

# DOING BUSINESS

IN ZAMBIA

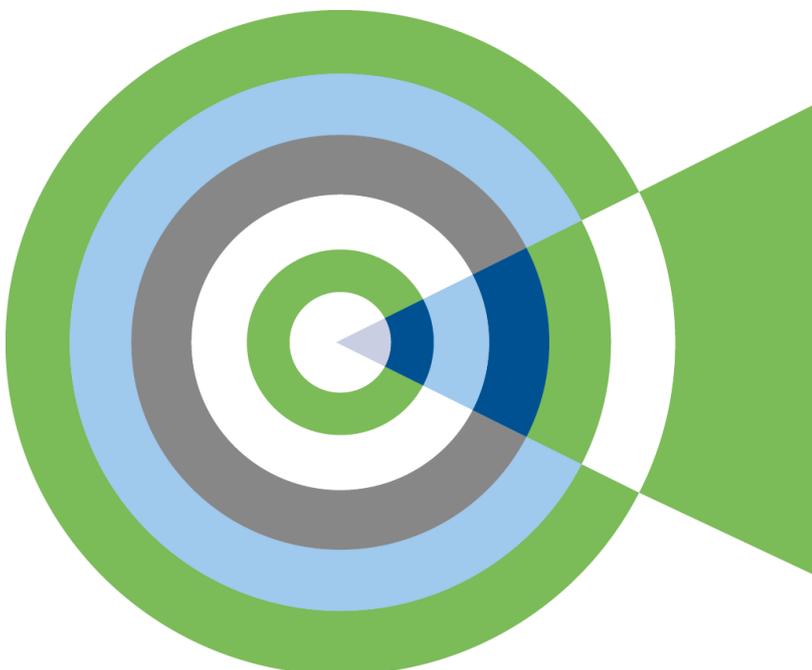


The network  
for doing  
business

---

## CONTENTS

1 – Introduction	3
2 – Business environment	4
3 – Foreign Investment	7
4 – Setting up a Business	9
5 – Labour	10
6 – Taxation	11
7 – Accounting & reporting	13
8 – UHY Representation in ZAMBIA	14



# 1 – INTRODUCTION

---

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 95 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Zambia has been provided by the office of UHY representatives:

## UHY AMO CERTIFIED PUBLIC ACCOUNTANTS LTD

No. 4 Cedar Road  
Woodlands  
Lusaka  
Zambia

Phone +260 950 122 011/+260 211 269479  
Website [www.uhy-amocpa.com](http://www.uhy-amocpa.com)  
Email [info@uhy-amocpa.com](mailto:info@uhy-amocpa.com)

You are welcome to contact [Dion Banda Dault \(d.banda@uhy-amocpa.com\)](mailto:d.banda@uhy-amocpa.com) for any inquiries you may have.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2019.

We look forward to helping you do business in Zambia.

## 2 – BUSINESS ENVIRONMENT

---

### BACKGROUND

Zambia offers good opportunities or avenues in which to operate a business. The environment is very friendly, and the Zambian Government has enabling policies resulting in a politically stable Country with Investment opportunity in the Field of Agriculture, Mining, Tourism, Manufacturing and many other Investments.

### POPULATION

As of 2018, the population of Zambia was estimated to be 17,609,178.

### GEOGRAPHY

Zambia is a land locked country located in Central Southern African and has eight (8) neighbouring countries with which it shares borders. These include Malawi, Mozambique, Tanzania, Angola, Zimbabwe, Namibia, Botswana and the Democratic Republic of Congo. Zambia has 10 Provinces in total with its capital City being Lusaka.

### CURRENCY

The official currency of Zambia is the Zambian Kwacha denoted as ZMW.

### LANGUAGE

Zambia is rich in culture having 72 plus different Languages and the official Language is English.

### MAJOR EXPORTS

The Major Export is in Zambia include Copper, Cobalt, electricity, Tobacco, flowers, cotton. Its main export partners being Switzerland, China, Democratic Republic of Congo, South Africa and United Arab Emirates.

### MAJOR IMPORTS

The Major Imports are Fuel, Machinery and Foodstuffs including agricultural produce.

### EDUCATION – PRIMARY AND SECONDARY

Zambia has a good education system with its primary education beginning from Grade (1) one to Grade (7) seven and the Secondary Education from Grade eight (8) to Twelve (12). This includes both Government owned schools as well as privately owned schools including International Schools.

