

6. HUMAN RESOURCES



A Glimpse of Zambia's workforce

Employee and Industrial Relations

Legislation governing the rights and obligations of employers and employees is mainly contained in the 1993 Industrial and Labour Relations Act, which among other things, contains the principle of employee involvement, through the medium of works councils. The Act also sets out a framework for the role of the employer/employee negotiations and prescribes the conditions under which industrial action may be called. The Act confirms the Industrial Relations Court as the final arbiter of disputes.



We employ 800 workers. There is a harmonious working relationship with the workers in our group. The workforce is intelligent and is adaptable to new technical advancements very quickly. The commitment to work is good. There are no working days lost due to strikes in our establishments since its inception. The present economic environment in the country is very attracting and conducive in Zambia.



Mr. Mohmed Seedat, Group Chairman, Melcome Group of Companies

(Melcome Group of Companies is in the business of plastics manufacturing, sales and distribution, pharmaceuticals manufacturing and distribution, engineering industry, financial services and shoe manufacturing. The company has been in the business for the last 50 years).

In line with the government's liberalization policy, Zambia's labour relation continues to be under review and both the Employment Act and the Industrial and Labour Act were amended in the last quarter of 1997. The Government is opening up the labour market and in the process playing a very limited role.

- ✿ Recognizing that the ideal wage levels result from collective bargaining between employers and trade unions, the Government is seeking to create an environment that allows only for minimum involvement from the Government.
- ✿ The number of registered trade unions had increased from 19 by end of 1996 to 26 by 1998.

A number of legislations have been enacted to protect the rights of both employers and employees to ensure a harmonious human resource situation for rapid economic development. These legislation are being constantly evolved to meet the challenges of a modern globalized Zambia. These include the following:

a) Employment Act Cap 268.

This is the basic employment law and provides for the basic employment contractual such as:

- ✿ Minimum contractual age
- ✿ Establishment of employment contracts
- ✿ Settlements of disputes
- ✿ Appointment of labour officers, and
- ✿ Certain conditions of employment, such as ordinary leave, sick leave, maternity, redundancy and welfare of employees

b) Industrial and Labour Relations Act Cap 269

The Act provides for the conduct of industrial relations, the establishment of workers/ employers organisation, their registration and administration, and the settlement of disputes and consultative machinery.

c) The Minimum Wage and Conditions of Employment Act Cap 276

This Act enables the Minister to determine minimum conditions of employment for categories of employees not effectively covered through collective bargaining. Such employees include general workers, drivers and clerks.

d) Employment of Young Persons and Children Act Cap 274

The Act provides protection for young persons and children in the employment relationship. It is the major law against child labour and abuse.

e) Employment (Special Provisions) Act Cap 270

This is an enabling protection and may be activated only when a state of emergency is in place. Under this Act, various regulations may be promulgated with regards to labour and employment.

f) Factories Act Cap 441

Occupational health and safety in the factory and at places of work





Working Conditions

There are normally two categories of employees namely the unionized and non-unionized (management) staff. Conditions of service for non-unionized employees are normally fixed by top management, while those for unionized employees are negotiated through collective bargain/ agreement.

Basic Salaries, Wages and Allowances

The Minimum Wage and Conditions of Work Act provides for machinery for determining statutory minimum wages and other conditions of employment in industries or companies where conditions of employment are not regulated by a free collective bargaining.

Allowances, which are commonly added to the basic salary, include:

-  Housing
-  Transport
-  Children's medical and education
-  Water, electricity, holiday travel (usually for senior management staff)

Indicative Monthly Wages

1. Management Workers – US\$ 2,500
2. Fresh Graduates – US\$ 1,400
3. Technical Staff – US\$ 1,000
4. O Level Graduates – US\$ 200
4. Manual Labour – US\$ 150
5. Non skilled workers (such as housemaids, gardeners, domestic chauffeurs, office helpers and others) are protected under the minimum wages conditions act, that requires that they must be paid a minimum of K 265,000 (US\$65) not including food, transport, allowances which can be negotiated.






We have been engaged in business in Zambia for over 50 years. We are in the business of steel fabrication and machining. We employ 125 workers. Our experience with our employees is positive. Educated manpower is available. Their capacity and willingness to absorb skills is good. We have not experienced a strike in the last ten years. Since 1991, the opening up of the economy has led to an increasingly conducive business environment.



Mr Ashok Oza, Managing Director, Saro Agri Equipment

All allowances are taxable at the same rate as the basic salary.





Other common non-cash benefits may include:

-  Transport to and from work
-  Subsidized meals in staff canteen
-  Sporting and recreation facilities

Pensions and Life Insurance

Membership of a pension scheme may be a condition of employment and most employers maintain a pension scheme for their employees with the National Pensions Scheme Authority (NAPSA). Employers may establish or join other pension schemes under the Pension Scheme Regulation Act.

Insurance companies that offer pension schemes include:

-  The Zambia State Insurance Corporation, a state enterprise
-  Madison Insurance
-  Professional Insurance
-  African Life Assurance




Medical Coverage and Maternity Benefits

Employers are obliged, by the Minimum Wages and Conditions of Employment Act, to grant an employee full pay should illness make the employee unable to work, subject to production of a certificate from a registered physician. The maximum period for which such benefit may be given is three months at full pay, followed by three months at half pay.

Some employers provide health and medical coverage through membership to private clinics to which the employee and employer contribute equally. The Act also requires that maternity leave, for female employees, be paid up to 90 days provided such female employees have worked for a minimum of twenty-four months with their employers.

