



**AN ASSESSMENT OF THE NATIONAL MINING LEGAL  
FRAMEWORKS AND POLICIES OF SADC COUNTRIES  
AGAINST THE AFRICA MINING VISION**

**(CLUSTER 1: MINING REVENUES AND MINERAL RENTS MANAGEMENT)**



**THE CASE OF ZAMBIA**

## ABOUT AFRODAD

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### VISION

A prosperous Africa based on an equitable and sustainable development.

### MISSION

To contribute to Africa's inclusive economic growth and sustainable development through influencing policy change on debt management and development finance anchored on a right based approach.

### AFRODAD OVERALL STRATEGIC GOAL

The overall goal of AFRODAD is 'to influence African Governments to institute and implement policies and practices for sustainable development and eradication of poverty'.

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Thematic Goal: To contribute to the development and implementation of transparent, accountable and efficient mechanisms for mobilization and utilization of domestic resources in Africa.

### THEMATIC FOCUS AREA 2: DEBT MANAGEMENT

Thematic Goal: To contribute to the development and implementation of sustainable debt policies and practices in Africa.

### THEMATIC FOCUS AREA 3: INTERNATIONAL PUBLIC FINANCE

Thematic Goal: To influence the quality, impact and effectiveness of international public finance, in line with the agreed development cooperation effectiveness principles.

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**(CLUSTER 1: MINING REVENUES AND MINERAL RENTS MANAGEMENT)**

## THE CASE OF ZAMBIA

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# ACRONYMS

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AMV	Africa Mining Vision
AU	African Union
BIT	Bilateral Investment Treaty
DTA	Double Taxation Agreement
EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product
NGO	Non-Governmental Organisation
SADC	Southern African Development Community
SWF	Sovereign Wealth Fund
ZCCM-IH	Zambia Consolidated Copper Mines Investments Holdings
ZEC	Zambia EITI Council

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## THE CASE STUDY OF ZAMBIA

This report is an assessment of the extent to which the mining policies and legal frameworks of Zambia are in line with the aspirations of the 2009 adopted Africa Mining Vision (AMV), whose goal is to promote “transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development”. This national study contributes to a broader regional study focusing on eight SADC countries, i.e. Angola, Botswana, Malawi, Mozambique, South Africa, Tanzania, Zambia and Zimbabwe. Given the significant role of the mining sector in the economies of these countries, particularly mining exports and mining revenue contributions to total government tax revenue, the assessment was solely focused on the fiscal issues of mining as guided by the AMV Action Plan Cluster One on Mining Revenues and Mineral Rents Management. This cluster aims “to create a sustainable and well-governed mining sector that effectively garners and deploys resource rents”. It identifies a variety of activities and monitoring indicators for promoting two expected outcomes namely an enhanced share of mineral revenue accruing to African mining countries and improved management and use of mineral revenue. It is against these activities and/or monitoring indicators that the mining policies and legal frameworks of Zambia are evaluated in this study.

The study used a qualitative analysis approach to address the objectives set out in the Terms of Reference. The main findings of the assessment for Zambia are summarised below.

Zambia has a long history of mining with copper being the main mining product from the country. Mining has played a key role in the social and economic development of Zambia and continues to play a critical role in the economy with the production of metallic minerals dominating the mining sector. The policy and legal regime governing mining industry in Zambia has always been changing with government trying to optimise revenue and rents from the sector whilst striving to maintain its spot as a top copper producer in the continent.

The mining fiscal regime in Zambia has largely been volatile as seen in the various amendments to the Mineral Royalty Tax system, as well as enactment and reversal of some Statutory Instruments related to financial requirements affecting the mining sector. Deliberate efforts to align the Zambian mining regime with the AMV can be seen, but the country still battles with the global market related shocks that have negatively affected the copper industry. Much emphasis is now being put on revitalising the copper industry which Zambia had relied on for long and the country aims to retain its top position as the biggest copper producer in Africa.