### TERTIARY EDUCATION

The tertiary education ranges from Government owned and private owned Institutions of higher learning namely Universities, Colleges and Vocational Training Schools. The two main Universities in the Country are University of Zambia and Copperbelt University.

### HEALTH CARE SYSTEM

The Health Care system in Zambia is good as there are a number of Hospitals, Clinics and recently Mobile Health Services have been introduced. The Highest Referral Hospital in the Country is University Teaching Hospital situated in the Capital City of Zambia which is Lusaka.

## COMMUNICATIONS

Zambia has three main Companies providing Telecommunication Services which also provide a range of Support Services such as prepaid mobile phone service, Internet access for mobile devices and International roaming service that allows users to stay connected wherever they are in the world. The main Telecommunication Company in Zambia is Zamtel, which is the only fixed line service provider in the country. The other two companies are MTN and Airtel Zambia. Telecommunication companies are regulated by Zambia Information & communication Authority (ZICTA), an agent of the Government of Zambia.

## BANKING AND FINANCIAL SERVICES

The Bank of Zambia is the central bank in Zambia. It governs the Banking and Financial system in Zambia.

## LAND TENURE IN ZAMBIA

To buy land in Zambia you are supposed to be a Zambian citizen or a registered company with Patent and Companies Registration Agency (PACRA). Land is not outrightly sold but leased for a maximum of ninety nine years.

## MARKET EFFICIENCY AND PORTFOLIO INVESTMENT

Government policies generally facilitate the free flow of financial resources to support product development and Infrastructure development.

Banking supervision and regulation by the Bank of Zambia (BoZ), the central bank, has improved over the past few years. Improvements include revoking licenses of some insolvent banks, denying bailouts, limiting deposit protection, strengthening loan recovery efforts, and upgrading the training and incentives of bank supervisors. Credit to the private sector is expensive and readily available only for low-risk investments. One factor inhibiting lending is a culture of tolerating loan default, which many borrowers view as a minor transgression. In addition, high returns on government securities have historically encouraged commercial banks to invest heavily in government debt, to the exclusion of financing productive private sector investments. The 20-year old Lusaka Stock Exchange (LuSE) is structured to meet international recommendations for clearing and settlement system design and operations.

The LuSE has offered trading in equity securities since its inception and, in March 1998, the LuSE became the official market for selling Zambian Government bonds. Investors intending to trade in a listed security or government bond are now mandated to trade via the LuSE. The market is regulated by the Securities Act of 1993 and enforced by the Securities and Exchange Commission of Zambia. There are no restrictions on foreign participation in the LuSE, and foreigners may invest in stocks on the same terms as Zambians. Private firms are open to foreign investment through mergers and acquisitions.

## TRANSPORTATION LINKS

The main mode of transport in Zambia is road transport and other complementary means of transport include air transport and rail transport. Zambia has a relatively good Road Network but has no National Airline of its own. The railway system is also being revamped.

## LAND AND BUILDING

Land and Building in Zambia is administered by the Ministry of Lands in collaboration with the Ministry of Local Government and Housing.

## EXPROPRIATION AND COMPENSATION

An act of parliament is required for investments that may need to be expropriated in relation to the specific property expropriated. Although the ZDA Act states that compensation must be at a fair market value, the method for determining fair market value is ill defined. Compensation is convertible at the current exchange rate. The ZDA Act also protects investors from being adversely affected by any subsequent changes to the Investment Act of 1993 for seven years after initial investment. Leasehold land, which is granted under 99-year leases, may revert to the government if it is ruled to be undeveloped after a certain amount of time (generally five years). Land title is sometimes questioned and land is re-titled to other owners.

