

Country Experience - Tax Incentives In Zambia

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Current Tax Incentives

These are provided in the tax law and they include -

- 10 year extended tax loss carry forward periods for mining and energy sectors (5 years for other sectors).
- Accelerated capital expenditure depreciation rates at 100% and 50% on plant, machinery, equipment and buildings for selected sectors /investments.
- Investment and development allowances (manufacturing and farming respectively)

Previous Tax Incentives

Zambia has been streamlining the incentives that were/are linked to approval under the ZDA Act from 2012 to date due to, among other reasons:

- Footloose investments.
- Lack of proper sunset provisions.
- Overlap of incentives.
- Over incentivized regime (long priority sector/product list, long duration for incentives)
- Results/impact of incentives not clearly identifiable
- Poor/lack of monitoring of incentives mechanism

Previous Tax Incentives

Some of the incentives that have been removed -

- Tax holidays of 5 or 3 years on small and micro enterprises that were granted based on one's location.
- 5- year tax holidays from year of returning a taxable profit with an additional 5 year period for a reduced tax rate on privileged zones/sectors.

Previous Tax Incentives

Some of the incentives removed cont'...d-

- Five year tax holidays on WHT deductions on dividends.
- Five or three year tax holiday on income earned by small and micro enterprises.
- Five-year tax holiday from the year of returning a taxable profit with an additional 5 year period for a reduced tax rate on privileged zones/ sectors.

Previous Tax Incentives

Some of the incentives removed cont'...d -

- Zero-rating of Value Added Tax on supplies made to companies operating in privileged economic zones.
- Removal of provisions that granted discretion to the Minister in awarding additional tax incentives, where an investment was more than USD 10 million (with the objective of promoting investment).

Administration of Tax Incentives

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Other Matters

- Investment Promotion and Protection Agreements with selected major investments. (no fiscal inclusions)
- Government has undertaken studies in the past 5 years aimed at reviewing and assessing the tax incentive

THANK YOU