

# **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**