## HOLIDAYS IN ZAMBIA

The holidays recognised in Zambia are indicated below

1 <sup>st</sup> January	New year
8 <sup>th</sup> March	International Women's Day
12 <sup>th</sup> March	Youth Day
25 <sup>th</sup> March	Good Friday
26 <sup>th</sup> March	Holy Saturday
28 <sup>th</sup> March	Easter Monday
1 <sup>st</sup> May	Labour Day
25 <sup>th</sup> May	Africa Freedom Day
4 <sup>th</sup> July	Heroes' Day
5 <sup>th</sup> July	Unity Day
1 <sup>st</sup> August	Farmers' Day
18 <sup>th</sup> October	National Day of Prayer and Fasting
24 <sup>th</sup> October	Independence Day
25 <sup>th</sup> December	Christmas Day

## 3 – FOREIGN INVESTMENT

---

### Overview

The Zambian government actively seeks foreign investment (foreign direct investment, ventures and licensing/franchises) through the Zambia Development Agency which was established in January 2007 by consolidating trade and investment promotion entities into one entity for interested international investors.

The major laws governing foreign investment in Zambia include:

- The Zambia Development Agency Act of 2006, which offers a wide range of incentives in the form of allowances, exemptions and concessions to companies.
- The Public-Private Partnership Act of 2009 established a PPP Unit under the Ministry of Finance to promote and facilitate privately financed infrastructure projects and effective delivery of social services.
- The Companies Act of 2017, which governs the registration of companies in Zambia
- General incentives to investors in various sectors are provided in assorted legislation that governs the Zambia Revenue Authority (ZRA), including the Customs and Excise Act, Income Tax Act of 1966 and the Value Added Tax Act of 1995.
- The Employment Act Cap 268, Zambia's basic employment law that provides for required minimum employment contractual terms.
- The Immigration and Deportation Act Cap 123, regulates the immigration into the country of expatriates, business migrants and tourists.

Zambian law does not prohibit foreign and domestic investors from investing in any sector of the economy and receive incentives provided through the ZDA Act of 2006. Non Zambians may also invest in the Lusaka Stock Exchange without restriction and on terms comparable to those of Zambians. During privatisation, foreign investors are eligible to bid on state-owned companies. Companies seeking licenses or concessions or investors bidding for privatised companies are encouraged to seek local partners.

The Zambian government is working on reducing its national debt so that it improves its GCF rating. This is evident in the 2019 budget which reflect the adjustments in the taxation system in order to make sufficient tax revenue which are aimed at reducing the debt burden on the country. A reduction in the high interest rates on the Zambian financial markets will encourage investment which will lead to capital formation and inevitably an improvement in the Gross Capital Formation (GCF) Zambian figures.

### Dispute settlement

The Zambian Investment Code stipulates that claimants must first file internal dispute settlements with the Zambian High Court. Upon failure of that, the parties may go to international arbitration, which the state recognizes as legally binding. Zambia is a member of the International Centre for the Settlement of Investment Disputes (ICSID) and the United Nations Commission of International Trade Law (UNCITRAL).

The Bankruptcy Act Cap 82 of the Laws of Zambia provides for the administration of bankruptcy of the estates of debtors and makes provision for punishment of offenses committed by debtors. It also provides for reciprocity in bankruptcy proceedings between Zambia and other countries and provides for matters incidental to and consequential upon the foregoing. This applies to individuals, local and foreign investors. Bankruptcy judgments are made in local currency, but can be paid out in any international convertible currency.

The Zambian Arbitration Act No. 19 of 2000 applies to both domestic and international arbitration and is based on the UNCITRAL Model Law. Arbitration agreements must be in writing. Parties may appoint an arbitrator of any nationality, gender or professional qualifications. Foreign lawyers are prohibited from representing parties in domestic or international arbitrations taking place in Zambia.

### **Currency Conversion and Transfer Policies**

Currently, no restrictions on converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments and lease payments) into freely usable currency and at a legal market-clearing rate existing. Investors freely repatriate capital investments, as well as dividends, management fees, interest, profit, technical fees, and royalties. Foreign national can also transfer and/or remit wages earned in Zambia without difficulty. No exchange controls exist in Zambia for anyone doing business as either a resident or non-resident. Additionally there are no restrictions on non-cash transactions. Over-the-counter cash conversion of the local currency i.e. Kwacha, into foreign currency is restricted to US\$ 1,000 for non-account holders and a US\$ 5,000 maximum per transaction for account holders.

## 4 – SETTING UP A BUSINESS

---

### TYPES OF PARTNERSHIP

#### **Private ownership rights**

No business ventures are solely reserved for the government as foreign and domestic private entities have a right to establish and own business entities and engage in all forms of remunerative activities. Although private entities may freely establish and dispose of interests in business entities, investment board approval is a prerequisite before transferring an investment license for a given entity to a new owner. Private entities have periodically complained that the playing field is not even when they compete with public enterprises when acquiring licenses or concessions.

