

ZAMBIA DEVELOPMENT AGENCY (ZDA)

Investors who invest not less than US\$500,000 (foreign investors) or \$50,000 (local investors) in the Multi Facility Economic Zones (MFEZ) or a priority sector or product under the ZDA Act, are entitled to the following fiscal incentives:

- Zero percent import duty rate on raw materials, capital goods, machinery including trucks and specialized motor vehicles for five years.

CUSTOMS

- 0% Customs Duty on machines -tools (including presses) for working metal by forging, hammering or die stamping: machine tools (including presses) for working metal by bending, folding, straightening, flattening, shearing, punching or notching: presses for working metal or metal carbides.
- 0% customs duty on machines - or ceramics, concrete, asbestos - cement or like mineral materials or for cold working glass.
 - Sawing machine and
 - Grinding machines
- 0% customs duty on tools for working in the hand, pneumatic, hydraulic or with self - contained electric or non-electric motor.
 - Drills of all kinds
 - Saws
 - Chain saw
 - 5% customs duty on parts listed above
- 0% customs duty on machinery and apparatus for soldering, brazing or welding, whether or not capable of cutting, other than those
 - Industrial laboratory electric furnaces & ovens
 - Brazing or soldering machines, machines and apparatus for resistance welding of metal
 - Electric capacitors, fixed, variable or adjustable
- 0% Customs Duty on
 - automatic goods-vending machines
 - Postage stamps, cigarette, food or beverage
 - Presses for manufacturing of particle board of fiber
 - Rope or cable making machines
 - Industrial robots
 - Mixing, kneading, crushing, grinding, screening, sifting, homogenizing, emulsifying or stirring machines
 - Machines & apparatus of kind used solely or principally for the manufacturing of semiconductor boules or wafer, semiconductor devices, electronic integrated circuits

or flat panel displays: machines

- Electronic motors & generators (excluding generating sets) custom duty free.
- Electric generating sets and rotary converters
- Electric transformers, static converters (rectifiers & inductors)
- Electric accumulators, including separators therefor, whether or not rectangular
 1. Lead-acid of a kind used for starting piston engines
 2. Other lead acid accumulators
 3. Lithium-ion
 4. Nickel-ion
 5. Nickel metal hydride
- Dry cleaning machines
- Machines for reeling, unreeling, folding, hitting or pinking textile fabric.
- 0% customs duty on machine tools for working any material by removing of material by laser or other light or photon beam, ultrasonic, electro-discharge, electro-chemical, electro - beam, ionic beam or plasma are processes water.
 - Lathes for removing metal
 - Machines for working metal
 - Machines-tools for drilling, boring, milling, threading or tapping by removing metal,
 - Machine tools for planning, shaping, slotting, broaching, gear cutting, gear grinding or gear finishing, sawing, cutting-off and other machines.
- 0% customs duty on
 - Cameras for underwater use- medical purposes
 - Electronic- cardiographs
 - Ultrasonic scanning apparatus
 - Magnetic resonance imaging apparatus
 - Scintigraphic apparatus
 - Electro - diagnostic apparatus
 - Ultra-violet or infra-red apparatus for medical surgical use
 - Syringes used in medical, surgical, dental or veterinary sciences.
 - Dental drill engines
 - Instruments & appliance used in dental science
 - Other breathing, appliances and gas masks
 - Hearing aids
 - Pacemakers for stimulating heart muscles
 - Machines/ appliances for testing the hardness, strength of metal

For more information contact:

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TAX INCENTIVES

AGRICULTURE

1. Guaranteed VAT input tax claim for four years prior to commencement of production for businesses in the agricultural sector that make taxable supplies.
2. Zero-rating of taxable agricultural products and supplies.
3. Increased number of zero-rated agricultural equipment and accessories
4. VAT deferment on importation of some agricultural equipment and machinery.
5. Zero-rating of the principal amount on finance leases for purchasing agricultural equipment and accessories listed in the Value Added Tax Zero-Rating Order.
6. Income taxed at a reduced rate of 10%.
7. Farm improvement allowance at 100% on fencing, appropriate to farming and farm dwelling occupied by farm workers whose original cost is not in excess of K20,000.
8. Farm works allowance at 100% for the full cost of stumping and clearing, works for prevention of soil erosion, boreholes, wells, aerial and geophysical surveys and water conservation.
9. Dividends paid out of farming profit are exempt from tax for the first five years the distributing company commences farming.
10. Development allowance is given for any person who incurs expenditure on the growing of tea, coffee, or banana plant or citrus trees or other similar plants or trees. An allowance of 10% of such expenditure shall be deducted in ascertaining the gains or profits of that business.
11. Increased capital allowance rate to 100% from 50% for implements, plant and machinery used in farming and agro - processing.

