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2023 BUDGET EXPECTATIONS FOR THE MINING SECTOR

Mining continues to be the backbone of Zambia's economy accounting for over 10 percent of GDP and over 70 percent of export earnings. The sector also positions itself as a significant source of domestic revenue generation. Additionally, it continues to be a source of employment for many Zambians. The sector presents itself as a low-hanging fruit that government can exploit to propagate economic development. As the government receives proposals to be encapsulated in the 2023 national budget, we expect clear-cut reforms that are going to initiate growth within the sector.

In the last budget presentation, the Minister of Finance reintroduced the deductibility of mineral royalty to compute corporate income tax. This was a move aimed at economically unlocking the mining sector. Additionally, this is an international best practice that has somewhat made our taxation regime competitive by reducing the average effective tax rate. Although this policy reform is progressive, it was mainly targeted at unlocking the business potential of large-scale mining players that pay corporate income tax. However, the government should not be hoodwinked in further redesigning the taxation regime to favour large-scale mining companies at the expense of our domestic revenue mobilization objective.

At present, there is an agenda to further change the operating mechanics of the sliding scale mineral royalty citing that this will bring in more investment. It must be stressed that mineral royalty is not the only financial instrument that makes up the mining fiscal regime. Other instruments such as withholding tax, VAT, import, and export duty are equally important. Hence, one wonders about the high obsession to further fine-tune the mineral royalty fiscal instrument.

Government in the past has put in place policies that are lopsided in favour of large-scale mining enterprises at the expense of small-scale mining players. This is comprehendible because a huge portion of mining revenue emanates from large-scale mining players. However, the artisanal and small-scale mining sector should not be underplayed because it is a source of livelihood for many Zambians that cannot get white-collar jobs. This being so we expect reforms that catalyze its growth and inhibit its informality.

In the next budget proposal, the Centre for Trade Policy and Development (CTPD) expects the government to introduce a sector-specific taxation regime for the artisanal and small-scale

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mining sector. This should be aimed to foster compliance by lowering the tax burden. Currently, the taxation regime does not differentiate between small- and large-scale players. This has arguably led to the over-taxation of the latter driving the increase in the informal sector size. Although it is appreciated that government has a limited operational budget to support the mining sector, we at least expect an increase in funding to obtain geological information. The provision of geological information must be targeted at artisanal and small-scale players because of their financial incapacitation to undertake prospecting and exploration works.

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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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