Housing

The Employment Act requires employers to provide to employees one of the following:

-  Housing or housing allowance in lieu thereof
-  House loan or advance towards the purchase or construction of a house
-  Guarantee facility for a mortgage

Working Hours

The normal working hours is 40 hours per week for office workers and 45 hours per week for factory workers. Office hours are normally from 08:00 hours to 17:00 hours Mondays through Fridays and 08:00 hours to 13:00 hours on Saturdays (for most companies outside the retail sector).

The normal weekly hours should not exceed 48 hours under the Minimum Wages and Conditions of Employment Act. Overtime work should be paid at one and half times the normal rate and twice the normal rate on weekends and public holidays.

Paid Holidays






Employers are obliged, under the Minimum Wages and Employment Act, to grant paid leave of absence of not less than 24 days annually. It is, however, a normal practice for employers to provide employees with more leave days than that prescribed in the Act depending on the rank and nature of the employee's job.

Special Leave

Employers are obliged, under the Minimum Wages and Conditions of Employment Act, to grant an employee 7 days paid leave on the death of an employee's spouse, child, mother or father. The Act also obliges the employer to provide for a funeral grant for a standard coffin, cash and food in the event of death of an employee, spouse registered child or dependant of the employee.

Termination of Employment

A contract of employment may be terminated under the Zambian law through:

-  Resignation or Dismissal
-  Normal retirement or medical discharge
-  Expiry of contract
-  Redundancy
-  Death

Zambian Public Holidays

1 st January	New Year's Day	1 st Monday in July	Heroes Day
12 th March	Youth Day	1 st Tuesday in July	Unity Day
Easter	Good Friday	1 st Monday in August	Farmers Day
Easter	Easter Monday	24 th October	Independence Day
1 st May	Labour Day	25 th December	Christmas Day
25 th May	Africa Freedom Day		

7. FINANCIAL AND BANKING SYSTEM

There is total freedom in the movement of currencies into and from Zambia. A company can bring in its funds and repatriate its capital and profits without any restrictions and conforming only to international monetary regulations such as prevention of money laundering activities. While investors may borrow to invest in Zambia, some financial institutions do not provide loans to non residents unless wholly owned Zambian company participants in the business.

The financial system of the country is regulated by the Bank of Zambia (BoZ), which is the country's Central Bank. The 1994 Banking and Financial Services (BFS) Act, recommendations of BASLE Committee on International Minimum Accounting Standards and the adoption of the Capital Assets Management Earning and Liquidity (CAMEL) rating system have all strengthened both on-site inspections and the efficacy of the Central Bank in supervising the commercial banks. Banks and financial institutions are registered and regulated under the Banking and Financial Services Act.

Monetary System

- 🌸 Currency: Zambian Kwacha (ZMK)
- 🌸 100 Ngwee: 1 ZMK
- 🌸 Denominations:
Notes: K20, K50, K100, K500, K1000, K5000, K10000, K50,000
Coins: None in circulation



Central Bank of Zambia

Exchange Rates

Zambian Kwacha to Foreign currency (October 2009)

🌸 US Dollar:	4,750
🌸 EURO Dollar:	6,900
🌸 British Pound	8,100
🌸 Japanese Yen	54
🌸 Malaysian Ringgit	1,300
🌸 Indian Rupee:	101
🌸 Singapore Dollar:	3,300

Banks in Zambia

1. International Banks

There are several international banks operating in Zambia. The main ones are: Barclays Bank Zambia Limited; Standard Chartered Bank Zambia Limited; Stanbic Bank Limited; African Banking Corporation; Citibank Zambia Limited, Cavmont Capital Bank and the Bank of China. Three new banks - Access Bank from Nigeria, Eco Bank from Togo, and First National Bank from South Africa have recently opened.

In addition a Malaysian bank has recently been granted a licence to operate a commercial bank in Zambia. The new bank is called the International Commercial Bank of Zambia and is owned by the ICB Financial Group Holdings. The ICB group are listed on the London Stock Exchange and offer products such as consumer, commercial corporate, international and electronic banking.

2. Joint Ventures with Foreign Banks

Credit Suisse acquired majority shares in Finance Bank which was previously wholly owned by a Zambian. Indo-Zambia Bank Limited a bank which is jointly owned by the Zambian Government and three banks from India (Bank of Baroda, Bank of India and Central Bank of India).

3. Indigenous Banks

Finance Bank, Investrust Bank, Development Bank of Zambia (DBZ) and Zanaco.

Rabobank of the Netherlands acquired shares in Zambia National Commercial Bank Plc (ZANACO) which was a state owned commercial bank.

Banks in Zambia

All major credit cards are readily accepted in urban areas ATM facilities are provided by commercial banks. Visitors with VISA and VISA Electron cards draw cash from VISA ATM's in Zambia. Traveler's cheques (TC) and hard currency bank notes can be cashed at banks, large hotels or bureau de change. **(Please Note: proof of purchase of TCs is prerequisite to cashing at these outlets).**

Over the years Bank's interest rates have shown a steady yet dramatic decline from 44.1% in 2000 to 29.4% in August 2009 (Bank of Zambia).

After having remained stable between 2000 and 2004, the Kwacha appreciated strongly towards the end of 2005 and the beginning of 2006. The appreciation of the Kwacha has continued into 2008, driven by the rising of copper prices and the country's attainment of the HIPC completion and the upward and favourable trend in non-traditional exports (exports other than copper and cobalt).



Finance Bank (Indigenous) and Indo-Bank Zambia Ltd (Joint Venture)

8. EFFICIENCY OF GOVERNMENT MACHINERY/ BUREAUCRACY

The Government of Zambia has committed itself to creating a business environment that benchmarks the best among dynamic developing economies.

