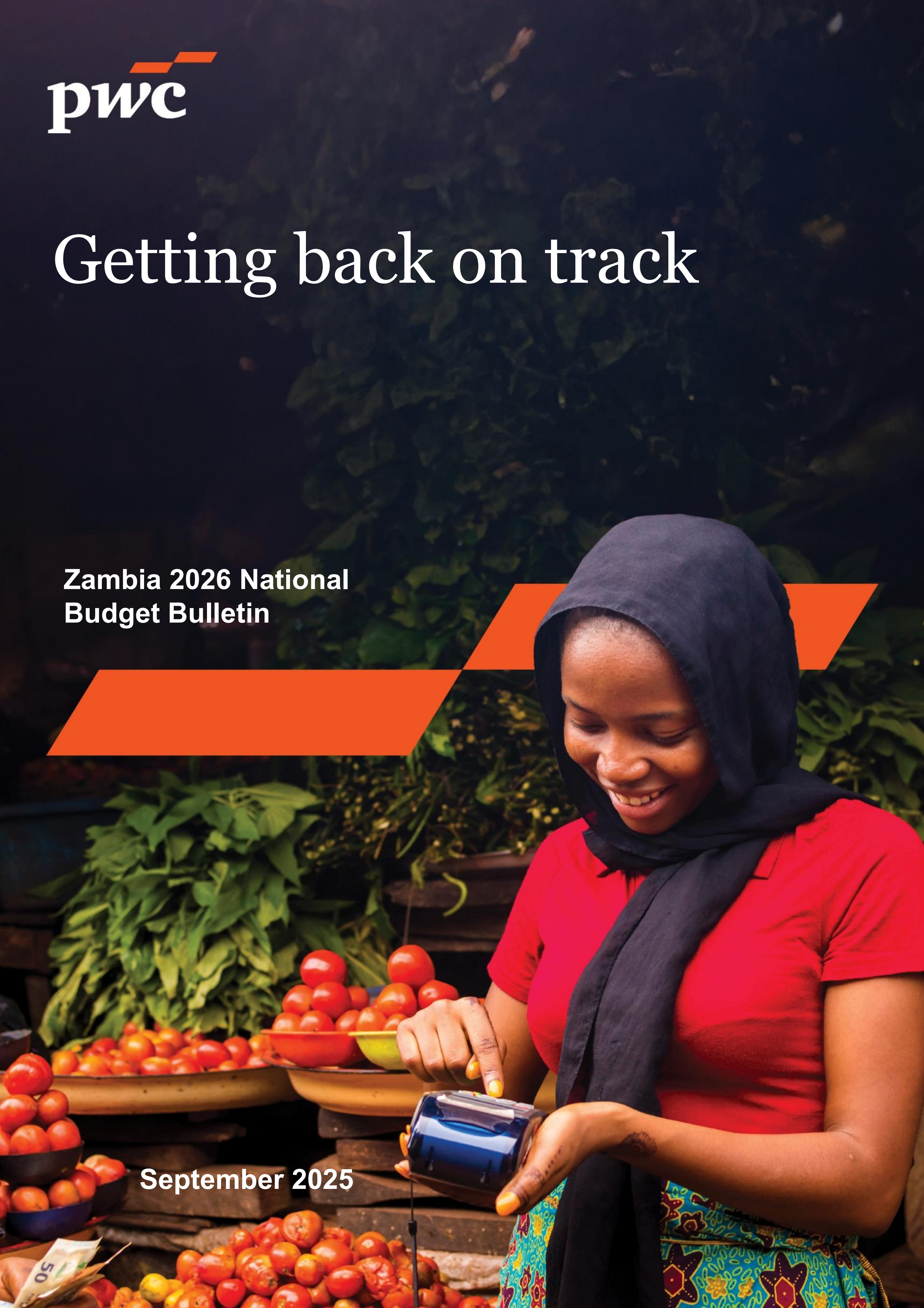
Getting back on track



Zambia 2026 National Budget Bulletin

September 2025

Table of contents

1 Commentary

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From crisis response to stability and resilience.

Commentary

Context of the Budget

On Friday, 26 September 2025, the Honorable Minister of Finance and National Planning, Dr Situmbeko Musokotwane, presented the 2026 National Budget to Parliament. It is the fifth budget under the UPND administration and the first since Zambia endured the worst effects of the climate change-induced energy and food crisis. It is titled **"Consolidating Economic and Social Gains Towards a Prosperous, Resilient and Equitable Zambia"**.

A stronger harvest in 2025 has eased food pressures, but the country continues to grapple with a severe power deficit.

The 2026 budget signals Zambia's return to stability and resilience after a period of crisis-driven spending. The focus has shifted from emergency measures to consolidating reforms, restoring fiscal credibility, and ensuring that economic growth benefits all Zambians.

Totaling K253 billion, the 2026 budget reflects a 17% increase over the original K217 billion planned for 2025 and a 6% rise above the supplementary-adjusted figure of K238.6 billion. A supplementary budget of K33.6 billion (net K22.6 billion after savings) was required to accommodate several additional expenditures including the following:

Expenditure	Amount (K billions)
Outstanding fuel arrears	11
Debt obligations (Domestic interest and addition external debt interest arrears)	8
Agricultural sector commitments (including FISP)	6
Social Protection (Including Social Cash Transfer Extension)	1.9
Educational Infrastructure	1.3

Less dramatic in tone than previous budgets, the 2026 budget's significance lies in its focus on continuity and consolidation. Major reforms from 2022 and 2023 are being embedded, with measures like the Minimum Alternative Tax introduced through the 2025 supplementary process. Rather than unveiling sweeping new initiatives, this budget reinforces existing policies.

Notably, there is a clear push to promote and protect domestic manufacturing. Key measures include higher import duties on processed meat products, powdered milk, cheese, yoghurt, flexible PVC hoses, and polyester fibre. At the same time, the removal of import duties on milk pasteurisation machinery and vehicle assembly components aims to support local industry and value addition.

Commentary

Review of 2025 – Climate Shocks and Crisis Response

2024 and 2025 were dominated by climate shocks which shaped the 2025 budget execution. Severe drought disrupted agriculture and hydropower, slowing GDP growth to 3.8% (down from earlier projections of 4.7%).

Government and cooperating partners responded with, amongst several things, instituting reforms to support electricity imports, incentivising renewable energy projects, reallocation of budget resources to drought relief, and additional social safety nets for vulnerable groups. The IMF also augmented its program in mid-2024, providing US$385 million to help mitigate the effects of the drought.

Better rains in 2025 delivered a bumper maize harvest, easing food prices. Inflation fell from 16.7% at end-2024 to around 12.3% by mid-2025. GDP growth for 2025 is projected at 5.8%, supported by agriculture recovery, mining expansion, and ICT growth.

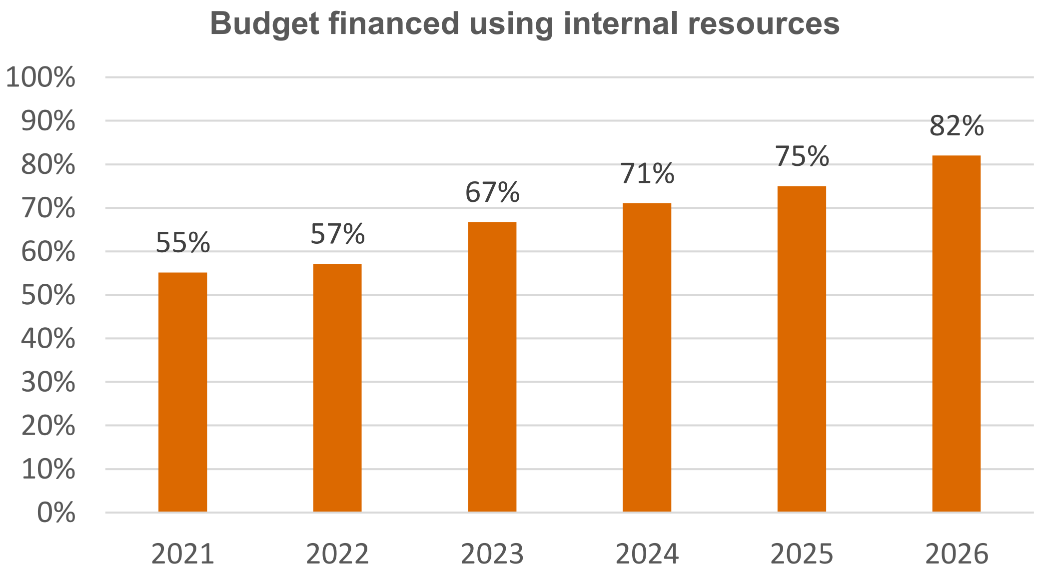
The 2026 social protection budget is K15.7 billion, 13% lower than the K18 billion (after supplementary budget) allocation in 2025 but still far above the pre-crisis level of K9.7 billion in 2024. It accounts for 6.2% of planned expenditure, compared to 7.5% in 2025 and 4.9% in 2024. This shows that, while scaled back, crisis-level protection for vulnerable households continues into 2026.

Commentary

Fiscal and debt management – Toward sustainability and credibility

The 2026 budget emphasises fiscal consolidation, targeting a deficit of 2.1% of GDP – the lowest in over a decade. This compares with a revised 2025 deficit of about 4.6%, which rose after drought-related spending and a supplementary budget.

The Government plans to finance K 206.5 billion of the budget (82% of the planned expenditure and 22.3% of GDP) through domestic revenues – the highest ratio in more than a decade. Stronger mining receipts, improved tax compliance, and targeted measures such as higher fees and levies underpin this growth.