The Zambian government tried to introduce the windfall tax in an effort to maximise revenue from the extractive sector but was withdrawn before it was effected. There was also a proposal in 2014 to increase royalty rates and introduce a one-tier tax regime where expenses did not appear to be taken into account. This amendment was short-lived and revoked before the government returned to a two-tier royalty and profit tax system in mid-2015 as mining companies struggled to remain profitable under the all-royalty system in light of the falling copper prices.

Zambia adopted a new Mines and Minerals Development Act 2015 which shifted from contracts and presented licensing as the primary governance regime for the sector. The new legislature speaks to issues of revenue administration and management. Cluster 1 of the AMV also recommends capacity building for government officials on fiscal and taxation compliance issues. In this regard, since 2014 Zambia has been receiving support through the World Bank's Public Financial Management Reform Programme. Zambia still needs to revisit its fiscal regime relating to mining to ensure optimisation of minerals rents and improve on revenue administration and management as prescribed by the AMV.

## INTRODUCTION AND BACKGROUND

Given the huge mineral resource endowment of Sub-Saharan Africa, it is undisputable that revenue mobilisation from the mining sector is key in the ongoing domestic resource mobilisation efforts aimed at making the continent more self-reliant financing its own development. However, there are concerns that the legal and regulatory frameworks governing the exploitation and management of mineral resources in Sub-Saharan Africa are still poor and weak. These are mainly characterised by lack of independent enforcement and oversight bodies, lack of transparency which results in poorly negotiated mineral concessions with fiscal terms that are sub-optimal and do not maximise the revenues from mineral investments, weak accountability of resource revenue use, inequitable distribution of mineral revenue and neglect of local authorities and communities living near mining areas.

Substantial portions of mining revenue and benefits tend to accrue to privately owned foreign companies and a small subsection of local elites at the expense of broad based benefits such as employment creation, human and physical development, and overall economic transformation. Inevitably, resource wealth has in many cases resulted in increased income inequality and economic distortions, and even triggered social and political instability, a situation that has been widely described as the ‘resource curse’.<sup>1</sup>

Recognising all these gaps and the need to improve mineral resource policies, legal, regulatory and administrative frameworks so as to maximise the development outcomes of mineral resources exploitation, in 2009, African Union Heads of State and Government adopted the Africa Mining Vision (AMV) whose goal is to promote **“transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development”**.

To enable the attainment of the AMV goal, the African Union Heads of States and governments requested the AU Ministers in charge of mineral resources development to develop a concrete action plan for the realisation of the AMV. This culminated into an AMV Action Plan that was approved in 2011. The Action Plan comprises nine programme clusters of activities and indicators constructed around the following key pillars of the vision:

1. Mining Revenues and Mineral Rents Management
2. Geological and Mining Information Systems
3. Building Human and Institutional Capacities
4. Artisanal and Small Scale Mining
5. Mineral Sector Governance
6. Research and Development
7. Environmental and Social issues
8. Linkages and Diversification
9. Mobilising Mining and Infrastructure Investment.

1. Collier, Paul. 2003. 'Natural Resources, Development and Conflict: Channels of Causation and Policy Interventions'. Washington D.C.:The World Bank



## 1.1 Cluster 1 - Mining Revenues and Mineral Rents Management

Given that it is now seven years since the adoption of the AMV in 2009, the need to assess the progress that African countries have made in aligning their mining policies and legal frameworks to the AMV is of necessity. This study attempts to do this evaluation by focusing mainly on the “Mining Revenues and Mineral Rents Management” cluster whose main goal is “to create a sustainable and well-governed mining sector that effectively garners and deploys resource rents”. This goal was driven by the vital need to address observed fiscal regime challenges along the entire mineral value chain such as lack of transparent and competitive allocation of concessions for known mineral assets, the spending of mineral revenues disproportionately on current consumption which compromises inter-generational equity, inequitable distribution of mineral revenue and neglect of local authorities and communities living near mining areas and widespread tax evasion and avoidance schemes such as transfer pricing (including over-invoicing of inputs costs).