Realising that Zambia's landlocked situation may add to the cost of production and exports of goods, the Government of Zambia is dedicating itself to creating a competitive investment environment so that the Government Bureaucracy becomes a friend and an ally to all businessmen.

Realising that delay of Government approvals is a cost; the Government is undertaking a major initiative to streamline Government approval systems by the introduction of a Clients Charter and Integrated Approval System mechanism and also e governance.

During the official opening of the first session of the 10th National Assembly, the Late President Dr. Levy Mwanawasa said his administration would continue the fight against corruption because this ensures that public resources are protected for the benefit of all Zambians.

The Zambia Development Agency Act of 2006

The Zambia Development Agency (ZDA) Act No 11 of 2006, saw the establishment of the Zambia Development Agency which came into effect on January 1, 2007. This followed the merger of the following:

1. Zambia Privatization Agency
2. Zambia Investment Centre
3. Export Board of Zambia
4. Zambia Export Processing Zones Authority
5. Small Enterprises Development Board





The Zambians have demanded for transparency and accountability in the management of public affairs and prudent use of public resources. In doing so they have reaffirmed our policy of zero tolerance to corruption and renewed our mandate to strengthened the institution of governance in our Nation.







**The Late Dr. Levy Patrick Mwanawasa, 3rd President of Zambia:
27th October 2006**

In order to foster economic growth and development, Government created the Zambia Development Agency which is tasked with promoting trade and investment in Zambia as well as streamline bureaucratic procedures and requirements faced by investors. It is an institution that is client focused, encourages dialogue with the private sector and creates confidence in the public sectors support for business and overall private sector growth. The Agency encourages the private sector to take advantage of and benefit from international and regional trade agreements.

The ZDA mission is to promote development by providing effective and comprehensive facilitation and aftercare services, business development services and market information in order to attract investment and promote Zambian exports in a transparent, innovative, efficient and competitive manner that ensures stakeholder satisfaction. The ZDA is mandated to provide and facilitate support to micro and small business enterprises as well as to promote exports and globalisation. The Agency promotes Greenfield investments through joint ventures and partnerships between local and foreign investors

Speed of Approvals

-  Business/company incorporation in accordance with the company law – 2 days
-  Application and approval of foreign currency account – 21 days
-  Tax Registration with Zambia Revenue Authority – 7 days
-  Investment License Approval - 30 days

In respect of foreign investors, the ZDA stands ready to provide the following services

- i. Ensure speedy approval of all Licenses by all Government agencies
- ii. Assist in obtaining work permits for expatriate staff
- iii. Assist in obtaining land for economic projects

9. DOMESTIC BUSINESS ENVIRONMENT

The ZDA's main aim is to foster economic development through a whole Zambia strategic view that will increase investment and trade levels across the whole country. The Agency will strive to develop an internationally competitive Zambian economy through innovations that promote high skills, productive investment, and increased trade.

Joint Venture Partners

Foreign investors seeking joint venture partners can approach Zambia Development Agency (ZDA) which operates a registrar of investors together with project profiles of domestic investors seeking foreign investor partnerships. These domestic investors have been screened and are bona fide Zambian businessmen.

For New Listing on the Lusaka Stock Exchange

The capital market has, following the establishment of the Lusaka Stock Exchange (LuSE) and the repeal of the Exchange Control Act in 1994, boosted the financial system. There are currently 16 listed and 11 quoted companies on the LuSE.

A discount of 2 percentage point from a normal corporate tax rate applicable to each sector; and a further 5 discount of 5 percentage points over and above the 2 percentage point for those companies that offer more than 33 percent of their shares to Zambians. The realised value of shares sold by the companies listed on the Lusaka Stock Exchange is exempt from property transfer tax.

Business and Industry Association

Several business and industry associations exist and they are ready to assist all types of businessmen.

Zambia Association of Manufacturers
P.O. Box 31992, Lusaka
Tel: +260 211 229364/ 222709 Fax: +260 211 229371
E-mail: shyams@zamnet.zm

Zambia Export Growers Association
P.O. Box 31705, Lusaka
Tel: +260 211 221895
Fax: +260 211 221895
E-mail: zega@zamnet.zm

Zambia Association of Chambers of Commerce and Industry
P.O. Box 30844, Lusaka
Tel: +260 211 252369
Fax: +260 211 252483
E-mail: zacci@zamnet.zm

Zambia National Farmers Union
P.O. Box 30395, Lusaka
Tel: +260 211 223222 Fax: 222736
E-mail: znfu@zamnet.zm

10. QUALITY OF LIFE

Zambia is safe and friendly nation where foreigners can feel at home and go about their lives in comfort and security.

“

I have had the privilege of living in Zambia for the last 3 years due to my work assignment as Resident Representative of JICA (Japanese International Cooperation Agency). I am very impressed with the political stability of the country and the recent election is a testimony of this. The Zambian people are polite and friendly. In my experience the political leadership of the country led by the President is very serious in developing the economy and I feel this country has a good future.

”

Mr. Eiji Inui, Resident Representative (till September 2007) JICA

Quality of Life for Foreign Investors

Housing

Availability of suitable expatriate accommodation is good in most urban areas. Quality accommodation include a 3-bedroomed, mostly unfurnished detached house standing in its own plot, often with a swimming pool and full security provisions.

Full range of furniture is available from local suppliers and it is also possible to have it made to order from quality Zambian wood at reasonable cost.

Furnished properties can be found including opportunity to rent a flat. New arrivals are recommended to contact reputable estate agents/realtors, who are listed in yellow pages as well as in a monthly publication called the Lowdown or in the daily newspapers.