Source: Annual budget speeches

*2025 estimate based on initial budget for that year adjusted for details in the 2025 Supplementary Budget

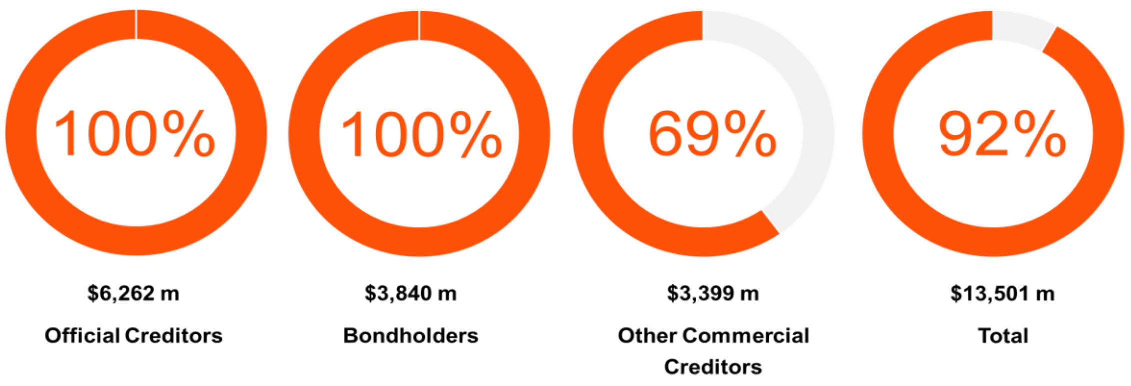
Commentary

External debt restructuring

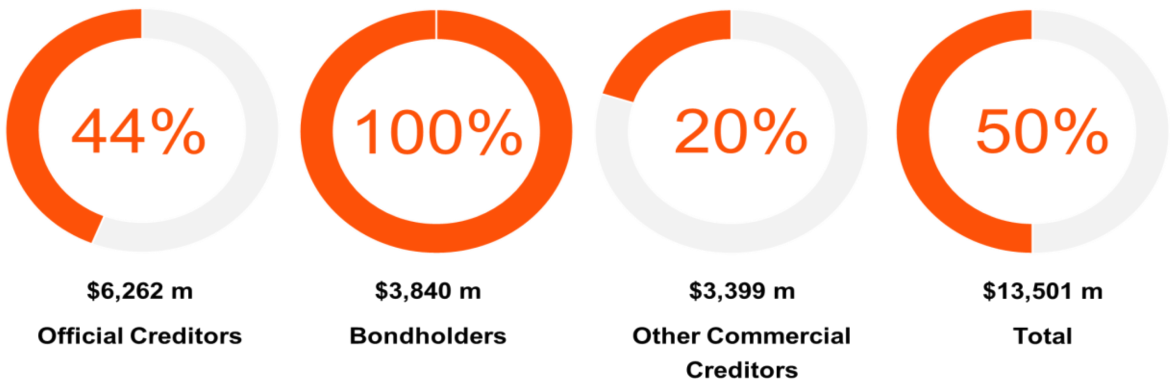
A cornerstone of improving public finances has been the restructuring of Zambia's unsustainable external debt. By the time of this budget, Zambia has made substantial progress in resolving its debt crisis.

According to the Status of External Debt Restructuring Analysis provided by the Ministry of Finance and National Planning during the half year economic review, the status of the External Debt Restructuring process is as follows:

Debt Restructuring (Agreed In Principle)



Debt Restructuring (Fully Restructured)



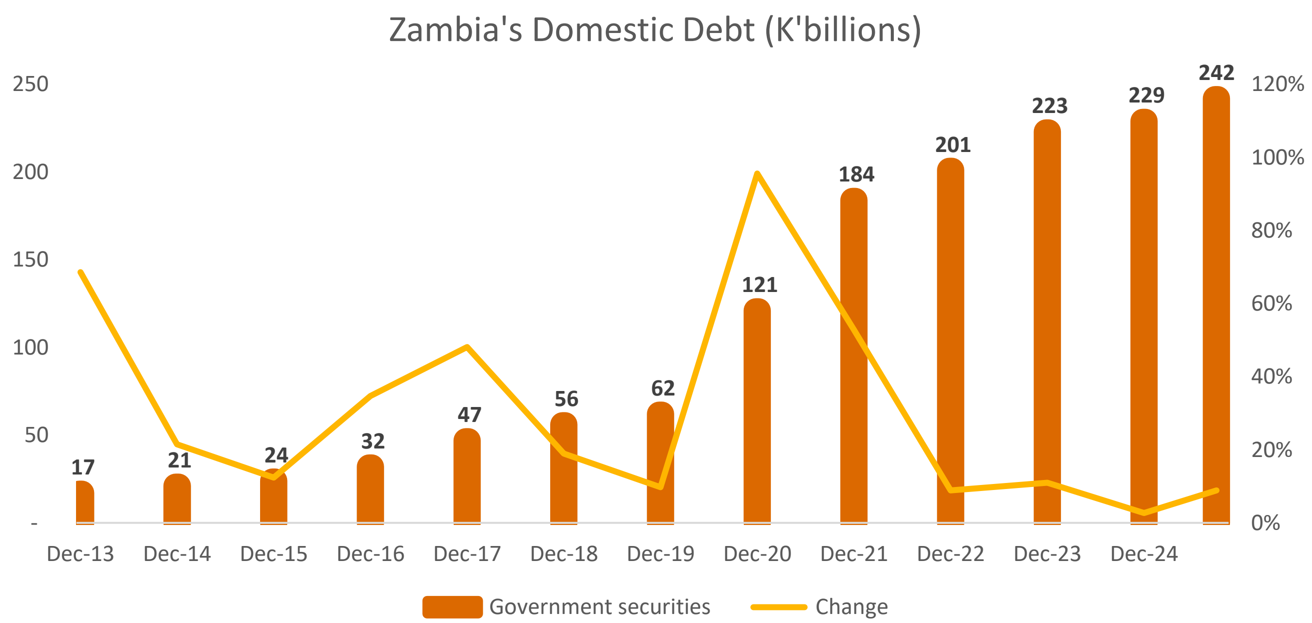
Progressing from Agreements in Principle to fully restructured debt has been slow, delaying payments to several creditors. Once finalised, annual external debt repayments are expected to rise. Completing the restructuring is also crucial for any meaningful improvement in Zambia's international credit ratings.

Overall, the country's total external debt stock excluding publicly guaranteed debt now stands at US$15.78 billion, a 2.3% increase from US$15.43 billion as at December 2024. This was primarily driven by disbursements by multilateral and plurilateral creditors. Publicly guaranteed external debt was, however, unchanged at US$1.36 billion. The incremental debt is concessional and largely came from previously contracted debts

Commentary

The Domestic Debt dilemma

The more pressing challenge now is domestic debt, which reached K225.5 billion by mid-2024—double the 2020 level and nearly four times the K62 billion recorded in 2019.



Source: Bank of Zambia Fortnightly Statistics and 2026 Budget speech

Debt servicing costs are substantial, with K52 billion allocated for domestic interest payments in 2026 due to the maturity of loans contracted during the borrowing surge. Domestic debt service now accounts for 20.6% of total expenditure—an unprecedented level. The Annual Borrowing Plan limits net domestic financing to K21.6 billion (2.3% of GDP), underscoring efforts to curb reliance on expensive local borrowing. 2026 will be pivotal as Zambia aims to finalise external debt restructuring, begin repayments, and manage sharply higher domestic debt service costs.

Commentary

Energy and power supply – Powering through the crisis

Drought in 2024–2025 reduced hydroelectric output and forced load-shedding of extended periods daily. Mining companies and other large industries relied on imports and generators to sustain output, while many households and small businesses endured prolonged blackouts. Emergency tariffs, initially introduced to enable the importation of costly but essential power, now appear to be a permanent fixture.

The discussion of getting tariffs to cost reflective levels to stimulate investment in Zambia remains a live one with many counter arguments regarding the far-reaching impact of higher tariffs on the cost of doing business and living. Also notable is the debate as to whether the tariffs have consistently delivered the desired stable and predictable power supply promised. Other factors such as faults and maintenance shutdowns have meant that the full benefit of the emergency imports have not been fully appreciated. Although rains in 2025 eased the pressure, supply still lags the ever-growing demand as the country enters 2026.

Notably, the budget prioritises energy security, with plans to **add 1,500 MW of solar and 300 MW of coal power in 2026** – equivalent to half of the current installed capacity highlighted. In the long term, there is the intent to raise the share of non-hydro renewables to one-third of total generation.

Reforms and incentives are helping underpin the recovery. Most notable has been the open-access regime. Other incentives include VAT refunds for hydro projects, duty waivers on transmission equipment, and a K500 million Electricity Fund, whose details are not yet fully available. There is also an indication that progress will finally be made on the long outstanding Zambia–Tanzania Interconnector which will allow Zambia to tap into the East Africa Power Pool as an additional source of power.

Coal has re-emerged as a central part of the mix, with Maamba operating at full capacity and expansion underway. While solar expansion is welcome, it is not always optimal for energy-intensive industries such as mining, meaning baseload sources like coal, hydro and thermal will remain critical. Zambia's full economic potential will not be realised unless the power deficit is resolved, making timely project execution vital. Power shortages remain the single biggest risk to achieving the growth targets set out in the 2026 budget.

Commentary

Infrastructure and PPPs – Building through partnerships

Infrastructure spending continues its renaissance. Road allocations, which had fallen to 2.9% of expenditure in 2022 and 3.1% in 2023, rebound to 5.7% (K14.5 billion) in 2026 up from 5% in 2024.

A record pipeline of PPP projects is underway across roads, energy, rail, and social sectors. The Government recognises that some projects, particularly in rural areas, will still require public funding where commercial viability is limited.

Aviation infrastructure also features strongly, with projects at Mfuwe, Kasama, and Mansa airports, alongside rural airstrips, many of which directly benefit tourism. Regional rail developments, notably TAZARA and the Lobito Corridor, are advancing, offering strategic export alternatives.

Infrastructure is thus positioned not just as physical assets, but as enablers of tourism, mining, agriculture, and trade.

Constituency Development Fund

The Constituency Development Fund (CDF) remains a flagship of the UPND government. In 2026, allocations rise to K40 million per constituency, up from K36.1 million in 2025, bringing the total envelope to K6.24 billion (2.5% of the budget).

Since 2021, CDF has grown 25 times from K1.6 million per constituency to its current level, evidence of the continued commitment to decentralisation. The key challenge now lies in absorption, accountability, and ensuring quality projects. Government is strengthening oversight and building capacity of local committees to ensure the funds deliver tangible and sustainable community benefits.

Support for Businesses and Households – Targeted relief within constraints

Businesses and households hoped for broad relief in 2026, but with limited fiscal space, the Government avoided tax cuts or subsidies. Most tax rates remain unchanged.

Instead, support is targeted. The Government will operationalise a K5 billion SME Fund, managed by the Bank of Zambia, providing credit guarantees and business development support. This enhances ongoing empowerment initiatives under CDF and sector programmes.

For households, relief is indirect: Government has chosen to prioritise macro stability and growth, aiming to keep inflation and interest rates in check, alongside sustaining social measures such as free education and social cash transfers.

Commentary

Sustainability and climate response – Green initiatives on the agenda

Environmental sustainability, a pillar of the Eighth National Development Plan, features more prominently in the 2026 budget. K1.57 billion (0.6% of total expenditure) is allocated to environmental protection, up from K1.48 billion (0.7% of total expenditure) in 2025.

Funds support climate-smart agriculture, early warning systems, reforestation, pollution control, and conservation. The doubling of excise duty on single-use plastics to 100% is a commendable and bold step, aligning fiscal policy with environmental goals. It is anticipated that in a few years' time, single-use plastics will be banned completely. We support this wholeheartedly.

At the same time, the question remains whether this level of funding is sufficient given Zambia's vulnerability to droughts and floods. The 2024–2025 drought underscored how climate shocks can derail growth and public finances. Shouldn't this Fund be much bigger by now?

Innovative finance complements the budget, with Zambia having raised US$150 million through Green Bonds in 2024 to support solar projects. Such instruments will need to scale up significantly to meet Zambia's long-term green growth ambitions.