The Mining Revenue and Mineral Rents Management cluster has two main expected accomplishments namely:

1. Enhanced share of mineral revenue accruing to African mining countries; and
2. Improved management and use of mineral revenue.

As shown in Table 1 below, each of the two expected accomplishments has a number of activities and indicators identified for tracking the achievement of the objectives and outcomes respectively. It is against these activities and indicators that the mining policies and legal frameworks of the four selected SADC countries will be assessed so as to determine the extent to which they are in line with the aspirations of the AMV.

**Table 1: Mining Revenues and Mineral Rents Management Cluster – Expected Accomplishments, Activities and Monitoring Indicators.**

Expected Accomplishment	Activities	Time Frame	Monitoring Indicators	Responsible Bodies and Main Actors	
Enhanced share of mineral revenue accruing to African mining countries	At national level				
	<ul style="list-style-type: none"> <li>Improve national capacity to physically audit mineral production and exports;</li> </ul>	ST	<ul style="list-style-type: none"> <li>Physical audit systems in place and implemented with trained inspectors;</li> </ul>	MS	
	<ul style="list-style-type: none"> <li>Review mineral regimes in terms of optimising revenues;</li> </ul>	ST	<ul style="list-style-type: none"> <li>Review of mineral regimes undertaken;</li> </ul>	WB	
	<ul style="list-style-type: none"> <li>Build capacity and enhance skills of officials in negotiating fiscal issues and effectively monitoring compliance with taxation laws;</li> </ul>	ST-MT-LT	<ul style="list-style-type: none"> <li>Level of improvement in fiscal revenue collected by African mining countries;</li> </ul>	NGOs	
		ST-MT		<ul style="list-style-type: none"> <li>Increase in numbers of policy makers and other stakeholders participating in capacity building initiatives;</li> </ul>	CSOs
	<ul style="list-style-type: none"> <li>Negotiate or renegotiate contracts to optimize revenues and to ensure fiscal space and responsiveness to windfalls;</li> </ul>	ST-MT	<ul style="list-style-type: none"> <li>Degree of improvement in the design of fiscal terms;</li> </ul>	Bilateral	
		ST-MT		<ul style="list-style-type: none"> <li>Extent to which tax leakages are reduced by evaluation systems as determined by independent audits of tax compliance;</li> </ul>	AfDB
	<ul style="list-style-type: none"> <li>Develop systems to evaluate components of tax regimes for leakages, losses and tax avoidance and evasion (e.g. transfer pricing);</li> </ul>	ST	<ul style="list-style-type: none"> <li>Number of double taxation agreements signed and implemented by member states; and</li> </ul>	ECA	
		ST		<ul style="list-style-type: none"> <li>Extent to which competitive and transparent mineral concession systems are implemented.</li> </ul>	
	At sub regional and regional levels	<ul style="list-style-type: none"> <li>Review the current fiscal environment in African mining countries to develop guidelines &amp; standards for optimizing revenue (e.g. tax &amp; dividends) packages in a manner that does not discourage mining investment;</li> <li>Develop mineral taxation guidelines for implementation at REC and national levels; and</li> <li>Develop typical financial models for mineral projects for member states and run training workshops at REC level.</li> </ul>	ST	<ul style="list-style-type: none"> <li>Guidelines, standards and toolkits completed and distributed to RECs &amp; member states;</li> </ul>	
			ST	<ul style="list-style-type: none"> <li>Degree to which guidelines are used by members states;</li> </ul>	
				<ul style="list-style-type: none"> <li>Guidelines, standards and toolkits completed and distributed to RECs and member states;</li> </ul>	
				<ul style="list-style-type: none"> <li>Degree to which guidelines are used by members states; and</li> </ul>	
				<ul style="list-style-type: none"> <li>Number of financing models that are developed and used by member states.</li> </ul>	

Table 1 Continued...