Typical rentals for:

- a) One bedroom house/apartment – USD 800 and above
- b) Two bedroom house/apartment – USD 2,000 and above
- c) Three bedroom house/apartment – USD 2,500 and above
- d) One house within a housing complex with security – USD 3,500 and above

Health

Zambia is on a high plateau (1,280 above sea level) is a fairly healthy place to live. Tap water in homes and hotels is treated but as precautionary measure should be boiled or chlorinated before drinking. There are many good privately run clinics and hospitals in Lusaka including good dental clinics for normal health problems. Super specialist medical centres are being developed and encouraged. Already, a key hole surgery specialist hospital from India is setting up a hospital in Lusaka.

Vaccinations

- 🌸 Cholera: required if visitors are coming from an infected zone
- 🌸 Yellow Fever: required only if visitors have been in an infected zone a week prior to their arrival into Zambia
- 🌸 Normal Anti-Malarial Precaution

Education

The state educational system is Zambian oriented and therefore, expatriate parents must look for private schooling for their children. There are satisfactory private infant, primary and secondary schooling available in Lusaka and other parts of Zambia.

The schools commonly used at present by the international community are:

The International School of Lusaka (ISL)

The school takes children through all stages through reception, primary and secondary education through IGCSE to International Baccalaureate (IB).

Baobab College

This school runs on the South African schedule and has expanded to include secondary pupils up to GCSE level. The school is situated in Lusaka and has provisions for day scholars and boarders.



Baobab College

The American International School

The school draws on several sources for curriculum standards, including US, UK and International Baccalaureate (IB). The school is located in Lusaka

The Lusaka International Community School (LICS)

Prepare children for their respective national school systems.

The French School

Located at the Alliance Francaise of Lusaka premises in Lusaka.

Other schools include Chengelo Secondary School in Mkushi, Simba International School in Ndola, and Musikili Primary School in Mazabuka, which all have provisions for day scholars and boarders.

Moreover, there are many nursery schools for children between 2½ to 6 years, which are mostly privately run and have a good reputation.

Universities

There are three state-run universities in Zambia, one in Lusaka, one in Kabwe (Central Province) and another in the Copperbelt town of Kitwe. In addition, there are various other tertiary level institutions including the Zambia Institute of Chartered Accountancy Studies (ZICAS) in Lusaka as well as a number of private universities.



View of the University of Zambia

Clothing

Zambians tend to be formal in their business wear. For business/office formal attire is normal. It can get very cold in the evenings around June and July. For the rest of European summer clothing is ideal.

Shopping

There are a good variety of foodstuffs available from well-stocked supermarkets and mini-markets. Chemists, stationers and bookshops are well stocked.

Two shopping complexes were recently constructed in Lusaka, namely Manda Hill and Arcades. These are modern and efficient and will provide for most of the expatriates household needs.

Leisure Activities

Activities such as keep-fit, aerobic, weight training, golf, tennis, swimming training, indoor/outdoor bowling, squash, rugby, horse riding and polo are available in Zambia. Lusaka has a very good selection of restaurants, cafes and cinemas, educational and cultural services are also provided by the Alliance Francaise of Lusaka (L' Alliance Français de Lusaka).

Below: The Magnificent Victoria Falls – Investors could find a ‘veritable pot of gold at the end of the rainbow in Zambia



Zambia has ample opportunity for camping and the scenery is beautiful. Weekend breaks are possible at safari lodges outside Lusaka or Kafue National Park or Lake Kariba.

The world famous Victoria Falls in Livingstone and the connecting gorges provide the best white-water rafting in the world as well as access to highest commercial bungi-jump in the world. Zambia also has a unique distinction to provide excellent walking safaris.



Hotels/Accommodation

Zambia has a number of good business hotels/guests houses in Lusaka, Copperbelt and Livingstone. Glimpses of some of these used by foreign businessmen include:

Five Star Hotels:

- a) Taj Pamodzi Hotel, Lusaka (US\$ 300 for a standard double room per night)
- b) Southern Sun Hotel, Lusaka (US\$ 190 for a standard double room per night)
- c) Intercontinental Hotel (US\$ 212 for a standard double room per night)
- e) Cresta Golf View Hotel (US\$ 200 for a standard double room per night)
- f) Livingstone Sun (US\$ 200 for a standard double room per night)



Four Star Hotels:

- g) Mukuba Hotel (US\$ 150 for a standard double room per night)
- h) Chrisma Hotel (US\$ 110 for a standard double room per night)
- i) Protea Hotel (US\$ 130 for a standard double room per night)
- j) Savoy Hotel (US\$ 150 for a standard double room per night)
- k) Edinburgh Hotel (US\$ 120 for a standard double room per night)

Another option is to use guest houses for short, medium or long staying guests, with living room and cooking facilities.



11. TAXES AND INVESTMENT INCENTIVES

Zambia has an open economy with a POSITIVE INVESTMENT ENVIRONMENT, where Government's participation is minimized thus paving way for private sector participation.

The Government has recognized that its role is to create a conducive regulatory environment as well as providing the basic infrastructure to enhance private sector investment.

Taxation and incentive structure in Zambia

The Ministry of Finance and National Planning (MoFNP) is responsible for the formulation of tax policy, while the Zambia Revenue Authority is responsible for administering the taxes.

The legislative framework of taxation is provided for in the Income Tax Act Chapter 323, VAT Act Chapter 331 and the Customs and Excise Act Chapter 322, of the Laws of Zambia.

(a) Tax Policy

Company Income Tax (CIT)

CIT rate for Zambia is 35 percent for both resident and non-resident companies.

For companies involved in agriculture, manufacture of chemical fertilizer and non-traditional exports, the CIT rate is 15 percent; for mining it is 30 percent; 40 percent on bank profits above K 250 million (USD 78,125).