### **COMPANY CAPITAL**

Company Capital can be raised through Debt or Equity. Minimum Nominal Capital required for Private Companies limited by shares is K 15,000.

### **TYPES OF COMPANIES**

The types of Companies include Private Companies limited by Shares, Companies limited by Guarantee and Public Companies. You can contact Patents and Registration Agency Zambia for more information on the Registry for the above mentioned Companies at [www.pacra.org.zm](http://www.pacra.org.zm)

## 5 – LABOUR

---

### **Labour rights**

The Zambian government has closely adhered to the International Labour Organisation (ILO) conventions. Occasionally strikes occur in the public sector but most are due to government's shortcomings with regards to delayed salaries or allowances.

### **Transparency of the regulatory system**

Despite some complaints, the government has made improved strides towards introducing transparent policies to foster competition. Questions have arisen in recent years regarding the enforceability of existing mine development agreements, which gave mine owners the right to compensation if government failed to comply with agreed tax stability guarantees, the process of awarding Game Management Areas by the Zambia Wildlife Authority, and the fairness of competition between state-owned enterprises and private firms.

In the agricultural sector, the Zambian government intervenes, through the purchase and distribution of subsidized maize and fertilizer, which acts as a barrier of entry to the private sector investors.

Labour laws provide for extremely generous severance pay, leave, and other benefits to workers, which can impede investment. However such rules do not apply to personnel hired on a short term basis. As such, the vast majority of Zambian employees are hired on an informal or short-term basis. The Zambian government is in the periodically reviews the Minimum Wages and Conditions of Employment Act, Cap 276, of the Laws of Zambia.

Although the ZDA seeks to serve as a "one-stop shop" for investors, in practice acquiring licenses and permits presents problems for potential investor as in some cases, several licenses are required to establish and run a business. In view of this challenge, the government of Zambia Set up the Business Regulatory Review Agency to be the one-stop shop for all business registration requirements.

## 6 – TAXATION

---

### INCOME TAX LAW

#### General Incentives and Taxation:

Foreign investors receive national treatment under Zambia's tax system. Income from farming as well as Agro processing is taxed at a rate of ten percent, below the standard corporate tax rate of 35 percent. In addition, that portion of income determined by the Commissioner of Taxes to originate from the export of non-traditional products is taxed at a rate of fifteen per cent (traditional exports include copper, cobalt, lead, zinc, gold, and silver). Additionally, Business enterprise operating in a priority sector declared under the Zambia Development Agency Act, 2006 and Manufacturing enterprise located in a rural area, Multi Facility Economic Zone or industrial park have tax holidays for the first five years of operations.

#### Capital Allowances:

Manufacturing, mining, and hotel structures qualify for a depreciation allowance of five percent per year, plus an initial allowance of ten percent of the cost in the year in which the building was first used. Farm Improvement works and buildings attract allowances at 100 percent. Equipment, machinery, and plants used exclusively for farming, qualify for a depreciation allowance of 100 per cent while manufacturing and tourism Equipment has allowances at 25 per cent. Capital expenditure allowance on the growing of coffee, tea, bananas, citrus fruits, or similar plants qualifies for a development allowance of ten percent per year through the first year of production. A farm work allowance of 100 percent applies to such farmland expenditures as stumping; clearing; preventing soil erosion; drilling boreholes, wells, and water conservation; and aerial or geographical surveys. The depreciation allowance for non-commercial vehicles is 20 per cent (straight-line depreciation). Expenditure on other assets used in generating income qualifies for a depreciation allowance of 25 per cent (straight-line depreciation). This also includes Commercial Vehicles.

The export duty applicable on copper and cobalt concentrates has been reduced from 15 to 10 percent and extended to cover all unprocessed or semi-processed minerals. This extension is intended to encourage local processing and value addition.

Although performance requirements are not imposed, authorities expect commitments made in applications for investment licenses to be fulfilled. No requirements currently exist for local content, equity, financing, employment, or technology transfers. Government requires that all international firms licensed operating a domestic cellular telephone network offer ten percent of shares on the Lusaka Stock Exchange, per commitments made by agreement prior to entering the market.