Growth outlook and sectoral drivers – Ambitious targets and engines of expansion

GDP growth is projected at 6.4% in 2026, up from 5.8% in 2025 and under 4% in 2024. Key growth drivers include a rebound in mining—with copper output set to surpass one million tonnes in 2025 and rise further as major expansions come online—alongside a strong recovery in agriculture, supported by increased inputs, irrigation, mechanisation, and crop diversification. Manufacturing is gaining momentum from over US$4 billion in recent investment, particularly in agro-processing and mining supply chains, while tourism is set for further expansion with K1.54 billion allocated to infrastructure and product diversification.

With mining and agriculture rebounding after previous underperformance, the growth target appears within reach. However, realising this potential depends on reliable energy, favourable rainfall, and stable copper prices. Ultimately, the true test will be whether this growth delivers tangible benefits—jobs, higher incomes, and lower living costs—for ordinary Zambians.

Commentary

Conclusion

Execution, Resilience, and Outlook for Stakeholders

The 2026 budget is Zambia's pivot from crisis mode to a future built on stability and resilience. It is a blueprint that favours action over rhetoric, aiming to turn cautious optimism into real progress. With a record-low deficit target and a focus on homegrown resources, the message is clear: credibility and discipline are back in the driver's seat.

Opportunities abound—mining, agriculture, manufacturing, and tourism are all set to power growth, while infrastructure and CDF investments promise to bring development closer to the people. Sustainability is no longer a buzzword, but a budget line, with bold steps like the plastics excise duty leading the charge.

Yet, the real challenge is execution. Can Zambia turn plans into paychecks, and policies into prosperity? Climate shocks, copper price swings, and global turbulence are wildcards, and election-year pressures will test fiscal resolve. In the end, the budget's legacy will be measured not by its promises, but by its impact on everyday lives. The task is simple but not easy: make macro stability matter at the kitchen table. This is Zambia's shot to get firmly back on track—let us see if delivery can match the ambition.

2

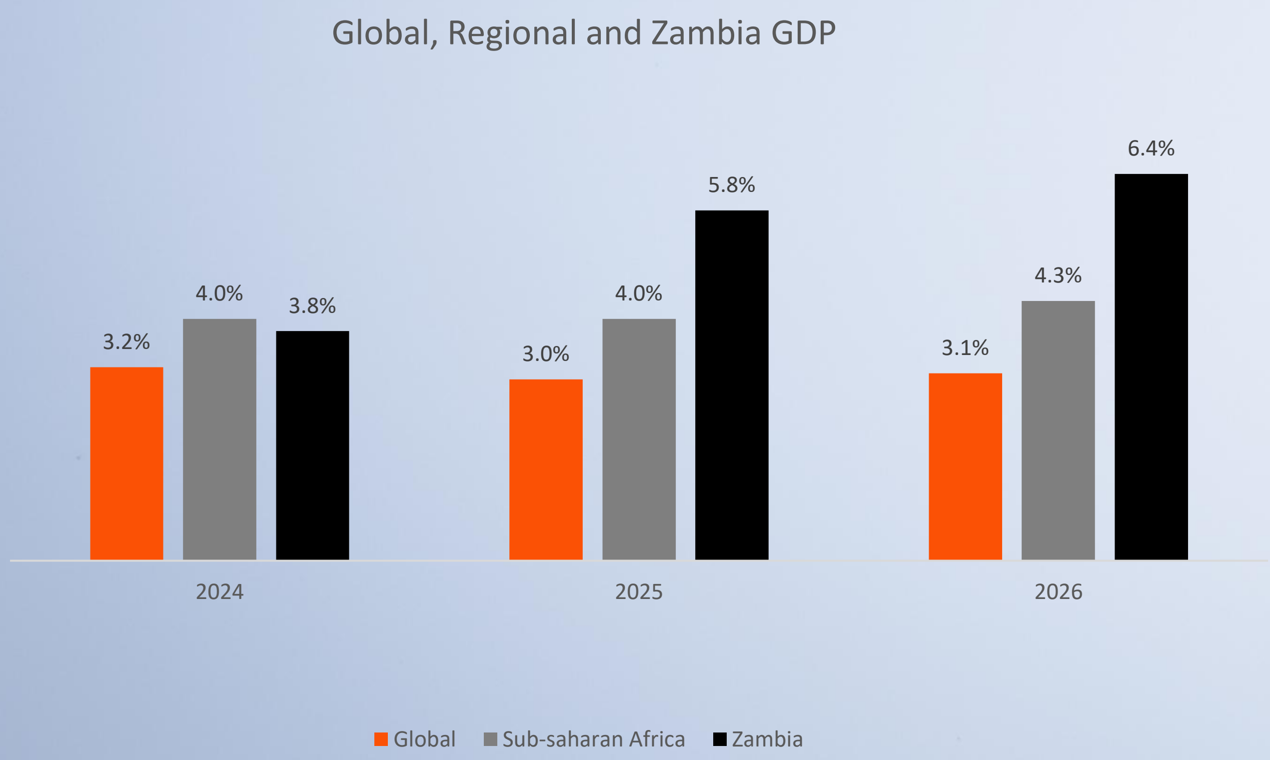
The Economy

State of the Local Economy

Global, Regional and Zambia Growth

According to the The International Monetary Fund (IMF) the Global economic growth is expected to moderate to 3.0% in 2025 and slightly improve to 3.1% in 2026, down from 3.2% in 2024. This forecast reflects factors such as a weakening US dollar and fiscal expansion, alongside an anticipated easing of global inflation in the coming two years. IMF projects that Sub-Saharan Africa's growth will remain steady at around 4.0% in 2025, increasing moderately to 4.3% in 2026. Positive influences include improved agricultural output and a decline in inflation rates. However, challenges such as weaker external demand, fluctuating commodity prices, and ongoing global uncertainties contribute to a cautious economic outlook for the region.

Within this context, Zambia's growth trajectory continues to show resilience relative to regional and global averages.



Source: IMF and Ministry of Finance and National Planning

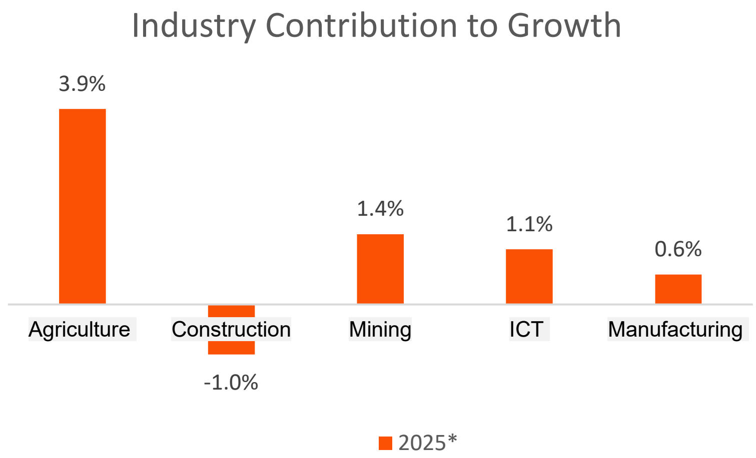
Zambian Economy

6.5%

Zambia's growth is estimated at, 5.8% in 2025 and an average of 6.5% in 2026-2027.

According to the World Bank, Zambia's growth is estimated at, 5.8% in 2025 and an average of 6.5% in 2026 - 2027. According to vision 2030, favourable growth should lie between 6-10%. Despite underlying challenges such as the energy crisis and the recent drought, economic growth has remained on track steadily advancing towards its projected target range.
In 2024, GDP grew by 3.8%, driven by Mining, Construction, Manufacturing, and ICT sectors.

2025 began with a strong recovery from the previous year's drought. According to the Ministry of Finance and National Planning, the economy expanded by 4.5%, in the first quarter of 2025 with agriculture benefiting from improved rainfall that led to bumper maize harvest, and increased mining output.



Source: Ministry of Finance and National Planning

Fiscal Deficit

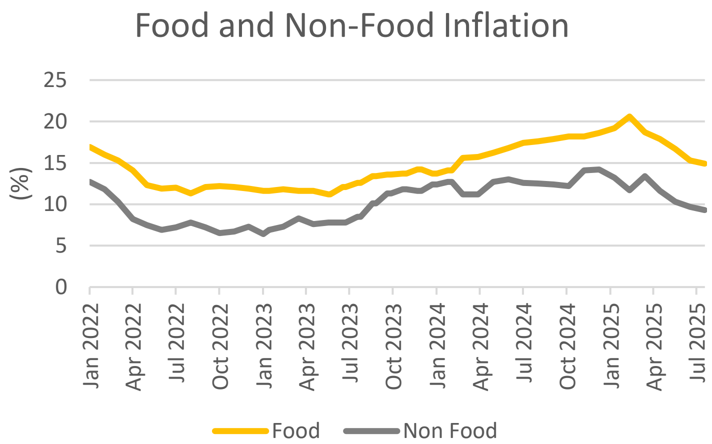
Zambia has made substantial progress in fiscal consolidation, reducing its deficit from 9% of GDP in 2021 to 3.5% in 2024. However, an increase to 4.6% is projected in 2025, reflecting the need to contain increased spending on social protection, fuel, arrears clearance, and higher interest payments on restructured debt. Revenue performance has been robust, supported by improved mining receipts and new tax measures, but expenditure pressures remain significant.

Inflation

12.3%

The decline is attributed to lower fuel prices, a stronger kwacha, and the easing of supply constraints complemented by lower food prices following the bumper harvest of 3.7 metric tonnes

During 2024 Inflationary pressures remained elevated, peaking at 16.7% in December 2024. As of August 2025, inflation has since moderated, reaching 12.3%. The decline is attributed to lower fuel prices, a stronger kwacha, and the easing of supply constraints complemented by lower food prices following the bumper harvest of 3.7 metric tonnes.
Food inflation fell to 14.9% in August 2025 from 15.3% in July 2025, while non-food inflation eased to 9.3% from 9.7%.

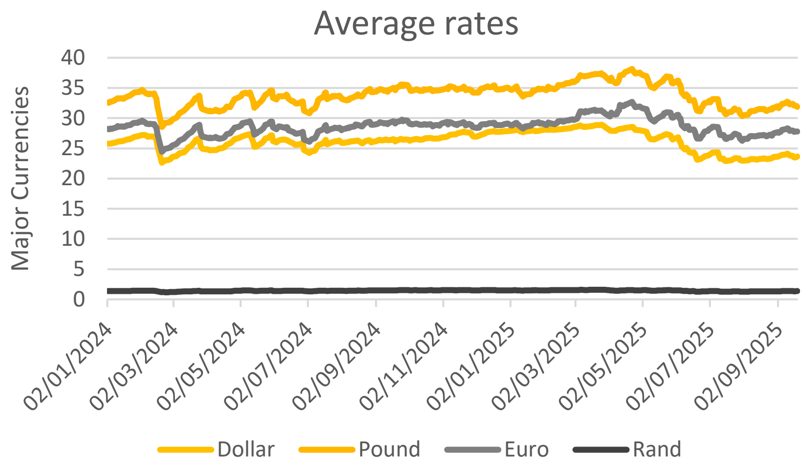


Source: Bank of Zambia

Exchange Rate

The Kwacha experienced significant volatility in 2024, depreciating by over 21% against the US dollar due to drought-related energy imports and global shocks. However, in 2025, the currency stabilised and appreciated by 4% in the second quarter, supported by increased foreign exchange supply from mining and agriculture, and lower import demand.

