



MINING LEGAL FRAMEWORK OF ZAMBIA

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**A presentation at the China Mining Conference 2016
Tianjin; Peoples Republic of China
September 2016**



CONTENTS

Introduction

Quick facts about Zambia

Brief Mining History of Zambia

Legal Framework for Mining Sector – Licence types

Legal incentives for investors



Introduction



Location of Zambia in the sub-region and its main transport routes



Quick Facts



Size: 752,000 sq. km in area

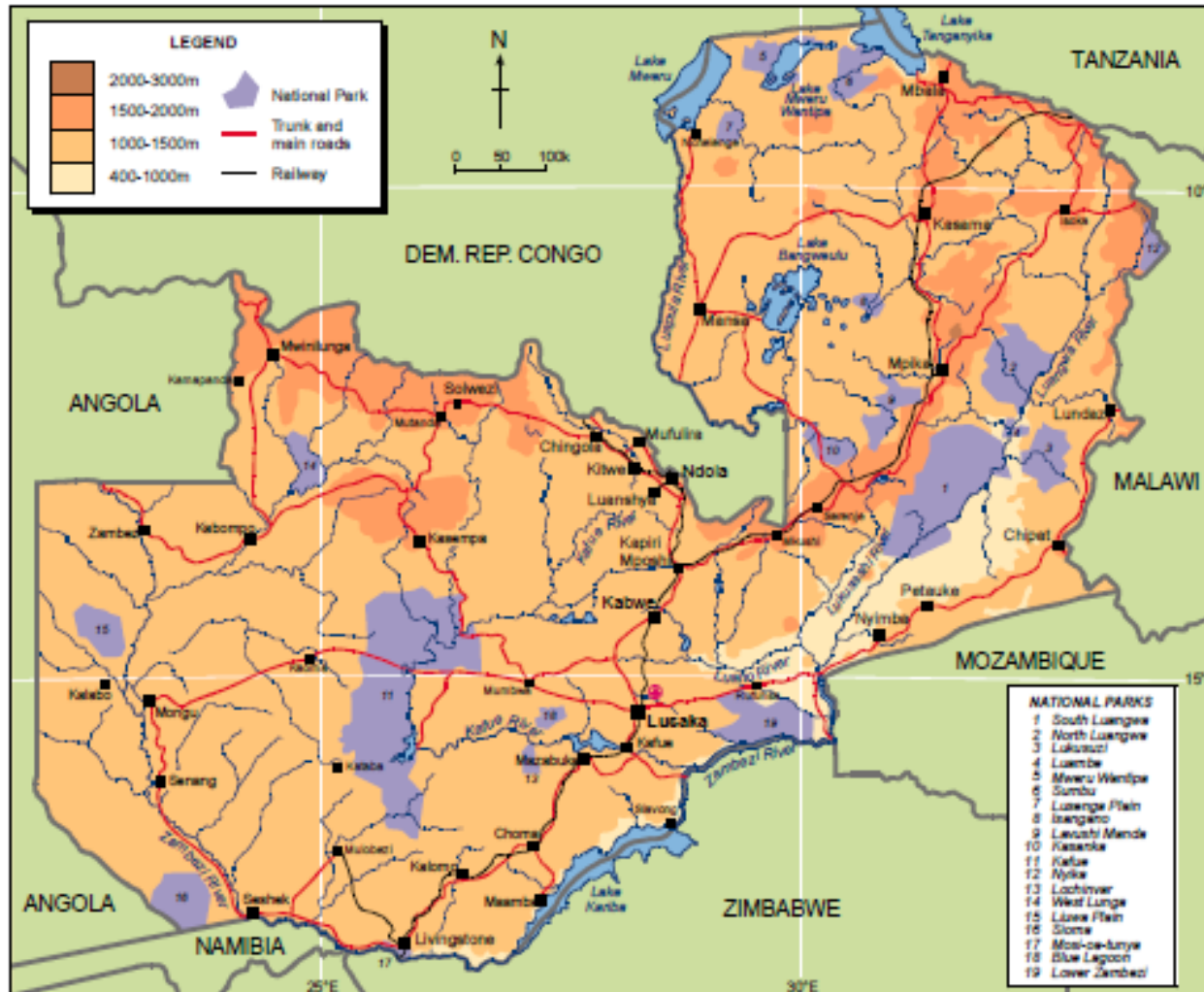
Government system: Presidential, unitary,
multi-party

Population: 16m+ (estimate); multi-ethnic,
multi-lingual, with English as official language
of government business

Climate: Tropical - hot-wet (Dec to April),
cool- dry (May to Aug),
hot - dry (Sept to Nov)



QUICK FACTS CONT'D



Key geographic features of Zambia with some main administrative centres



QUICK FACTS CONT'D



Zambia's first level administrative regions: the provinces



Brief Mining History of Zambia



Zambia has been a mining country for more than a hundred years

First commercial mining of copper started in the late 1890s with mining of copper at Kansanshi, in north-western Zambia

Around 1905 mining of lead and zinc at the now closed Kabwe mine started in central Zambia. (the mine closed around 1990)

In the 1920s mining of copper in the world famous copperbelt started and continues to this day



Brief Mining History of Zambia (cont'd)



Gold, manganese, tin and tantalum have been mined discontinuously since the 1940s

Industrial minerals, non-metallics and several types of gemstones are being mined, e.g. limestone, pyrite, clays, construction aggregates, dimension stones, coal, emerald, aquamarine, amethyst.