MANUFACTURING

1. Guaranteed input tax claim for two years prior to commencement of production.
2. Reduction of Licence fees for manufacturers of excisable products from K9,000.00 to K4,500.00.
3. Income from organic and chemical manufacturing of fertilizers is taxed at a reduced rate of 15%.
4. Capital allowances on industrial buildings used for the purposes of manufacturing shall be entitled to a deduction of 10% in the case of low-cost housing and 5% for other industrial buildings of the cost of the building.

5. Persons who incur capital expenditure on an industrial building are entitled to claim a deduction called initial allowance at 10% of the cost incurred in the charge year in which the industrial building is first brought into use.
6. Any person who incurs capital expenditure on an industrial building is entitled to an investment allowance at 10% of such expenditure in the first year used for manufacturing purposes.
7. Suspended Corporate Income Tax for persons carrying on business of manufacturing ceramic products for the charge years 2022 and 2023.
8. Capital allowances at 50% of the cost of implements, plant and machinery.

MINING

1. Guaranteed input tax claim for ten years on pre-production expenditure for exploration companies in the mining sector.
2. Interest on which a deduction is not allowed (in excess of threshold) may be treated as incurred during the next charge year and carried forward for a period of ten years.
3. Tax losses shall be deducted from 50% of the income of the person from the mining operation provided that the losses shall not be carried forward beyond 10 subsequent charge years after the charge year in which the loss is incurred;
4. Any mining company holding a mining license carrying on the mining of base metals is taxed at 30%.
5. Dividends paid by a mining company holding a mining license and carrying on mining operations is taxed at 0%.
6. 20% mining deduction on capital expenditure on buildings, rail way lines, equipment, shaft sinking or any similar works.
7. Allowable deduction of actual costs incurred by way of restoration and rehabilitation works or amounts paid into the Environmental Protection Fund pursuant to Section 86 of the Mines and Minerals Development Act 2015.
8. Mineral Royalty deductible for Corporate Income Tax assessment purposes.
9. Capital allowances at 50% of the cost of implements, plant or machinery used exclusively for mineral processing.
10. Zero rating of capital equipment and machinery listed in the Second Schedule of the Zero-rating Order when supplied to a holder of a large-scale mining licence.

TOURISM

1. Zero-rating of VAT on other tourist services provided to foreign tourists other than those included in tour packages.
2. No import VAT on all goods temporarily imported into the country by foreign tourists.

3. Capital allowances at 50% of the cost of implements, plant or machinery.
4. Investment allowance at 10% of the cost of an extension to a hotel (being an industrial building).
5. 5% wear and tear allowance to an extension to a hotel (being an industrial building)
6. 10% initial allowance on an extension to a hotel (being an industrial building) in the year the building is first brought into use.
7. Income taxed at a reduced rate of 15% for hotels and lodges on accommodation and food services

GENERAL

1. Import VAT relief for VAT registered businesses on importations of eligible capital goods (VAT Deferment).
2. Zero-rating of VAT on export of taxable products.
3. Relief of VAT on transfer of business as a going concern.
4. Equal treatment of services for VAT irrespective of domicile of supplier (Reverse VAT).
5. Cash accounting for VAT for members of the Association of Building and Civil Engineering Contractors (ABCEC), Intending traders and suppliers in the electricity sector.
6. Voluntary registration for compliant businesses whose taxable turnover does not exceed K800,000 per annum subject to conditions stated above.
7. Exemption of interest component of finance leases.
8. VAT relief on input tax paid for eligible purchases made by registered suppliers.
9. Income from non-traditional exports is taxed at a reduced rate of 15%. However, if the product is from farming or agro processing, the rate is 10%.
10. Exemption from income tax for approved collective investment schemes under the Income Tax Act, to the extent that the income is distributed to the participants in the approved collective investment scheme.
11. Zero-rate qualifying supplies to Public Benefit Organisations to provide tax relief.
12. No Withholding Tax on interest earned by individuals from savings or deposit accounts held with financial institutions such as banks or building societies. This is meant to encourage savings and to lessen the burden of taxation on individuals.
13. Reduced standard company tax rate of 30% for companies.
14. Reduced standard company tax rate of 30% for the first K250,000 income of an electronic communications network or service licensee but maintained tax rate of 40% for income in excess of K250,000.