Personal Income Tax (PIT)

All individuals are liable to tax on personal income accrued after deducting personal relief at a graduated rate as follows:

Income Bands	Tax Rate
K0 – K 700,000 (US\$ 140) per month	0%
K 700,001 to K 1,335,000 (US\$ 267) per month	25%
K 1,335,001 to K 4,100,000 (US\$ 820) per month	30%
K 4,100,001 (US\$ 820) and above per month	35%

Withholding Tax

Zambia charges withholding tax of 15 percent on rental charges, dividends, interest payments, management fees and payments to subcontractors.

Presumptive Tax

A presumptive tax at the rate of 3 percent is charged on business income for small scale businesses below a turnover threshold of K200 million (USD 62,500) per annum.





Indirect Taxes

Zambia charges import duty on all imports at the varied rates of zero percent for capital and basic raw materials, 5 percent for other raw materials and equipment, 15 percent for intermediate goods and 25 percent for finished goods. There is also export duty charged on scrap metal.

Tax Rates and Incentives	
Personal	10 – 35
Corporate Tax	
Manufacturing	35 %
Listed Companies (LUSE)	33%
Other Companies	35 %
Non Traditional Exports	15%
Mining	30%
Chemical Fertilizer Production	15%
Farming	15%

(b) Incentive for Industry**Investment Incentives Under The Zambia Development Agency (ZDA) Act**

Companies approved under ZDA priority economic sectors will be given the following incentives. Similar incentives will be available for approved projects within the Multi Facility Economic Zones (MFEZ)

-  Zero Tax on Profits made by companies in the priority Sector for a period of 5 years from the first year profits are made. For years 6 to 8 only 50% of Profits should be Taxed and for years 9 and 10, 75% of Profit should be taxed
-  Zero percent tax rate on dividends of companies operating under the MFEZ/priority sector for a period of five years from the year of first declaration of dividends. From year 6 to 8, only 50% of the profits should be taxed and for years 9 and 10, 75% of profits should be taxed
-  Zero percent import duty rate on raw materials, capital goods, machinery including trucks and specialized vehicles for five years for all priority sector
-  Deferment of VAT on machinery and equipment including trucks and specialized vehicles imported for investment in the MFEZ/priority sector

Qualifying Priority Sectors entitled to the 5 years tax holiday as above:

1. Floriculture: Fresh flowers and dried flowers

There over 60 types of rose flowers and 7 varieties of summer flowers are grown in Zambia. Approximately 145 hectares of land, in the form of greenhouses is dedicated to growing rose flowers whilst summer flowers are grown in expansive open fields. Cut roses are mostly exported to Holland (70%) while the remaining is exported to South Africa.

2. Horticulture: Fresh and dried vegetables

A major exporter to the European markets with UK and Holland that make up about 80 %. These products range from baby corn, fine beans, courgettes, asparagus, leek okra and baby melons.

3. Processed Foods: Wheat flour and other processed foods

4. Beverages and stimulants

- i. Tea and tea products
- ii. Coffee and coffee products

5. Production and the processing of the following products in the textiles sector:

- i. Cotton
- ii. Cotton yarn
- iii. Fabric
- iv. Garments

6. Manufacturing and Agro Processing

The manufacturing sector contributes about 11 % to national GDP and about 10 % to employment. The country's third largest employer of human resources.

7. Manufacturing of the following engineering products:

- i. Copper products
- ii. Iron Ore and steel
- iii. Cobalt
- iv. Other engineering products

8. Beneficiation of phosphates and any other related material into fertilizer.
Beneficiation of rock materials into cement.

9. Production and processing of the following products in the leather sector:

- i. Cattle hides
- ii. Crust leather
- iii. Leather products

10. Building of mini-hydro power stations

11. Education and skill training

12. Information and Communications Technology (ICT):

- i. Development of computer software
- ii. Assembly/manufacture of ICT equipment

13. Health:






- i. Manufacture of pharmaceutical products
- ii. Repair and maintenance of medical equipment

- iii. Provision of laundry services to medical institutions
- iv. Ambulance services
- v. Medical laboratory services
- vi. Diagnostic services
- vii. Other medical services eg: setting up and operating a hospital, super specialist medical services, etc.

The following is the general incentive structure currently in place:




Agriculture

Income Tax


-  15 percent tax on income from farming
-  50 percent depreciation allowance per year for the first two years on machinery used for farming
-  20 percent capital expenditure allowance per year for the first five years on farm improvements
-  10 percent development allowance per year, up to the first year of production, on capital expenditure incurred for the purpose of growing coffee, tea, bananas, citrus fruits or similar plants
-  100 percent farm work allowance for expenditure on farm land, such as for stumping, land clearing, water conservation, etc

Mining (base metals)

Income Tax



-  30 percent tax income from mining
-  Pre-production expenses deducted in the first year of production and other capital expenditures deducted in the year incurred.
-  10 years carry forward of losses

Indirect Taxes




-  Exemption from customs duty in respect of all machinery and equipment (including specialized motor vehicles) used for exploration and mining activities.