As of September 2025, the Kwacha traded around K23.8/$ compared to K27.9/$ at the end of 2024.

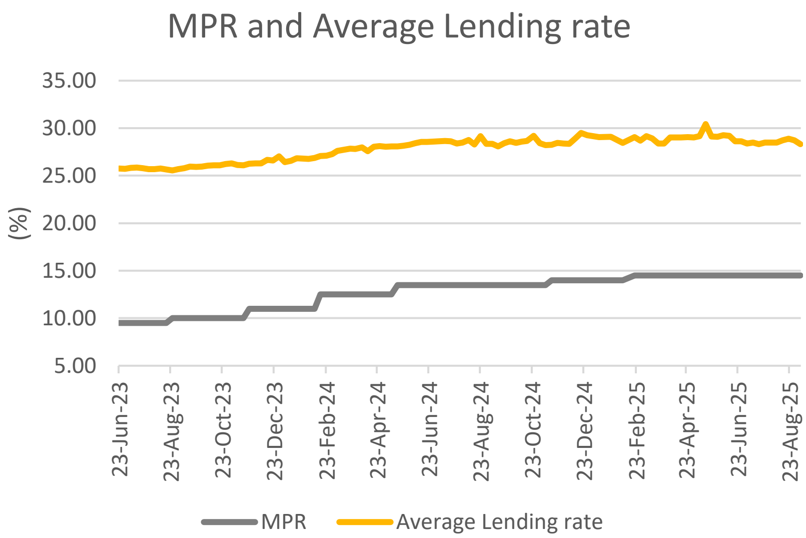


Source : Bank of Zambia (Real Effective Exchange rate Index)

Interest Rates and Monetary Policy

The Bank of Zambia (BoZ) maintained a tight monetary policy to anchor inflation expectations by raising the policy rate to 14.5% in February 2025 and holding it steady since then.

Lending rates remain high, averaging 28.9% for commercial bank loans as of mid-2025, reflecting tight liquidity amidst steadily moderating inflation.



Source: Bank of Zambia

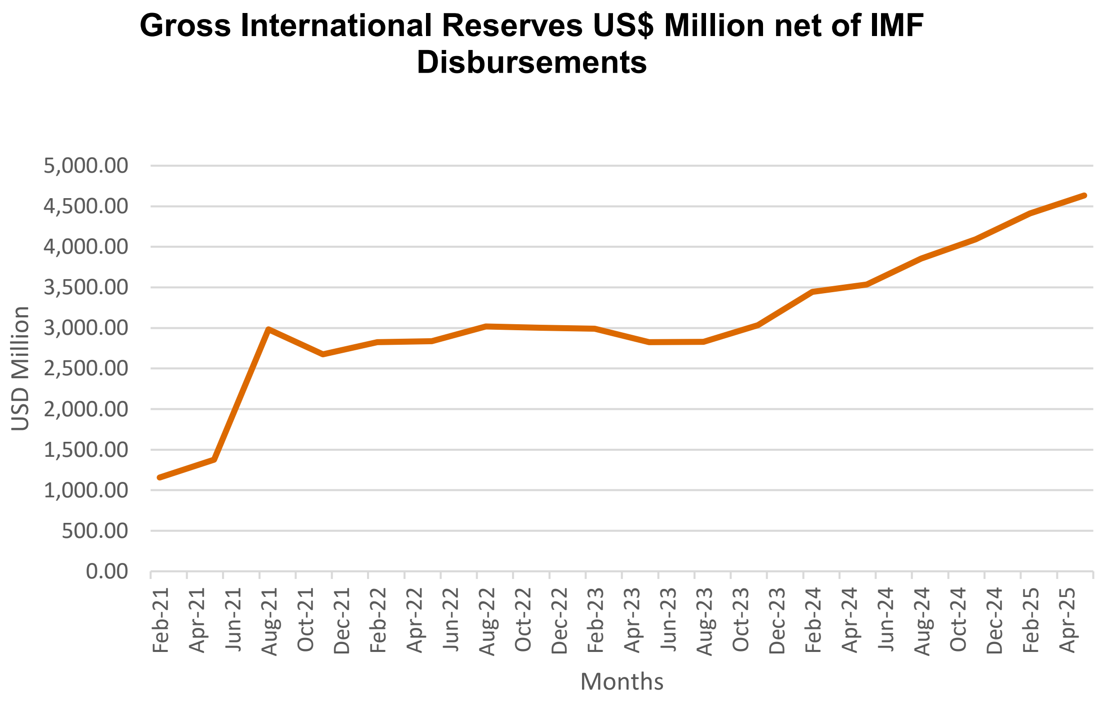
The Economy

Zambia's Fiscal outlook

In June 2024, Zambia's IMF support was increased from US$1.3 billion to US$ 1.7 billion, with US$1.5 billion disbursed as of September 2025. The programme, originally ending in October 2025, has been extended to January 2026.

As of September 2025, Zambia had reached at least Agreement-in-Principle for 92% of the US$13.5 billion subject to debt treatment, with 50% of it (US$6.7 billion) fully restructured. Concluding all debt restructuring is an essential pre-requisite before notable credit rating upgrades can be actualised.

According to the Bank of Zambia, International reserves have seen a significant improvement, rising from 2021 reserves of US$2.9 billion, amounting to 5.4 months of import cover, to US$4.3 billion in 2024. An increase of US$0.6 billion was noted in 2025, reaching US$4.9 billion and amounting to 4.8 months of import cover. Foreign reserves are projected to remain above 4.5 months of import cover in 2026, continuing to provide a buffer against external shocks and supporting macroeconomic stability.



Source: Bank of Zambia and IMF (Gross International reserves net of IMF disbursement deducted from the reading on the last day of the month disbursed)

The Economic Outlook

Zambia's 2026 economic outlook is broadly positive, underpinned by strong GDP growth, declining inflation, and improved fiscal discipline. The narrowing deficit and stable reserves signals a return to macroeconomic stability. However, sustaining growth will require a cautiously optimistic approach amid lingering external and domestic risks.

To build on recent economic and social progress, the Government has set the following macroeconomic targets for 2026:

- Attain real GDP growth rate of 6.4%
- Reduce Inflation to the 6-8% target band
- Maintain gross international reserves above 4.0 months of import cover
- Increase domestic revenue to at least 22.3% of GDP
- Reduce fiscal deficit to 2.1% of GDP and
- Limit net domestic borrowing to 2.3% of GDP.

Our View

Zambia's 2026 fiscal strategy aims to reduce the deficit to 2.1% of GDP and cap net domestic borrowing at 2.3% of GDP, but several risks threaten these objectives. Heavy dependence on mining revenues leaves the budget vulnerable to commodity price fluctuations, underscoring the urgent need to diversify exports. Although Zambia has restructured 92% of its external debt by September 2025, debt service obligations remain considerable, and the resumption of Eurobond and bilateral payments has heightened foreign exchange demand.

Domestic financing requirements now outpace external debt, with borrowing rising to K21.6 billion compared to K12.87 billion externally. This trend risks crowding out private sector credit, potentially constraining economic activity. Policymakers must carefully manage domestic borrowing to avoid undermining private sector growth.

Maintaining fiscal discipline while ensuring affordable credit for SMEs and investors is essential for fostering private sector-led growth. Achieving this balance will be critical for inclusive job creation and economic diversification, both of which are central to Zambia's long-term development.

The Economic Outlook

The opportunities below can be leveraged to reinforce Zambia's fiscal consolidation efforts supported by effective policy implementation and risk mitigation.

- Driven by the Integrated Energy Resource Plan (IRP), Zambia's energy sector is diversifying in response to a significant energy deficit. Energy sector recovery will stimulate greater domestic resource mobilisation.

- Agriculture is being revitalised through climate-resilient crops and irrigation infrastructure, enhancing food security and reducing inflationary pressures.

- Mining productivity is rising, supported by favourable copper prices and new projects, boosting exports and revenue.

- Manufacturing and industrial zones are attracting significant investment, while digital infrastructure and SME financing are improving financial inclusion.

- Social protection and education reforms are strengthening human capital, laying the foundation for long-term growth.

3 Taxes

Cross Cutting Measures

Tax Administration Bill

The Hon. Minister proposes introducing a Tax Administration Bill, with the primary objective of harmonising tax administration procedures across various tax types.

We anticipate that this Bill will provide taxpayers with more comprehensive guidance on tax administration processes. It should provide additional guidance on key administrative areas such as audit procedures and the issuance of tax assessments, thereby offering greater clarity and certainty for taxpayers.

By establishing well-defined rules and procedures, the Tax Administration Bill should reduce confusion and disputes, making it easier for taxpayers to understand and fulfil their obligations. This approach aligns with international best practice, as several tax authorities within the region have adopted similar legislative frameworks to promote transparency, consistency, and improved compliance.

Extend Energy Priority Sector Incentives to Transmission and Distribution of Electricity

The Government proposes to extend customs duty relief to projects involved in the transmission and distribution of electricity. At present, the Investment, Trade and Business Development (Priority Sector Declaration) Order, designates electricity generation as a priority sector and grants customs duty relief on machinery and equipment for power station installation. However, this relief does not currently apply to the transmission and distribution segments.

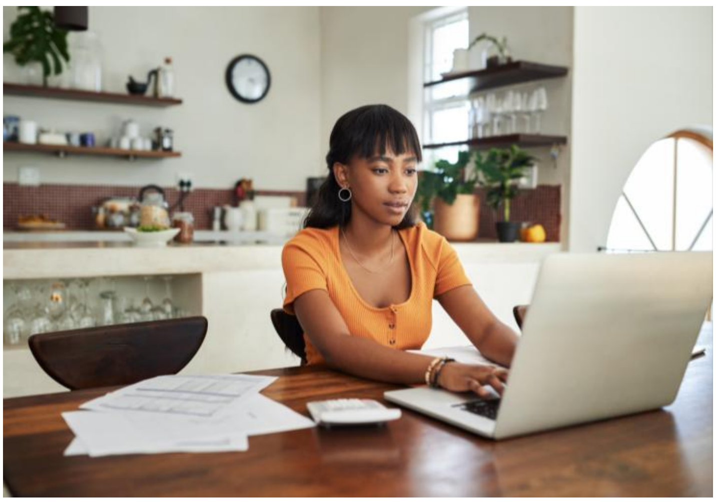
By broadening the scope of these incentives, the Government aims to encourage investment across the entire electricity value chain. This approach will help modernise and expand the national grid, reduce transmission losses, and improve the reliability and accessibility of electricity supply.