Expected Accomplishment	Activities	Time Frame	Monitoring Indicators	Responsible Bodies and Main Actors
Improved management and use of mineral revenue	At national level	ST	<ul style="list-style-type: none"> <li>• Number of SWFs established by African Mining countries;</li> <li>• Degree to which local authorities and communities improve their management of mineral revenues;</li> <li>• Best practice guidelines compiled; and</li> <li>• Extent to which guidelines are used by RECs and member states.</li> </ul>	
	<ul style="list-style-type: none"> <li>• Explore strategies for investing windfall earnings and mineral rent into sovereign wealth funds including stabilization funds and infrastructure funds;</li> </ul>	ST		
	<ul style="list-style-type: none"> <li>• Develop rent distribution systems for allocating part of mineral revenue to communities near mining areas and local authorities;</li> </ul>	ST-MT		
	<ul style="list-style-type: none"> <li>• Develop mechanisms to facilitate local communities access to jobs, education, transport infrastructure, health services, water and sanitation;</li> </ul>	MT		
	<ul style="list-style-type: none"> <li>• Develop the capacity of local communities to negotiate partnership agreements; and</li> <li>• Develop systems for strengthening capacities for national and sub-national bodies for revenue management.</li> </ul>	MT		
	At sub regional and regional levels			
	<ul style="list-style-type: none"> <li>• Compile best practice guidelines on mineral revenue management and deployment for implementation at the REC and national levels.</li> </ul>			

## 1.2 Snapshot of mining in SADC

The SADC region is home to a number of countries with a significant ownership of the world's major mineral resources. In terms of global reserves, over 90 percent of the platinum group of minerals (PGMs) are in South Africa and Zimbabwe, over 50 percent of diamond reserves are in Botswana, South Africa, DRC, Zimbabwe, Angola and Namibia and over 40 percent of chromite is in South Africa and Zimbabwe. Zambia and Mozambique are also known for their huge reserves of coal, with Zambia having rich deposits of copper and emeralds. Consequently, minerals together with other various commodities play a significant role in the economies of these countries.

As of 2014, mining revenue accounted for 37.4 percent of the government of Botswana's total tax revenue while mineral exports accounted for approximately 71.6 percent of total merchandise export receipts. In South Africa, mining also accounted for 26 percent and 20 percent of total merchandise exports and investment respectively. The same applies to Zimbabwe, where as of 2015, mining exports accounted for 50 percent of the total national exports. According to the 2013 and 2014 Mozambican Extractive Industries Transparency Initiative (MEITI) report, the extractive sector was the second sector that contributed most of the GDP growth in the order of 18 percent and 13 percent in 2013 and 2014 respectively.

Despite these high economic contributions, there have been concerns that the mobilisation and utilisation of proceeds from the mining sector has however not translated into meaningful and tangible benefits such as poverty eradication and improved livelihoods in these countries. In this regard, the mining policies and legal frameworks for Zambia are assessed against the aspirations of the Mining Revenue and Mineral Management cluster of the AMV to determine the extent to which they are designed to effectively garner and deploy mining revenue for development purposes.