Tourism

Income Tax



-  10 percent initial allowance and annual 5 percent wear and tear on buildings
-  50 percent depreciation allowance for machinery

Indirect Taxes




-  Zero rated hotel accommodation in the Livingstone district
-  Zero-rating of exportation of goods by a tourist
-  Zero-rating of the supply of an inclusive tour package by a tour operator or travel agent licensed as such by the Zambia National Tourist Board

Manufacturing

Income Tax:





-  10 percent initial allowance and annual 5 percent wear and tear on buildings and structures
-  50 percent depreciation allowance for machinery

Indirect Taxes




-  Customs duty exemptions exemption on most machinery and equipment used in manufacturing
-  Zero rate/reduced duty of certain raw materials
-  Import VAT deferment on eligible plant/machinery of a capital nature

Private investments are encouraged by the provision of a dynamic and efficient administrative and physical environment and by the provision of investment incentives as indicated below:

General Investment Incentives

-  Tax credit given where double taxation agreement exists
-  Investors are permitted to establish bonded factories
-  Small-scale enterprises are tax exempt for three and five years for urban and rural enterprises respectively. Customs duty and sales tax on equipment is exempt
-  Exemption from customs duties on specified machinery and equipment (other than motor vehicles) required for the establishment, rehabilitation or expansion of eligible enterprises.

Commerce


-  Income from the export of non-traditional products (i.e. anything, other than copper and cobalt and electricity, produced or manufactured in Zambia but excluding services) is taxed at 15%.
-  Income from the chemical manufacture of fertilizer is taxed at 15%
-  Implements, machinery and plant used exclusively for farming, manufacturing, tourism and leasing: Capital allowances are calculated at the rate of 50% on cost

Research and Development Incentives


A deduction is allowed in ascertaining the gains or profits of a business of any expenditure, not being of a capital nature, incurred by the business during the tax year on experiments or research relating to the business.

Additional Investment Incentives provided under the 2009 National Budget


In addition to the above measures, the Government has provided the following tax incentives to targeted sectors in an effort to attract new investments and consolidate the existing ones:

-  Increase company income tax rate for income earned from export of cotton lint without export permit from MCTI from 15 percent to 35 percent

This measure is aimed at discouraging exports of cotton lint (raw cotton) in order to increase local value addition. This is in recognition of the availability of local processing capacity.

-  Reduce excise duty on Heavy Fuel Oils of heading 2710.19.20 from 30 percent to 15 percent.


This measure is intended to mitigate the cost of production as Heavy Fuel Oils are a major input in the mining and manufacturing sectors.


-  Remove customs duty on packaging materials (paper board) of subheadings 4811.59.00 and 4811.51.00 currently at 5 percent.


This measure is intended to mitigate the cost of production of packaging materials as it is one of the major costs in the manufacturing sector.


Reduce customs duty on the following capital equipment:

a) Refrigerating or freezing equipment for cold rooms of heading 8418.69.10 from 25 percent to free


 Fork lift trucks of heading 8427.10.00, 8427.20.00 and 8427.90.00 from 15 percent to free

 Track laying bull dozers and angle dozers of heading 8429.11.00 and 8429.19.00 from 5 percent to free


 Graders and Levellers of heading 8429.20.00; scrapers of heading 8429.30.00; tamping machines and road rollers of heading number 8429.40.00; mechanical front ended shovel loaders of heading of 8429.51.00 and 8429.52.00; pile drivers and pile extractors of heading 8430.10.00; snow blowers of heading 8430.20.00; self propelled coal or rock cutters and tunneling machinery of heading 8430.31.00 and 8430.39.00; boring or sinking machinery of headings 8430.41.00, 8430.50.50 and tamping or compacting machinery of headings 8430.61.00 and 8430.69.00 from 5 percent to free

 Survey equipment of heading 9015.10.00 from 25 percent and of headings 9015.20.00, 9015.30.00, 9015.40.00, 9015.80.00 and 9015.90.00 from 15 percent to free


This measure is intended to reduce the cost of doing business in Zambia by reducing the cost of importing these capital goods.

 Remove duty on trucks (mechanical horses) of heading 8701.30.00 at 15 percent, 8701.90.10, 8701.90.90 and 8701.20.00 currently at 5 percent


This measure is intended to promote commercial transport services especially that Zambia's transport services are constrained by lack of a well developed rail network. This measure is also necessary to boost growth in cross border trade and reduce the cost of transport which is one of the major operating costs for business in Zambia.

 Remove customs duty on special purpose motor vehicles of heading 8705.10.00, 8705.20.00, 8705.30.00, 8705.40.00, 8705.90.00 currently at 15 percent


This measure is intended to reduce the cost of doing business in Zambia by removing duty on specialized motor vehicles such as fire fighting vehicles, crane lorries, concrete mixer lorries, mobile drilling derricks.

 Remove duty on those aircrafts of heading 8802.20.00, 8802.30.00, 8802.40.00 and 8802.60.00 which are currently 5 percent

This measure is intended to encourage investment in the airline industry and encourage competitiveness in the tourism sector.

 Amend the Forth Schedule to the Customs and Excise Act to exclude vehicles propelled by non pollutant energy sources from payment of carbon tax

This measure is intended to exclude vehicles propelled by non pollutant energy sources from payment of carbon tax.

 Remove customs duty on copper powder, copper flakes and copper blisters currently at 15 percent.

This measure is aimed at encouraging the utilization of expanding smelting capacity in the country. In order to adequately utilize the local smelters, mining companies will have to import these products from neighbouring countries.

Compensating Measures:

- ✿ Increase export duty on cotton seed of heading 1207.20.00 and 5201.00.00 from 15 percent to 20 percent. This measure is aimed at discouraging export of cotton seed in order to increase local value addition in view of increased capacity to process it locally.
- ✿ Increase customs duty on mobile cellular phones of heading 8517.12.00 from 5 percent to 15 percent. *This is aimed at encouraging local manufacturing of mobile cellular phones.*
- ✿ Amend the provision of Statutory Instrument No 23 of 1994 (The Customs and Excise (Suspension) (Manufacturing Inputs) Regulations) in order to simplify procedures for companies to qualify for duty suspension. *This measure is intended to increase the accessibility of all manufacturing firms to the schemes so as to promote manufacturing industries across sectors in Zambia.*

Incentives for shooting of world class movies locally:

- ✿ To provide a rebate or refund to filmmakers of up to 15 percent of the expenses incurred in shooting movies. *This measure is meant to promote Zambia as a location for movie tourism, to take advantage of Zambia's unique features of wildlife, tradition and the Victoria falls.*

Incentives for developers:

- ✿ Zero withholding tax on payments of management fees, consultancy fees, interest and to foreign contractors.