### CUSTOMS LAW

Duty free importation of most capital equipment for the mining and agriculture sectors;

Relief for VAT registered enterprises on imports of eligible capital goods. (VAT deferral); Most capital equipment attracts duty rates of 0 to 5 %. Further relief is granted under the Duty Draw Back scheme. To qualify for the scheme, the following conditions must be met:  
- the company or individual must be in the manufacturing business

- the company or individual must be an exporter or intends to start exporting
- the company must be in any sector other than the mining sector.

### **DOUBLE TAXATION AGREEMENTS (DTAS)**

Zambia has signed Double Taxation Agreements (DTAS) with a number of countries, including, but not limited to Mauritius, United Kingdom, China, Denmark and Finland. Agreements are also yet to be signed with Kenya, France, Germany, Ireland, Italy, India, Netherlands, to just mention but a few.

### **NON FISCAL INCENTIVES**

Investors who invest an amount not less than US\$250,000 in any sector or product not provided for as a priority sector or product under the Act. This category of investors is entitled to non-fiscal incentives as follows;

- I. investment guarantees and protection against state nationalization
- II. free facilitation of an investor secondary license, land acquisition and utilities

## 7 – ACCOUNTING & REPORTING

---

International Financial Reporting Standards are used for Accounting and Reporting in Zambia. The Zambia Institute of Chartered Accountants ZICA is the responsible body for regulation of Accountancy in Zambia. ZICA Adopted full International Financial Reporting Standards for all entities in 2005.

Currently there is a three-tier system for reporting. For Listed Companies, Public Interest entities and Government Owned Enterprises, a full IFRS is required while Economically Significant Companies which are not PIE with turnover of K20 million and above are required to use IFRS for SMEs or Full IFRS if the Company opts to use it. Zambian Financial Reporting Standard for Micro and Small Entities are used for Micro and Small Entities with Turnover of less than K20 million.

## 8 – UHY REPRESENTATION IN ZAMBIA

---

### CONTACT DETAILS

UHY AMO Certified Public Accountants  
No 4 Cedar Road  
Off Chitukuko Road  
Woodlands  
Lusaka  
Zambia

Tel: +260 211 269 479

Fax: +260 211 251383

[www.uhy-amocpa.com](http://www.uhy-amocpa.com)

### CONTACTS

Liaison contact: Dion Banda Dault

Position: Managing Partner

Email: [d.banda@uhy-amocpa.com](mailto:d.banda@uhy-amocpa.com)

### BRIEF DESCRIPTION OF FIRM

UHY AMO Certified Public Accountants Limited (UHYAMOCPA) is a firm registered with the Zambia Institute of Chartered Accountants (ZICA). ZICA is the regulator of accounting, audit and assurance service providers in Zambia. We consider ourselves as one of the top 10 firms in Zambia.

### CURRENT PRINCIPLE CLIENTS

Electoral Commission of Zambia (ECZ), Citizen Economic Empowerment Commission (CEEC), Business Regulatory Review Agency (BRRA), Klein Karoo Seed Marketing Zambia, ATS Agro-chemicals Zambia, BBC Media Action Zambia,

### SERVICE AREAS

UHY AMOCPA, provides audit and assurance services, tax and tax advise, corporate secretarial services, business and corporate consultancy, forensic accounting and compliance review.

### SPECIALIST SERVICE AREAS

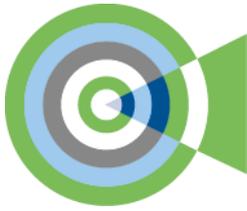
We are specialist in quasi-governmental audits, tax for large corporate and business growth consultancy.

### LANGUAGES

English

### CURRENT PRINCIPAL CLIENTS

Electoral Commission of Zambia (ECZ), Citizen Economic Empowerment Commission (CEEC), Business Regulatory Review Agency (BRRA), Klein Karoo Seed Marketing Zambia, ATS Agro-chemicals Zambia, BBC Media,



---

## LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at [www.uhy-amocpa.com](http://www.uhy-amocpa.com) to find contact details for all of our offices, or email us at [info@uhy.com](mailto:info@uhy.com) for further information.

---

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

UHY AMO Certified Public Accountants (the "Firm") is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

© 2019 UHY International Ltd