and infrastructure. With a competitive corporate tax rate, capital allowances, VAT relief, and tax exemptions on key sectors, Zambia presents a favorable environment for businesses looking to reduce operational costs and improve profitability.

For Australian-based companies, Zambia represents a highly attractive investment destination. With its rich natural resources, growing infrastructure development, and favorable tax incentives, Zambia provides Australian businesses with unique opportunities to expand their operations. The mining, agriculture, and manufacturing sectors, in particular, offer significant prospects for Australian companies, many of which have expertise in these fields.

With its strong trade ties and strategic location in Southern Africa, Zambia offers Australian companies an ideal platform for regional expansion, backed by a supportive tax and investment environment. By taking advantage of these incentives, Australian businesses can contribute to Zambia's economic growth while benefiting from a competitive and favorable investment landscape.

FIRM CONTACT DETAILS

Email: info@rsmzm.co.zm
Meru Building, Ground Floor
265A/609 Zambezi Road
Lusaka, Zambia +260 211 258 706

PRIMARY CONTACT

Managing Partner & CEO
Given Ian Ncube
Email: ian.ncube@rsmzm.co.zm
Meru Building, Ground Floor
265A/609 Zambezi Road
Lusaka, Zambia +260 211 258 705

SECONDARY CONTACT

Head – Technical Accounting & COO
Kabwe Patrick Malama
Email: kabwe.malama@rsmzm.co.zm
Meru Building, Ground Floor
265A/609 Zambezi Road
Lusaka, Zambia +260 211 258 706