Proposed removal of penalties for Voluntary Disclosures to the ZRA

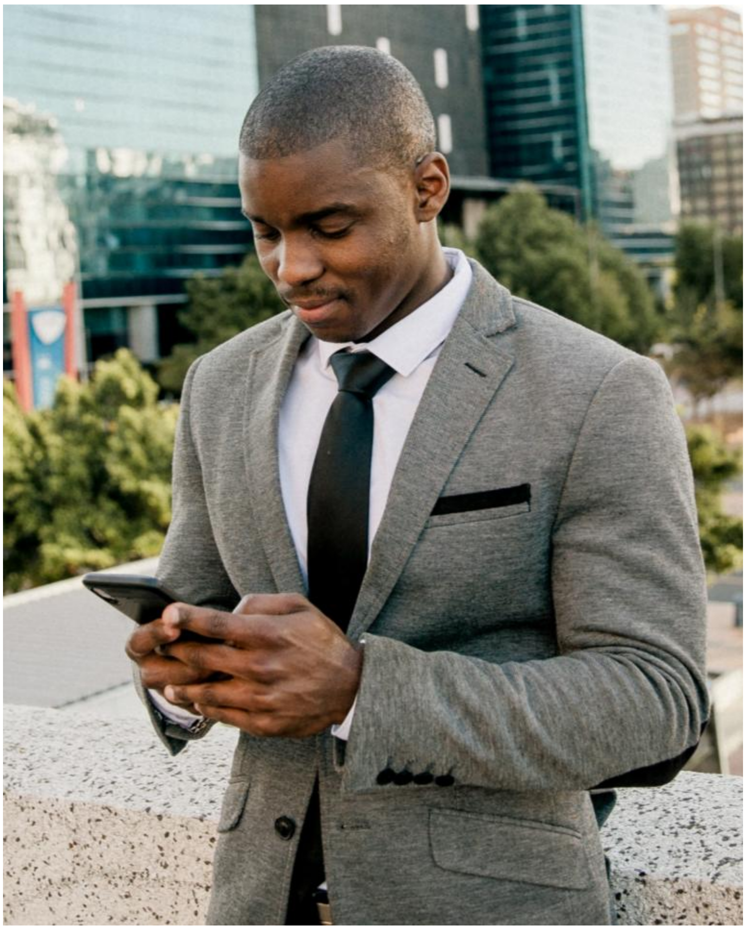
The Hon. Minister has proposed eliminating penalties imposed on taxpayers who voluntarily disclose previously undeclared tax liabilities to the Zambia Revenue Authority (ZRA).

This initiative aims to encourage taxpayers to proactively regularise their tax affairs by removing the applicable non-compliance penalties. By promoting voluntary compliance, the Government seeks to expand the tax base and improve voluntary compliance and overall revenue collection.

The ZRA is expected to provide comprehensive guidelines outlining the procedures and conditions for accepting voluntary disclosures and waiving associated penalties. This approach will ensure transparency and provide certainty for taxpayers.



Direct Taxes



Pay-As-You-Earn

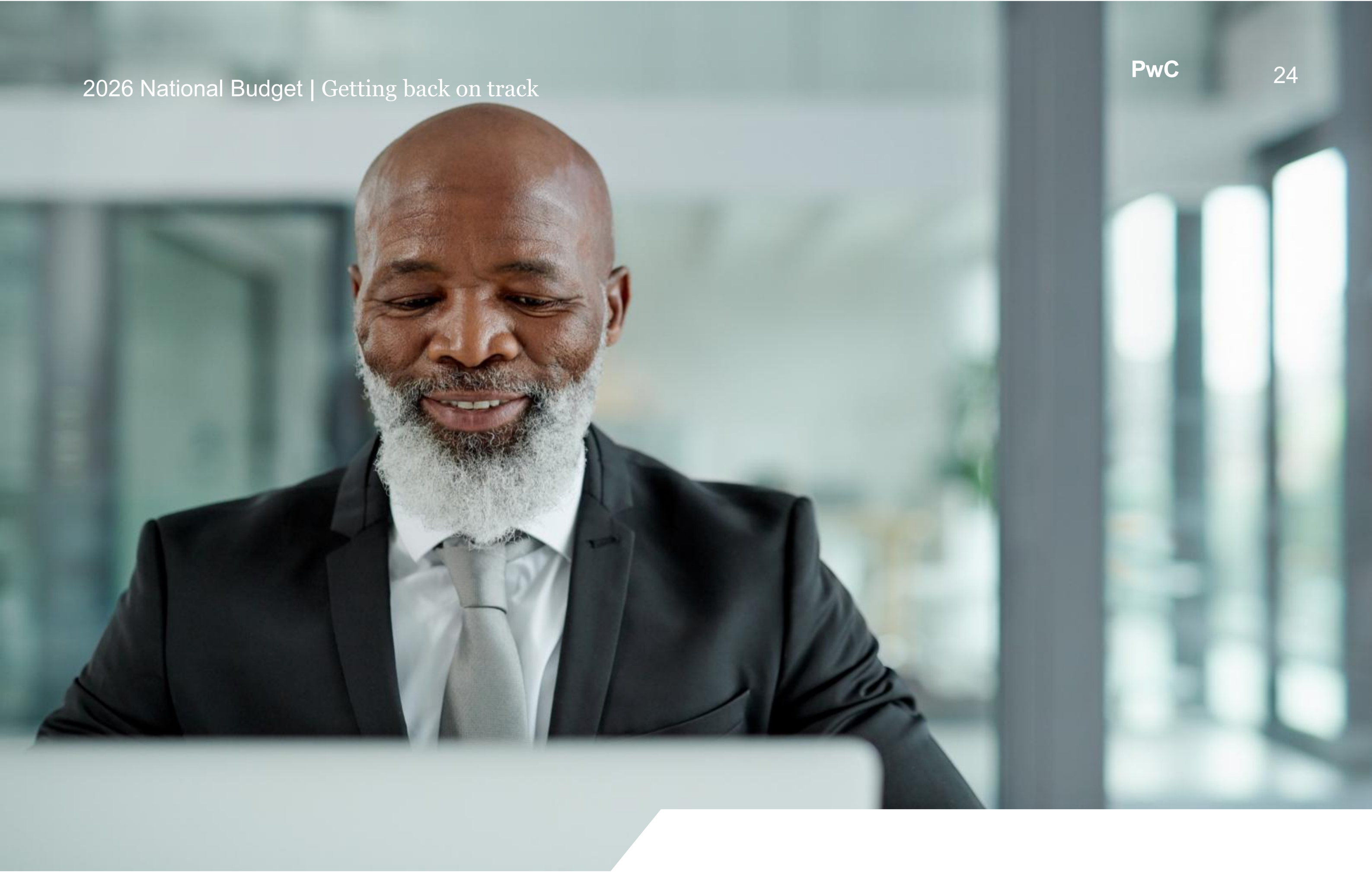
No changes to PAYE bands/rates

The Hon. Minister has maintained the current PAYE regime for the next two years, with no changes to the PAYE bands or rates. This means that employees will continue to be taxed under the same structure as before.

The PAYE bands and rates will remain unchanged as follows:

Annual Income	2025 Tax Rate	Annual Income	2026 Tax Rate
First K61,200	0.00%	First K61,200	0.00%
From K61,201 to K85,200	20.00%	From K61,201 to K85,200	20.00%
From K85,201 to K110,400	30.00%	From K85,201 to K110,400	30.00%
From K110,400	37.00%	From K110,400	37.00%

In addition to maintaining the PAYE structure, the Hon. Minister highlighted a broader focus on strengthening tax administration, particularly to improve compliance in the informal sector. These efforts aim to ensure that informal businesses contribute fairly to the national treasury through taxes and fees, as they also benefit from public services.



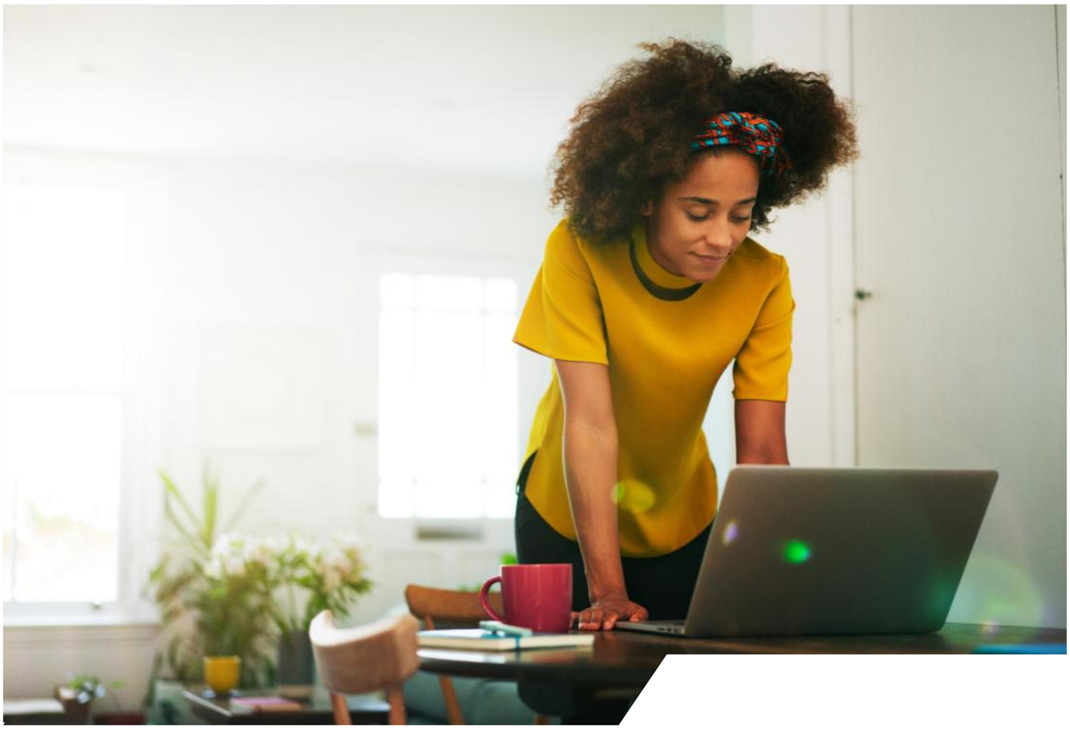
Income Tax Changes

Strategic Focus of Income Tax Measures

The income tax measures proposed for 2026 are structured to achieve an optimal balance between domestic resource mobilisation and provision of targeted relief to spur growth. These initiatives are intended to promote a more equitable tax framework, incentivise the formalisation of economic activities, and ensure alignment of Zambia's tax system with international standards and best practices.

Overview of Key Income Tax Changes

Under this Section, we provide a detailed examination of the principal income tax amendments, as outlined in the Hon. Minister's budget address.



Expansion of AIT Scope

Extension of Advance Income Tax to All Remittances

The Hon. Minister has proposed to broaden the application of Advance Income Tax (AIT) on remittances exceeding US$2,000 to include transactions processed through non-bank financial institutions and alternative platforms. At present, individuals remitting funds outside Zambia via banks are subject to AIT if the transaction is not accompanied by a valid Tax Clearance Certificate.