Zero rate supplies to Developers of MFEZ and Industrial Parks for VAT purposes:

- ✿ Zero withholding tax on payments of management fees, consultancy fees, interest and to foreign contractors.
- ✿ Exclude foreign suppliers to developers in the MFEZ from the Reverse VAT Regime.
- ✿ Exempt equipment, machinery and accessories and materials imported for development of an MFEZ and Industrial Park from Customs Duty.

In October 2009 the Government changed the budget cycle to run for the period January to December from the initial March to April period, so as to improve the budget execution over a full 12 month cycle. Additional measures aimed at improving the investment climate in the country have been introduced in the 2010 budget. These include:

- ✿ Introduction of a framework to facilitate secondary market trading of Government securities and other instruments, to provide additional liquidity to investors.
- ✿ Reduction of excise duty on diesel from 30 percent to 10 percent.
- ✿ Increase of the Pay As You Earn monthly exempt threshold from K700,000 (US\$ 147) to K800,000 (US\$ 168).
- ✿ Introduction of standard VAT rate on the sale of commercial property to allow developers claim input VAT on a monthly basis.

12. ZAMBIA - THE ASIAN CONNECTION



Even as Zambia continues to preserve and cultivate its traditional links with Western Nations, it is now trying to create a dynamic balance between East and West and is increasingly attempting to build social, political and economic bridges with dynamic Asian economies.

Some of the prominent Asian business ventures include the following:



Japan has played and continues to play a significant role in Zambia, through the efforts of the Embassy of Japan and the Japanese International Cooperating Agency (JICA).

Significant among these are:

A medium and long term economic recovery programme called the Triangle of Hope (Strategic Action Initiative for Economic Development) was launched in 2005. The programme is designed to assist in improving the Zambian investment environment and to attract domestic and foreign investment into target economic sectors. The TOH is an initiative to ensure that three forces work together to ensure economic success, i.e political will, civil service efficiency and private sector dynamism.

A Malaysian consultant was engaged by JICA to advise the Government and the various stakeholders on the economic sectors that would enable this initiative to take off with concrete results on the ground.

With JICA's support the Zambian Government set up 12 Task Forces that provided recommendations to the Zambian Cabinet. Land locked Zambia was asked to focus on agriculture and agro based industries, and 3rd wave knowledge based industries and to improve administrative and physical infrastructure.

The key areas of focus are:

Agriculture – to ensure dynamic commercial private sector development and foster agro based industries. Also to focus on Zambia's strength in cotton production and encourage forward integration of the cotton sector. Government has established Agricultural land banks. These can be made available for commercial development.

Information and Communication Technology – To utilize Zambia's strength in English language and educated youth. Software development, call centres, e-education, assembly of computers and peripherals are among the priorities.

Tourism – Already this sector is playing a critical role. With the great Victoria Falls and Safari Parks and its safe environment. The sector will be targeted for new investments. Land for hotels and tourist resort complexes are available. Movie tourism is another priority in this sector.

Health & Medicine – to make this sector private sector driven, with incentives and Government support to ensure that Zambia becomes a centre of excellence where Zambians and foreigners can seek specialized treatment. Hospitals diagnostic centres and a range of medical and health areas have been declared priority economic sectors eligible for tax holidays.

Education – To make tertiary (diploma and degree) education a private sector driven sector and to make Zambia a regional centre of excellence for education for domestic and foreign students. Tax holidays are provided for setting up such educational centres.

Micro, Small, Medium Scale Enterprises – A well developed strategy can mitigate against urban unemployment and social unrest. Since the government will never have enough money to support SME's, recommendations have been made to introduce innovative incentives for the bigger companies to be encouraged to support smaller companies.

Air Cargo Hub – Zambia to become a cost efficient air cargo center that will encourage greater international air cargo traffic. Incentives are provided to encourage greater private sector participation.

Banking and Finance – Financial agencies are powerful conduits for attracting investment into the country. The challenge is to create a modern, dynamic financial sector and also encourage participation of Asian financial institutions.

Multi Facility Economic Zones (MFEZ) – Combining the best features of traditional industrial parks and export processing zones, the MFEZ is a bold new vision to create “best practice” physical and administrative environments necessary to attract investments.

Streamlining of Government Machinery – To ensure that the civil service become a friend and ally to the business community. The vision is to create clients charters, integrated approval systems and e-governance that emulates the best that the Asian dynamic economies have to offer.

The third President of the Republic of Zambia the Late Dr. Levy P. Mwanawasa SC, appointed a Presidential Steering Committee chaired by the Economic Advisor to the President . The fact that the JICA Resident Representative has been appointed as a key member of the Steering Committee is indicative of the recognition of the critical role that Japan is playing in the Zambia to foster the **Asian Connection**.

This is in line with the Japanese Government's programme to create private sector driven, south-south business cooperation as part of its Tokyo International Conference on African Development (TICAD) Agenda.

JICA continues to support Zambia's investment promotion project under the auspices of the Triangle of Hope Programme. The programme has been extended into its second phase (2009 to 2012).

In addition to the above, Japan is involved in both social, (school, water, etc) and infrastructure development.