## ASSESSMENT OF THE MINING POLICIES AND LEGAL FRAMEWORKS OF ZAMBIA

### 2.1 Overview of the mining sector in the economy

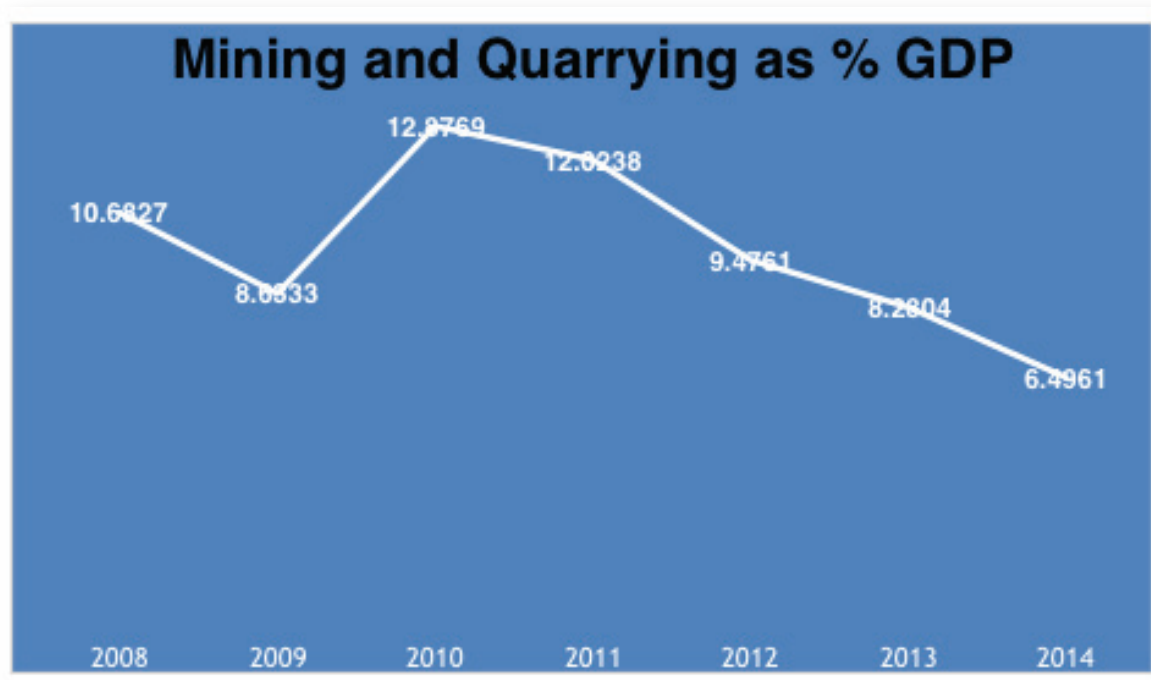
Zambia is substantially endowed with mineral resources which include metals, gemstones, industrial minerals, agricultural, building and energy minerals. Mining has played a key role in the social and economic development of Zambia and continues to play a critical role in the economy. Production of metallic minerals dominates the mining sector. Zambia is predominantly a copper mining country being one of the top two largest copper producers in Africa and the world's seventh copper producer. The liberalisation of the Zambian mining sector revitalised the sector and its contribution to the economy appreciated sharply.

Zambian mining regime is centred on attracting foreign direct investment and this has facilitated for the increase in copper and other metal production. Copper production has increased from 572,793 tons in 2008 to over 800,000 tons in 2013 and slowed down to below 800,000 tonnes in 2014, (Zambia Development Agency, 2015). Projections anticipate a boost in copper production topping 1,500,000 tons by 2018 owing to new mining projects that are currently under development arising out of earlier investment commitments from investors. Since the beginning of the millennium, the mining sector has attracted investment in excess of USD 8 billion, more than 80 000 jobs and is still expected to increase, (Simpasa et al 2013).

Nevertheless, the full potential of these and other known mineral deposits is yet to be realised creating greater exploration opportunities. The global commodity market experienced a surge in commodity prices including copper prices in the period between 2007 and 2010 which attracted more investments by large mining companies consequently resulted in the country's copper production surpassing its peak recorded in 1972 of 700,000 tons.

Figure below shows a 2 percent decrease in mining revenue contribution to Zambian GDP from 2008 to 2009 which was a result of the global financial crisis. A recovery from the global economic shock led the mining sector to increase its contribution to GDP by almost 4 percent in the year 2010. Since 2010, the contribution of mineral rents to Zambian GDP has been on a downward trend and this is mainly because of the fall in copper prices on the global market. Copper production dominates the extractive industry and accounts for a significant proportion of the GDP of Zambia thus, shocks affecting the price of copper adversely affects the Zambian economy. In 2014, the sector contributed a significantly lower percentage to GDP, a mere 6 percent of GDP.