This measure is designed to enhance tax compliance, curb illicit financial flows, and ensure that all significant cross-border financial transactions are subject to comprehensive tax oversight.

By extending the scope of AIT, the Government anticipates improved revenue mobilisation and the preservation of the tax system's integrity. This measure will also harmonise the tax treatment of remittances across all financial institutions and platforms, thereby closing existing loopholes that have enabled non-bank transactions to avoid appropriate scrutiny.

The effectiveness of this measure will largely depend on the Government's ability to monitor alternative platforms used for remitting funds. These platforms will need to reconfigure their systems to ensure compliance, which may incur substantial technical support costs. Ensuring robust oversight and clear guidance will be essential to minimise disruption and manage associated costs..

Key Income Tax Changes

Removal of the time limitation on Carry Forward Disallowed Interest

The Hon. Minister has proposed the removal of the limitation on the carry forward disallowed interest that exceeds 30% of Earning Before Interest Tax Depreciation and Amortisation (EBITDA) in a given charge year.

At present, businesses are subject to a statutory time limit on the deductibility of excess interest expenses: five years for most sectors and ten years for the mining and electricity generation sectors.

Eliminating this restriction will provide businesses, particularly those experiencing cyclical profitability or undertaking substantial capital investments with greater flexibility in managing their interest deductions. This measure is anticipated to enhance Zambia's attractiveness as an investment destination.

Furthermore, this reform will align Zambia's tax regime more closely with international standards, thereby facilitating long term business planning/funding and supporting additional capital investments.

Enhancement of Income Tax Deduction for Employers of Persons with Disabilities

The allowable income tax deduction available to employers of persons with disabilities has been increased from K2,000 to K2,500 per employee per annum. This adjustment is designed to incentivise the recruitment and retention of persons with disabilities, thereby fostering greater workplace diversity and advancing the Government's objective of integrating marginalised groups into the formal economy.

Relief for Railway Sector

Income Tax Concessions for the Railway Sector

The Hon. Minster has proposed a suite of income tax concessions for Public-Private Partnerships (PPPs) in the railway sector, including a reduced corporate income tax rate for the Special Purpose Vehicle (SPVs) involved in the rehabilitation and operation of the TAZARA railway. The proposed amendments are outlined below:

Measure	Period/Applicability	Proposed Rate / Change
Reduced CIT rate for SPVs operating TAZARA railway	Year 1 to 5 Year 6 to 15 Year 16 to 25 Year 26 to 28	0% 10% 12% 30% (standard rate)
Exemption from Minimum Alternative Tax (MAT)	First 12 years of operation	0%
Increased deductibility of tax losses	Ongoing	70% of income from same source (the standard is 50%)
Extended carry-forward period for tax losses	Ongoing	12 years (the standard is 5 years)
Increase cap on interest deductibility	Ongoing	70% of EBITDA (the standard is 30%)
Extended carry-forward period for disallowed interest	Subject to Section 29(4) of the ITA	12 years (the standard is 5 years)***

***Once the proposed changes announced by the Hon. Minister are approved, the limitation on the carry forward period for disallowed interest will be removed, making any extension unnecessary.

These measures aim to boost investment in key infrastructure and support the Government's goal of positioning Zambia as a regional transport hub. The proposed changes improve the financial viability of railway projects and encourage private sector involvement, recognising the sector's substantial funding needs.

Key Income Tax Changes

Increase the scope of the Local Content Allowance

The Hon. Minister has proposed an extension of the 2% local content allowance to encompass income derived from value addition activities related to milk, raw hides, and skins.

This initiative enhances the current suite of incentives aimed at encouraging value addition within the agricultural sector, which already includes products such as tomatoes, pineapples, cassava, mango, sorghum, and millet.

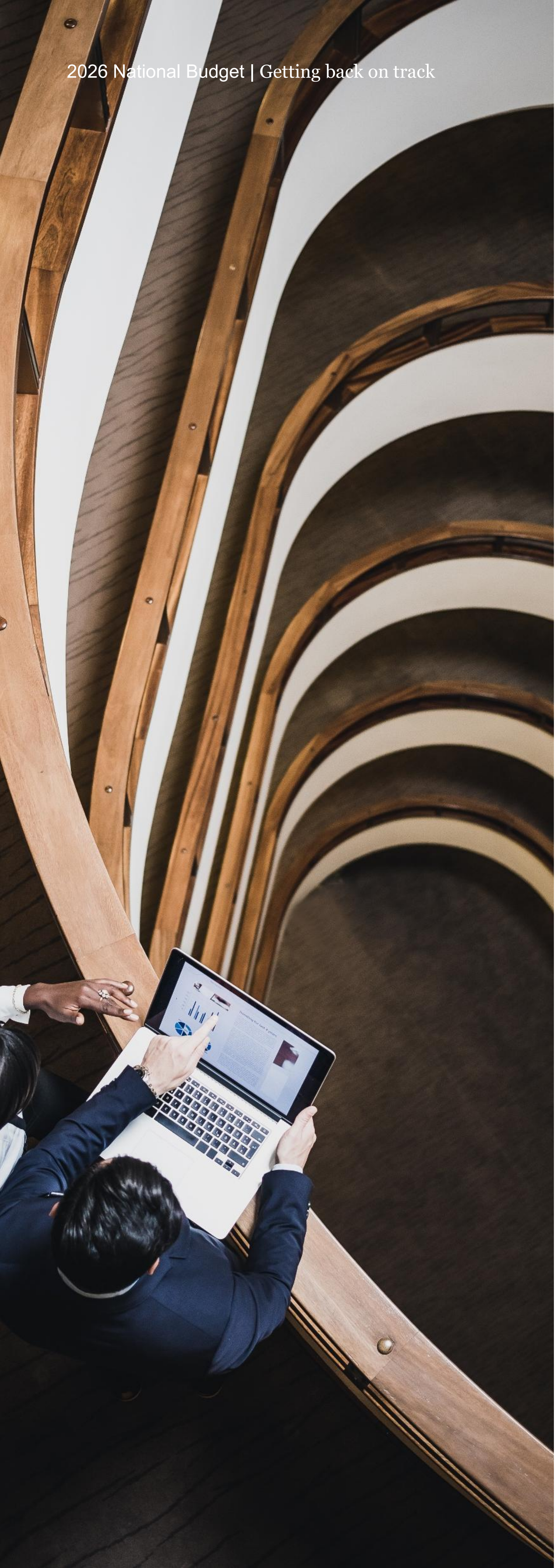
The proposed measure is anticipated to reduce the tax liability for enterprises operating in the dairy and leather sub-sectors, thereby fostering increased investment and supporting job creation.

Direct Taxes: Housekeeping Measures

Alignment of Exchange of Information Provisions with International Standards

The proposed amendment aims to strengthen Section 74 of the Income Tax Act which deals with Double Tax Agreements and Mutual assistance in tax matters by clarifying the treatment of information obtained through Exchange of Information under this Section with foreign jurisdictions. The amendment stipulates that any information received under this Section must be regarded as confidential and disclosed solely in accordance with the specific terms of the relevant treaty. This approach is intended to reinforce Zambia's reputation within the international tax community and to advance efforts to counteract tax evasion.

Recent audits have demonstrated effective collaboration between the ZRA and foreign tax authorities, facilitating the acquisition of information for audit purposes. By enshrining these confidentiality requirements in legislation, the amendment will enhance taxpayer confidence that information obtained through exchange agreements will be handled with the highest degree of confidentiality.



Direct Taxes: Housekeeping Measures

Exemption of Private Funds from Income Tax

The 2026 Budget expands the CIT exemption to cover not only income distributed to participants, but also income earned and retained by private funds. Previously, only distributed income qualified for the exemption.

By extending the exemption to retained income, the measure enhances tax efficiency for private funds, allowing them to reinvest earnings without immediate tax implications.

This amendment is designed to stimulate the growth of the private funds sector and reinforce Zambia's appeal as a competitive investment destination.

Amendment of the Registration of Business Names Act for Beneficial Ownership Disclosure

To comply with international transparency standards, the Government will amend the Registration of Business Names Act to mandate the disclosure of beneficial ownership information. This amendment will strengthen transparency, facilitate the detection and prevention of illicit financial flows, and ensure Zambia's alignment with the recommendations of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Direct Taxes: Housekeeping Measures

Anti-Fragmentation Rule for Permanent Establishments

A new anti-fragmentation rule will be implemented to ensure that all related business activities conducted at one or more fixed locations in Zambia are treated as a single permanent establishment.

This rule prevents foreign companies from circumventing Zambian tax obligations by dividing their operations into smaller, seemingly minor activities. Where these activities, when considered collectively, are substantial, they will be regarded as a unified business presence and taxed accordingly in Zambia.

This measure aligns domestic legislation with Organisation for Economic Corporation and Development's - Base Erosion and Profit Shifting (OECD, BEPS)- Action 7, targeting the artificial avoidance of permanent establishment status and enhancing Zambia's capacity to address base erosion.

Presumptive Tax Measures

Increase of Tax-Exempt Thresholds for Turnover tax and Rental Income

The Hon. Minister proposes to increase the tax-exempt thresholds for both turnover tax and rental income tax from K1,000 to K2,500 per month. This adjustment is intended to reduce the tax compliance burden on micro, small, and medium enterprises (MSMEs) as well as low-income earners.

By raising the exemption threshold, the measure seeks to encourage growth in the informal sector. Additionally, it is expected to enhance the disposable income of individuals within these groups.