Infrastructure developments include:

- a) Assistance in the building of 136.4 km of roads in the Lusaka area.
- b) Assistance in the building of bridges in the southern part of Zambia near the border to Botswana.
- c) Funding of the Master Plan for the development of the Lusaka South MFEZ.
- d) Funding for the Master Plan for the Urban Redevelopment of Greater Lusaka City.



1. TATA Zambia

TATA Zambia was established as a wholly owned company in 1977 and is part of the TATA Group. Very recently a motor vehicle assembly plant was commissioned by the then Late President Mr. Levy P. Mwanawasa in Ndola. Due to its success in other sectors, TATA Zambia has shown interest in constructing a hydro power station at an estimated cost of US\$ 120 million.

2. Taj Pamodzi Hotel

In 1997, the TATA Group took over Pamodzi Hotel which had been Government owned, and managed to turn the property around and make it an efficient and successful operation.

3. Vedanta Mining Resources

Vedanta is an Indian managed company which is registered in London, it registered in 2003 and their principal operations are in India. The core of Vedanta's asset lies in India, where they are domestic producers of aluminium, copper, zinc and lead. It acquired 51% shares of Konkola Copper Mines (KCM) which is the largest copper mining company in Zambia. They also have substantial assets in Australia with two copper mines.

4. Lifeline Hospital

Lifeline Hospital of India (Chennai) is finalizing plans to set up a high tech "key hole" surgical centre in Lusaka.



1. Zambia-China Cooperation Zone (ZCCZ)

This is the first economic and trade zone to be approved by China to be established in Africa. The ZCCZ is located in Chambeshi, in the Copperbelt, and has been developed from a Greenfield site. The Zone will mainly be focused on the development of non ferrous metals industry. The company is expected to invest a total of at least US\$ 800 million in the next five years.



Two joint venture projects are being implemented. The first is for the assembly/manufacture of mobile phones and the other, a college for technical education.

In 2009, Malaysian companies working with international partners have visited Zambia and are finalizing investigations for:

- Repair and maintenance of medical equipment
- Medical Laundry
- Diagnostic Laboratories
- Assembly of Laptops
- Universities and Colleges including vocational training etc

In addition Malaysia's Kulim Hi Tech Park (declared as the Science City of the Future) is involved with JICA for the preparation of the Master Plan for the Lusaka South Multi Facility Economic Zone, which is expected to be implemented in 2010.

USEFUL CONTACTS

GOVERNMENT AGENCIES

Zambia Development Agency

P O Box 30819
Lusaka
Tel: +260 211220177/223859
Fax: +260 211 225270
E-mail: zda@zda.org.zm
Website: www.zda.org.zm

Zambia National Tourist Board

P.O. Box 30017
Lusaka
Tel: +260 211 222714 Fax: +260 211 225174
E-mail: zntb@zamnet.zm

Zambia Revenue Authority

P.O. Box 35710
Lusaka
Tel: +260 211 223754/ 229214-8

Lusaka Stock Exchange

P.O. Box 34523
Lusaka
Tel: +260 211 228537/ 228391
Fax: 225969
E-mail: luse@zamnet.zm

BUSINESS ASSOCIATIONS

Zambia Association of Manufacturers

P.O. Box 31992
Lusaka
Tel: +260 211 229364/ 222709
Fax: +260 211 229371
E-mail: shyams@zamnet.zm

Zambia Export Growers Association

P.O. Box 31705
Lusaka
Tel: +260 211 221895
Fax: +260 211 221895
E-mail: zega@zamnet.zm

SELECTED ZAMBIAN EMBASSIES ABROAD

Japan

Embassy of the Republic of Zambia
10-2 Ebara 1-Chone, Shinagawa-ku
C.P.O. Box 1738
TOKYO 142-0063
TEL: (03) 3491-0121/ (03) 3491-0122
FAX: (03) 3491-0123

China

Embassy of the Republic of Zambia
Donsijle
San Li Tun
BEIJING, 10006000
TEL: 008610- 65321554/ 65321778
FAX: 008610- 65321891

India

E-86 Paschimi Marg
Vasant Vihar
New Dehli 110057
TEL: 26145883 or 26145785
FAX: 26145764
Email: zambiand@sify.com

United Kingdom

High Commission of the Republic of Zambia
Zambia House, 2, Palace Gate
LONDON W85NG
TEL: 0044 2075896655/ 0044 2075812142
Fax: 0044 2075810546
Email: immzhcd@btconnect.com

Italy

Embassy of the Republic of Zambia
Via Ennio Quirino Visconti, 8 00193
ROME
TEL: 39 0697613035
TELEFAX: 39 0636088824

France

Embassy of the Republic of Zambia
63, Rue PIRRE CHARRON
5th Floor 750003
PARIS
TEL: 01 56881272/ 01 56881272
FAX: 01 56880350

SELECTED ASIAN EMBASSIES IN ZAMBIA

Japan

Chancery
5218 Haile Salaasie Avenue, Longacres
P.O. Box 34190
LUSAKA
Tel: 251555, 252036/39 Fax: 254425, 253488
Website: www.mofa.go.jp/embjapan/zambia
Email: jez@zamnet.zm, jz@zamnet.zm

India

Chancery
Pandit Nehru Road, Longacres
P.O. Box 32111
LUSAKA
Tel: 253159/60
Fax: 254118
Email: hc@india.zm

Indonesia

Chancery
229 Upang Road
P.O. Box 572
Dar-es-Salaam
TANZANIA
Tel: (255) 23908,240886, 20997
Telex: 41575 Indontz

China

Chancery
7430 United Nations Avenue, Longacres
P.O Box 31975
LUSAKA
Fax: 01 251157
Email: chinaemb-zm@mfa.gov.cn



Japan International Cooperation Agency



Zambia Development Agency