**Fig 1: Mining revenue as a percentage of GDP (2008 to 2014)**



**Source: Author's calculations from the Central Statistical Office of Zambia**

## **2.2 Laws and policies governing mining and management of mineral revenues**

Zambia has a Mines and Minerals Development Act of 2015 that repealed and replaced the Mines and Minerals Development Act, 2008. The MMDA, 2015 represents the law relating to the exploration for, mining and processing of minerals and mineral resources in Zambia. MMDA, 2015 revitalised some of the mechanisms to enhance government revenue accruing from the mining industry whilst at the same time encouraging investment in the capital intensive sector. The new law still omits taxation on windfall earnings.

Other than the Mines and Minerals Development Act, the other laws and policies governing mining and management of mineral revenues include:

- Mining Policy of 2015
- Mines Acquisition (Special Provisions) Act;
- Petroleum (Exploration and Production) Act No. 10 of 2008
- Income Tax, the Valued Added Tax Act
- Articles 114 -121 of the national Constitution
- Public Audit Act and the Finance (Control and Management) Act

## **2.3 Key institutions in the management of mining revenue**

Institutions that have a role to play in mining, collection and management of mining revenue in Zambia include:

The mining industry is administered by the Ministry of Mines and Minerals Development, previously called Ministry of Mines Energy and Water Development, The (MMD) Geological Survey, Mines Development, Mines Safety, Water and Energy.

### **Zambia Revenue Authority**

ZRA is a semi-autonomous agency under the Zambia Revenue Authority Act responsible for all revenue administration in Zambia including revenue from the mining sector.

### **The Chamber of Mines in Zambia**

The Chamber of Mines derives its legitimacy primarily from its members. It aims to promote the interests of its members, and encourage, protect and fosters the Mining Industry of Zambia.

### **Zambia EITI Council (ZEC)**

Zambia subscribes to EITI and thus the ZEC is a multi-stakeholder group made up of representatives from government, civil society and extractive companies responsible for the implementation of EITI in Zambia.<sup>2</sup>

## **2.4 Assessment of the mining policies and legal frameworks against the AMV Cluster 1**

As shown above, the mining sector in Zambia is governed by several laws and policies. In this section these laws and policies will be analysed against the activities and indicators of the mining revenues and mineral rents management cluster's two expected outcomes which are:

1. Enhanced share of mineral revenue accruing to African mining countries; and
2. Improved management and use of mineral revenue.

### **2.4.1 Enhanced share of mineral revenue**

#### **Improve national capacity to physically audit mineral production and exports**

Zambia has legislative frameworks such as Articles 114 -121 of the national Constitution, the Public Audit Act and the Finance (Control and Management) Act that ensure that mineral production and exports are audited. The legitimacy to audit rests primarily in the President, the Auditor General and the Finance Minister. These institutions have the mandate to audit all contracts involving government or its agencies and enterprises; to audit books, records and reports of institutions in which government has an interest; to scrutinize the financial affairs of government departments and statutory corporations and every private institution that receives a government grant, subsidy or subvention in any financial year, (TJN-A, 2016). A well-staffed mining tax unit was also established in the tax authority and more comprehensive tax audits are being undertaken. However, so far the results in terms of government mining revenue collection are positive but limited in relative terms. Zambia has also set up the Zambia Mineral Value Chain Monitoring project in 2014 at the Revenue Authority to track production from the mines to the last point.

<sup>2</sup> Zambia Chamber of Mines. <http://mines.org.zm/>

## **Review mineral regimes in terms of optimising revenues**

The Mines and Minerals Development Act of 2015 presented a paradigm shift from contracts to a statutory model of governance, the new legislation presents licensing as the primary governance regime for the sector.<sup>3</sup> This also allows for improved administration and enhanced mining revenue by providing a level playing field for all mining projects, also backed by policies and laws for broad-based development of the mineral sector in Zambia.