Reduced Penalty for Late Payment of Turnover Tax liabilities

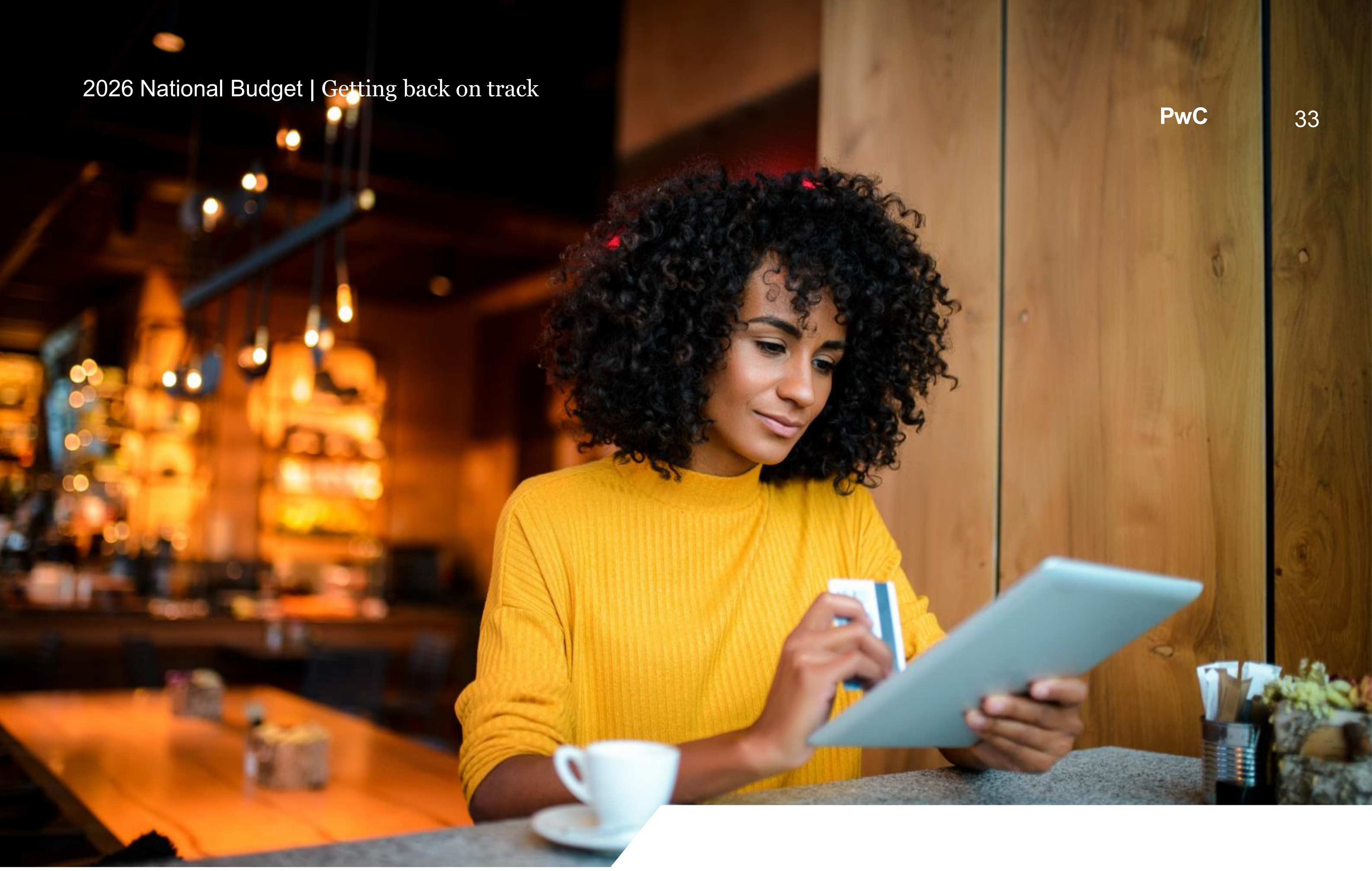
The Hon. Minister proposes to

reduce the penalty for late payment of turnover tax from 5% to 0.5% per month or part thereof. This tenfold reduction is designed to alleviate financial pressure on micro, small, and medium enterprises (MSMEs), promote voluntary compliance, and enhance business sustainability. This measure is expected to receive a positive response from small businesses, many of which have previously faced significant challenges due to punitive penalty rates.

Taxation of Income from Large-Capacity Passenger Buses

It is proposed that income generated from buses with a seating capacity exceeding 50, utilised for the carriage of passengers, should be subject to either Corporate Income Tax or Turnover Tax, contingent upon the operator's annual turnover.

This measure is designed to ensure that large scale transport operators make a commensurate contribution to the tax base, in line with the scale of their operations. The policy is expected to enhance tax equity and may result in increased revenue.



Housekeeping Measures

...increases flexibility and offers small businesses greater choice...

Eligibility for Turnover Tax Registration Following Threshold Revision

Taxpayers who are presently registered under the voluntary Value Added Tax (VAT) registration scheme will be eligible to register for Turnover Tax, in accordance with the revised Turnover Tax registration threshold of K5 million.

This amendment increases flexibility and offers small businesses greater choice in managing their tax obligations.

At present, taxpayers registered voluntarily for VAT are required to register solely for income tax.

*The reduced rate was applicable for the 2023 and 2024 charge years

Housekeeping Measures: Property Transfer Tax (PTT)

The Hon. Minister has proposed several changes to the PTT Act to enhance compliance and close loopholes that enable tax avoidance. The proposed amendments to the PTT regime adopt a dual approach: tightening exemptions to safeguard the tax base, while extending relief to support legitimate business re-organisations. The measures aim to ensure that the PTT system remains robust against avoidance and continues to facilitate genuine commercial activity.

The proposed amendments are outlined below.

Limiting Exemptions for Surrender or Forfeiture of Shares	The proposed amendment seeks to restrict the types of share surrender or forfeiture that qualify for exemption from PTT. Presently, the PTT Act provides a broad exemption for any share surrender or forfeiture where no consideration is involved. The Government intends to narrow this exemption, thereby limiting the circumstances in which such transactions escape PTT liability. The primary objective behind this measure is to address and curtail tax avoidance schemes that exploit the current exemption. By tightening the exemption, the Government aims to preserve the integrity of the PTT base, ensuring that transactions which, in substance, amount to transfers of value do not escape taxation merely by being structured as surrenders or forfeitures without consideration.
Extension of Group Reorganisation Relief in respect to indirect share transfers	The proposed change will allow relief from PTT on transfer of shares in the Zambian-incorporated company, provided the group companies (transferor and transferee) involved have been part of the group for three years or more prior to the transfer and there is no change in the ultimate shareholding. The Government’s intention is to facilitate genuine group restructurings by removing tax impediments, provided the restructuring is not a short-term arrangement and the companies have a substantial history within the group. This approach supports business flexibility and efficiency, while safeguarding against abuse.

Indirect Taxes

VAT proposed changes

1. Zero-Rating of Mains (Piped) Water

The Hon. Minister proposes to zero-rate the supply of mains (piped) water for VAT purposes.

Currently, utility companies supplying mains water is exempt for VAT purposes. This exemption prevents utility companies from recovering input VAT incurred on essential inputs, which leads to embedded tax costs.

By reclassifying these supplies as zero-rated, utility companies will be able to recover input VAT, thereby reducing the overall cost of providing the service. Over time, this change should enable more affordable tariffs and encourage investment, as companies will have additional resources for maintenance and network expansion, subject to regulatory oversight.

2. Extension of the Intending Trader Period to 10 Years for Hydroelectricity Generation

The Hon. Minister proposes to extend the intending trader period for hydroelectricity generation from seven to ten years for VAT purposes, recognising the lengthy development timelines typical of large hydroelectric projects.

By aligning VAT treatment with the realities of project development, Zambia aims to attract greater investment in hydroelectricity and support the Government's objective to expand energy generation. Effective and timely administration of VAT refunds will be crucial, as the extension is expected to increase refund outflows from Government and improve project cash flows for developers.

3. Zero-Rating Supplies to Government Projects Funded Through Loans

The Hon. Minister has proposed to zero-rate supplies to Government projects funded by loans, aligning their VAT treatment with donor-funded projects, which are already zero-rated. This amendment aims to ease cashflow pressures on the Government, reduce project costs, and streamline public spending during a period of fiscal constraint.

By removing the requirement for contractors to charge VAT on loan-funded projects, the change will simplify administration and improve cash flow for contractors. Although this may lead to a short-term reduction in VAT collections, it is expected to support faster and more cost-effective delivery of infrastructure and social programmes.

Housekeeping Measures

4. Remission of Irrecoverable VAT Debt (Amendment to Section 19 of the VAT Act)

The Hon. Minister proposes to amend Section 19 of the VAT Act, empowering the Minister of Finance and National Planning—on the Commissioner General's recommendation—to remit or reduce VAT debts deemed irrecoverable in specific cases.

The amendment will introduce subsections (1A) and (1B), establishing a clear process for writing off VAT liabilities in situations such as taxpayer insolvency, death without a sufficient estate, ten years of dormancy, pre-privatisation liabilities, and nominal debts where collection costs exceed the amount owed.

This measure aims to clear non-recoverable debts from Government accounts, ensuring a more accurate picture of recoverable VAT and supporting informed decision-making.

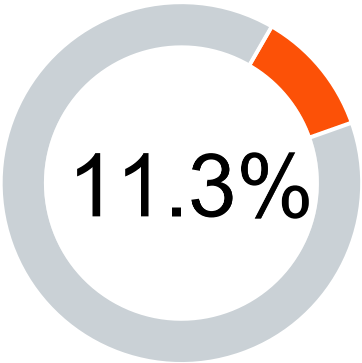
Customs and Excise Duty

These amendments are aimed at supporting local industry, promoting environmental sustainability, and enhancing revenue mobilisation

The Hon. Minister, proposed a series of amendments to Customs and Excise duties, as well as selected goods surtax 2026 national budget speech. These amendments are aimed at supporting local industry, promoting environmental sustainability, and enhancing revenue mobilisation. These measures reflect the Government's ongoing commitment to refining the fiscal framework, improving compliance, and aligning Zambia's trade and tax policies with broader economic objectives.

This section provides an analysis of the proposed changes to customs and excise duties and surtaxes.

Revenue & Compliance Measures



Customs and Excise
Share of Budget
Revenue Estimate

Customs and Excise duties are projected to contribute **K28.48 billion**, representing **11.3%** of domestic revenue and forming a critical component of Zambia's fiscal strategy. The Hon. Minister proposed targeted revenue measures aimed at both stimulating local industry and enhancing environmental sustainability. These measures reflect a dual policy approach, i.e. revenue mobilisation and economic transformation, with customs and excise duties serving as both fiscal tools and levers for industrial policy. The 11.3% share underscores their importance in Zambia's broader goal of consolidating economic and social gains while fostering resilience and equity.

The revenue concession measures included in the 2026 National Budget intend to reduce the cost of importing key industrial inputs, encouraging investment in sectors like manufacturing, automotive, and renewable energy, and support local value addition.

The proposed changes are as analysed below.

HS Code	Description	Current Rate (%)	Proposed Rate (%)	Purpose
7005.10.00	Float glass	5	Removed	Reduce cost of float glass and promote local construction sector
7210.70.00	Flat-rolled products of iron or non-alloy steel, painted, varnished, or coated with plastics	5	Removed	Lower input costs, enhance manufacturing efficiency and sustain jobs
Various	Complete Knock Down Components for the assembly of motor vehicles	15-25	Removed	Encourage the assembly of motor vehicles and foster growth in Zambia's automotive industry
72.13, 72.14, 72.15, 72.28	Selected steel products	Free	25	Support and strengthen local manufacturers, enabling them to increase production and promote local value addition

Targeted Support for Key Sectors

The 2026 Budget proposals include a range of targeted adjustments to Customs and Excise duties and surtaxes, with a clear focus on supporting local industry, promoting value addition, and advancing environmental objectives.

