



FOR IMMEDIATE RELEASE

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**CRAFT A SECTOR-SPECIFIC MINING TAXATION REGIME FOR
ARTISANAL AND SMALL-SCALE MINING**

The mining sector has been dominated by large scale mining at the neglect of Artisanal and Small-scale Mining (ASM). However, it is worth noting that the latter presents itself as a conduit of inducing poverty reduction in communities hosting mineral resources. Additionally, ASM positions itself as a low hanging fruit to proliferate human development. However, it is worth noting that several challenges prevent this strategic sector from initiating nationwide social-economic development. At present, the sector is faced with several challenges including low access to finance, lack of geological information, lack of basic technology to be used in the mining process, and a high mining tax rate. It must be stressed that strategies to grow the sector must aim at overcoming some of these barriers. It is worth noting that ASM remains largely informal. This state of affairs can be attributed to some of the aforementioned challenges.

One critical factor is the excessive tax burden levied on ASM operators. Zambia's current mining taxation regime does not differentiate between large and small-scale players. This has led to the over-taxation of the latter. For example, in artisanal and small-scale gold mining operations, the current taxation regime imposes an Average Effective Tax Rate (AETR) that is over 50%.

The Centre for Trade Policy and Development (CTPD) wishes to note that the Government's long term objective of formalizing the ASM sector can only come to fruition if it addresses the fiscal challenge of mining taxation. In a factual discourse, high taxation tends to reverse the formalization process. This is because informal miners will shy away from stepping into the formalization space in fear of the hard-earned production being taxed away. The core principle should be centered on casting the net wide and not deep. This means instituting a

tax regime that has a low AETR to induce formalization so that the tax base can be widened and government can collect more taxes.

The Centre wishes to urge the government to craft a sector-specific taxation regime for ASM that culminates into a low AETR. This should be done to achieve two primary objectives:

- (i) Induce growth of the sector through a plough back resources approach by ASM operators; and
- (ii) Increase tax revenue collection through formalization.

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Editor's Note

The Centre for Trade Policy and Development (CTPD) is a not-for-profit, membership based trade policy and development think tank. The organization was established in 1999 and existed as the civil society trade network (CSTNZ), until 2009 when it was rebranded as the Centre for Trade Policy and Development (CTPD).

The mandate of CTPD is to influence pro-poor trade and investment reforms at national, regional and multilateral levels as well as facilitate the participation of various stakeholders including member organizations in ensuring that trade is used as a tool for poverty eradication.

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