Since the MMDA 2015, there has been some changes to the mining fiscal regime as the government strives to sustain an arm's length taxation system.

Under the Income Tax Act, the corporate income tax rate applicable to companies carrying out mining operations is 30 percent. Variable profits tax of up to 15 percent no longer applies; however, there is a limitation on the deduction of losses to 50 percent of taxable income. Withholding tax on dividends declared by a company carrying out mining operations is charged at the rate of 0 percent.

## **Build capacity and enhance skills of officials in negotiating fiscal issues and effectively monitoring compliance with taxation laws**

Zambia currently has a World Bank supported programme, 'Public Financial Management Reform Program Phase 1' which embraces capacity building and development for officials in the mining sector. This programme started in 2014 and is expected to end in 2017, contributing to enhancing skills of Zambian mining officials.

## **Negotiate or renegotiate contracts to optimise revenues and to ensure fiscal space and responsiveness to windfalls**

Prior to 2008, the mining regime which was operational in Zambia was in form of Development Agreements which were negotiated and entered into by individual mines. These agreements were meant to attract investment and thus, they represented a stable tax burden. Despite the rise in copper production and prices, mining tax revenue did not change much and this prompted the government to introduce a new mining tax regime that abolished fiscal stability clauses of the Development Agreements and introduced Windfall Tax. Though the introduction of windfall tax was motivated by a noble cause, the new regime was criticised for being too tedious for the mining companies and it was also illegal to impose tax reforms on mining companies who held Development Agreements. These and other economic shocks such as the fall of copper prices, global financial crisis and mines failing to pay the taxes contributed immensely to the short-lived span of the 2008 regime, which lasted only a year, and was succeeded by the 2009 regime which abolished the windfall tax. The change of government after the 2011 elections resulted in major reforms to the 2009 mining tax regime in 2012. Amongst other reforms, the 2012 mining tax regime increased the minerals royalty rate to 6 percent.

## **Develop systems to evaluate components of tax regimes for leakages, losses and tax avoidance and evasion**

In an effort to mitigate mining tax avoidance and evasion, Zambia shifted from relying on the prices that mining companies claim they are selling their copper overseas to the prevailing copper prices on the international commodity markets. These prices determine how the royalties and taxes are calculated and promote transparency.

3. Zambia Mines and Minerals Development Act, 2015



The legal framework that deals with tax administration is provided for under the Income Tax Act. The Act has provisions to deal with filing of tax returns, late payment of taxes and penalties on fraud. The Zambian tax structure has multiple tax rates. Among others, company income tax is 35 percent, non-traditional exports are taxed at 15 percent while income from agriculture is taxed at 10 percent. In addition, Double Taxation Agreements (DTAs) are provided for in the Act, meant to deal with reciprocal taxation arrangements on multinationals and foreign residents. However, these legal provisions do not adequately address tax evasion. For instance, the penalty for fraud is charged at 52.5 percent of the amount defrauded plus 5 percent interest at the Bank of Zambia rate and jail sentences in some cases, (Nalishebo & Halwampa, 2014).

### **Review terms of double-taxation agreements and BITs with host countries of mining companies including the principle that minerals should be taxed at the point of extraction**

In 2014, Zambia and the United Kingdom signed a new double taxation agreement, replacing the old one with the intention to mitigate shortfalls of the earlier agreement that had resulted in Zambia losing significant revenue (Centre for Trade Policy and Development, 2014). Though this is a positive step in attaining fiscal sovereignty in the extractive sector, most of the DTAs still undermine Zambia's freedom to decide how much tax it levies on income generated in Zambia (Centre for Trade Policy and Development, 2014). This means that Zambia continues to lose potential revenues owing to these archaic DTAs.