LEGAL FRAMEWORK FOR MINING SECTOR

- Zambia passed a new mining law in 2015 mainly to provide for a longer period of tenure for exploration licences and merging of similar type of licences.
- Before passage of the new law exploration licences had a duration of two years, though they could be renewed
- The new law has also increased the maximum size of area for an exploration licence



Licence Types

Among the licence types the 2015 law has provided for are:

- Exploration Licence
- Mining Licence
- Mineral Processing Licence
- Mineral Trading Licence (this is a new introduction – it did not exist before, except for gemstones)



Licence Tenure



Licence Type	Maximum Duration (Years)	Renewable
Exploration Licence	4	YES (for 2 periods of 3 years each and dropping off of 50% of area previously held)
Mining Licence	25	YES
Mineral Processing Licence	25	YES
Mineral Trading Licence	3	YES



General Restrictions

- An area exceeding 2 cadastre units (i.e. $>\sim 6.6$ hectares) shall only be granted to a company
- An area between a minimum of 2 cadastre units and a maximum of 120 cadastre units (i.e. 400 hectares or 4 sq.km) shall only be granted to the following types of companies:
 - a) Citizen influenced company (4 – $<25\%$ of equity owned by citizen)
 - b) Citizen empowered company (25 to 50 % of equity citizen owned)
 - c) Citizen owned company ($> 50\%$ of equity citizen owned)



- Wholly foreign owned companies may only apply for area more than 400 hectares in size (smaller areas intended for citizens to participate as these require less financial resources to invest)



Exploration Licence Level of Operations

Exploration Operations level	Maximum area (sq. km)
Small scale	10
Large scale	2,000

Duration of EL: 4 yrs; renewable twice for periods of 3 yrs; but at least 50% of area must be relinquished at time of application for renewal



Mining Licence

Level of Mining Operations	Maximum area	Duration in years
Artisanal	6.6 Ha	2
Small scale	400 Ha	10
Large scale	250 sq. km	25



Mining Licence cont'd

N.B.:

- **Artisanal operations reserved for citizens or cooperatives wholly composed of citizens**
- **Small scale mining operations to be undertaken by citizen owned, citizen influenced or citizen empowered companies**
- **Mining licences are renewable**



Mineral Processing Licence

- Is granted for a maximum period of 25 yrs
- Is renewable, for a similar period
- The area of land over which a mineral processing licence is sought must not exceed 250 sq. km
- The holder of a mining licence may construct and operate a mineral processing plant within the mining licence area without a separate mineral processing licence



Mineral Trading Permit

- Is a permit to buy and sell minerals within the country

May be granted to

- a) A citizen,
- b) A citizen influenced company
- c) A citizen empowered company
- d) A citizen owned company

Mineral Trading Permit will be valid for a period of 3 years



Chinese Involvement in Zambia's mineral sector

- There are already several exploration licences belonging to companies owned by Chinese nationals
- Chinese companies already operate large scale mines in Zambia e.g. NFCA at Chambishi, LCM at Luanshya, Collum Coal in Sinazongwe, and in cement production
- Other Chinese companies operate brick making plants (from local clay deposits), quarries for aggregates, and small scale copper smelters



INCENTIVES ENJOYED BY INVESTORS

The Zambia Development Agency Act provides for incentives for companies investing substantial amounts in the mining sector in the country.

Currently the threshold is US\$500,000 to qualify for the incentives



INCENTIVES ENJOYED BY INVESTORS (cont'd)



The general investment incentives applicable to the mining sector are:

- Guaranteed input tax claim for five years on pre-production expenditure for exploration companies
- Any mining company holding a large-scale mining licence carrying on the mining of base metals is taxed at 30%. Other mining companies are taxed at 35%
- Dividend paid by a mining company holding a a large-scale mining licence and carrying on mining of base metals is taxed at 0%



INCENTIVES ENJOYED BY INVESTORS (cont'd)



- Income earned by companies in the first year of listing on the Lusaka stock exchange qualifies for a 2% discount on the applicable company tax rate; however companies with more than 1/3 of their shareholding in the hands of Zambians qualify for a 7% discount.
- Duty free importation of most capital equipment for the mining sector



INCENTIVES ENJOYED BY INVESTORS (cont'd)



- 100% deduction on capital expenditure on buildings, railway lines, equipment, shaft sinking or any similar works
- The debt to equity ratio reduced from 2:1 to 3:1 to encourage further investment in the sector



General Information



Current existing licence areas can be viewed on the web portal:

<http://www.portals.flexicadastre.com/zambia>

The Zambia Development Agency website may be visited to get latest information regarding investment incentives: <http://www.zda.org.zm>



**ALL ARE WELCOME TO COME
AND INVEST IN ZAMBIA**

**THANK YOU FOR YOUR
VALUABLE ATTENTION**