## **2.4.2 Improved management and use of mineral revenue**

### **Explore strategies for investing windfall earnings and mineral rent into sovereign wealth funds including stabilisation funds and infrastructure funds**

Zambia has not put up stabilization funds in place, but in 2014 the Zambian government announced its intent to put in place a mechanism for a sovereign wealth fund. The intention was to establish a SWF in 2015 but since then, there is no SWF or any form of stabilisation fund in place and there is no publicly visible progress realised to this effect.

### **Develop rent distribution systems for allocating part of mineral revenue to communities near mining areas and local authorities**

The mines and mineral resource revenue management regime in Zambia does not include mechanisms that oblige mining companies to invest in the communities they operate in. For instance, a community like Kankoyo in Mufulira hosts one of the biggest mining companies (Mopani Copper Mines) but, the community has terrible infrastructure. Revenue collected from mining is transferred into a consolidated fund with other revenue sources and is distributed regardless of whether the community hosts a mine or not. Thus, the rent distribution systems at both national and local authority level is generally not designed in such a way that part of mineral revenue is directly allocated to communities near mining areas, (TJN-A, 2016).

### **Develop mechanisms to facilitate local communities' access to jobs, education, transport infrastructure, health services, water and sanitation**

In Zambia, mines usually contribute to the development of the local communities they operate in through

either commercial activities like employing and training people and procuring goods and services; or through social investments, (ICMM, 2014). The most common and immediate benefit is employment opportunities created by a mining company when it sets up its operations in a community. The Employment Act also emphasises on the employment of Zambians for jobs that can be done by Zambians. Mayondi (2014) as cited by TJN-A (2016) noted that some mining companies like Lumwana and Kansanshi mines located Solwezi have executed a lot of projects that have had health and infrastructural benefit to the community. The projects include women's savings, education, health and agriculture, for which most projects involve infrastructure development. It is however imperative to note that most of these initiatives are not enforced by government mechanism but usually through the mining companies CRS initiatives.

### **Develop the capacity of local communities to negotiate partnership agreements**

There are no local communities that have negotiated a partnership agreement with a mining company in their locality. Neither are there physical initiatives to capacitate the local communities to be able to negotiate such contracts with mining companies, mainly because the constitution vests all minerals in the president.

### **Develop systems to strengthening capacities for national and sub-national bodies for revenue management**

The Zambia Revenue Authority receives all taxes from mining companies. Zambia Consolidated Copper Mines Investments Holdings (ZCCM-IH), a majority state-owned company overseen by the Mines and Natural Resources Ministry, collects dividends and other investment income from its subsidiaries which operate in the mining sector. The district governments in Zambia collect their own taxes in property rates, fuel levies, personal levies etc., but the national government monitors and approves all development and spatial plans to ensure they are in synch with national development plans.

## **2.5 Conclusion**

Legal frameworks and the policy landscape regulating mining in Zambia are always changing as the government keeps searching for the ultimate strategy to maximise on revenue from the mining sector. As elaborated in this analysis, Zambia has made considerable efforts in aligning its mining legislation and policies with the AMV. Some of the main achievements in terms of aligning the Zambian mining regime with the AMV include the following:

- A mines and Minerals Development Act 2015,
- Improvement of the Income Tax Act in terms of optimising revenue accruing to Zambia,
- Public Financial Management Reform Programme (WB supported),
- Renegotiation of DTA with the United Kingdom.

These and other efforts by Zambia depict a positive course on aligning mining legislation and policies to the aspirations of the AMV, particularly Cluster 1 on Mining revenues and Mineral rents management. However, Zambia still needs to work on devising more revenue optimisation strategies in harmony with the AMV and also strengthening mining rents management systems. The government needs to introduce a mechanism that ensures communities hosting mines directly benefit from the mining activities. There is also need to renegotiate DTAs with more countries especially parent countries from which the mining firms come from so as to ensure Zambia equally benefits from its natural resources.

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