HS Code	Description	Previous Rate (%)	Proposed Rate (%)	Purpose
02.04 - 02.10	Various processed meat products	25	40	Harmonise the Customs Duty rate on all meat products and promote domestic producers and local value addition
02.01 - 02.04	Mechanically deboned meat	10	20	To promote local meat processing and value addition
04.02	Powdered milk imported for processing	15	25	Higher import duties on dairy products is intended to protect local producers and processors, encouraging investment in domestic capacity
	Powdered milk imported for resale	15	40	
04.06	Cheese	25	40	
04.03	Yoghurt	25	40	
8419.19.00	Milk pasteurisation machinery	15	Removed	Reduce cost of machinery and encourage further investments in the dairy sector
39.17	Flexible PVC hoses	0	20	To encourage domestic manufacturing and reduce reliance on imports of polyester fibres and flexible PVC hoses
5503.20.00	Polyester Fibre	5	10	

Excise Duty Adjustments for Environmental and Revenue Objectives

HS Code	Description	Current rate (%)	Proposed Rate (%)	Purpose
39.21-39.26	Single-use plastics	30	100	The significant increase in excise duty on single-use plastics is expected to raise costs for importers and users, encouraging the adoption of environmentally friendly alternatives
87.03	New hybrid motor vehicles	30	15	Lower excise duties on hybrid vehicles is intended to make them more affordable, supporting the transition to cleaner transport
	Second-hand hybrid motor vehicles	Ad valorem	Specific duty	Harmonise the treatment of all second-hand motor vehicles, to make environmentally friendly vehicles affordable
2811.21.10 2811.21.90	Carbon Dioxide	0	10	The increase in Cardon Dioxide surtax is intended to align with global climate goals and reduce greenhouse gas emissions, particularly from the transport sector

Additional Revenue and Compliance Measures

In his speech, the Hon. Minister proposed to harmonise customs duty on firearms upwards from 15% to 25% and introduce a 30% excise duty on firearms and ammunition.

The Government is seeking to broaden its tax base by targeting previously under-taxed or inconsistently taxed goods i.e. firearms and ammunition. Firearms and ammunition represent a niche but high-value segment where taxation can generate revenue without causing major economic disruption.

By increasing the cost of importing and purchasing firearms and ammunition, the Government aims to not only raise revenue but also discourage the casual or excessive purchasing of these goods, thereby contributing to public safety and responsible ownership.

House Keeping Measures

Housekeeping measures have been designed to modernise and clarify customs procedures, strengthen enforcement and compliance, protect government revenue, and align regulations with current economic realities. They address operational inefficiencies, close loopholes, and ensure that incentives and reliefs are accessed only by compliant taxpayers. Thereby supporting a fair, predictable, and robust customs and taxation environment in Zambia.

We highlight below some of the proposed measures:

Procedural clarity and efficiency

Provide for Customs conversion of foreign-currency amounts at the daily spot exchange rate published by the Bank of Zambia.

- The introduction of the Bank of Zambia's daily spot exchange rate for customs conversions replaces the less responsive bi-weekly rate, ensuring more accurate and up-to-date valuations.

Reduce the number of days to 3 from 5 within which a payment has to be made after assessment under Regulation 31 of the Customs and Excise (General) Regulations, 2000.

- The reduction of payment periods after assessment from 5 to 3 days is intended to remove ambiguities and align regulations with the Customs and Excise Duty Act ("the Act"), promoting predictability and timely compliance.

Strengthening Enforcement and Revenue Protection

Empower the Commissioner General to restrict disposal of taxpayers' property and bank accounts for.

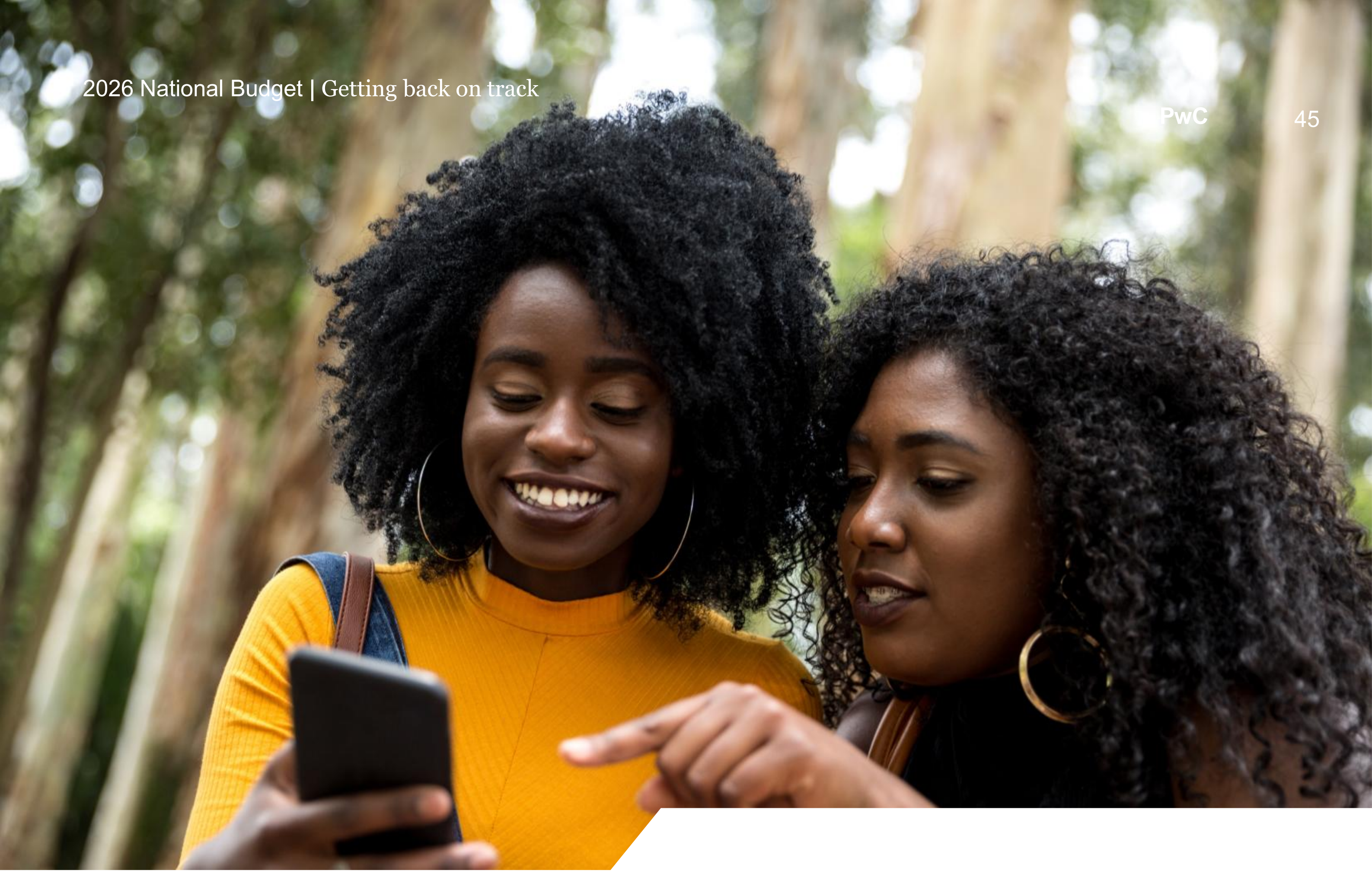
- The Commissioner General is empowered to issue restraining notices on taxpayers' property and bank accounts, reducing reliance on external agencies and expediting enforcement.

House Keeping Measures

Strengthening Enforcement and Revenue Protection	**Empower the Commissioner General to suspend or withhold any tax refunds due to a taxpayer who is under investigation for a suspected offence under any Tax Act.** • The authority to suspend or withhold tax refunds for taxpayers under investigation ensures that potentially recoverable funds are not dissipated before investigations conclude. **Permit the Zambia Revenue Authority to submit records of unresolved tax liabilities to the Credit Reference Bureau** • Allowing the Zambia Revenue Authority (ZRA) to report unresolved tax liabilities to credit bureaus introduces a reputational deterrent and encourages compliance.
Dispute resolution and compliance	**Provide for a 30-day period within which an assessment of Domestic Excise Duty can be objected or subjected to review by the Commissioner-General.** • The introduction of a 30-day period for objections to domestic excise duty assessments standardises and expedites dispute resolution, compelling both taxpayers and authorities to act within clear timelines. • This measure is intended to foster fairness and predictability in the tax system
Risk Management and Public Safety	**Provide for special disposal of goods that maybe considered to be perishable or dangerous in nature by the Commissioner General.** • Provisions for the special disposal of perishable or dangerous goods allow the Commissioner General to act swiftly to prevent wastage or hazards, addressing a gap in the current law that could otherwise result in loss or risk during lengthy forfeiture or appeal processes.

House Keeping Measures

Customs Valuation and Incentives	**Require valid Tax Clearance Certificate for all Customs Incentives** • Requiring a valid Tax Clearance Certificate for customs incentives ensures that only compliant taxpayers benefit from duty reliefs, reinforcing the integrity of incentive schemes.
Pre-clearance and Documentation	**Harmonise pre-clearance requirements with regards to time limit.** • Harmonising pre-clearance requirements and removing outdated provisions ensures that legal requirements reflect current practice, reducing confusion for importers. **Explicitly provide for non-collection of fees on the issuance of an electronic Certificate of Origin.** • The explicit exemption of fees for electronic Certificates of Origin encourages digitalisation and reduces administrative costs.
Motor Vehicle Importation	**Provide for the annual renewal of the red book issued for motor vehicles imported under these provisions.** • Annual renewal of the “red book” for vehicles imported on rebate, ad valorem assessment for new vehicles cleared after temporary importation, and a five-year restriction on re-importation of the same vehicle are all intended to close loopholes, prevent abuse, and ensure fair duty collection. **Provide for a definition of used high-performance Motor Bikes.** • The definition of used high-performance motorcycles and appropriate duty valuation further addresses potential revenue loss from misclassification



House Keeping Measures

Returning Residents Incentives	Provide for a break of not more than six (6) months in the four-year period under the Returning Resident tax incentive in instances where a Zambian citizen comes back to Zambia for a holiday or for any purpose. • Allowing a break of up to 6 months within the 4 year period for returning residents ensures that temporary visits do not disqualify Zambians from duty rebates, making the incentive more practical and accessible.
Securing Government Fees	Provide for the inclusion of government fees due on any imported goods that are carried by the customs carrier and subsequently warehoused to be secured by a bond/guarantee. • Requiring bonds or guarantees for government fees on goods carried by customs carriers or warehoused ensures that these fees are collected even if the principal defaults, protecting government revenue.

Non-Tax Measures

Non-tax measures

The Hon. Minister proposes to increase mobile money levy rates to broaden contributions from the rapidly expanding digital payment sector. This measure aims to enhance revenue collection. However, it may affect the current high growth rate of mobile transactions, potentially slowing the significant progress made in financial inclusion initiatives.

Mobile money changes

The Hon. Minister proposes to increase mobile money levy rates to broaden contributions from the rapidly expanding digital payment sector. This measure aims to enhance revenue collection. However, it may affect the current high growth rate of mobile transactions, potentially slowing the significant progress made in financial inclusion initiatives.

The Hon. Minister further proposes that the definition of the phrase 'person-to-person' mobile money transfer be revised to encompass transfers made to the same individual. This proposed amendment will further expand the levy's scope by ensuring that electronic money transfers both to and from the same person are included in the scope of the mobile money levy.

This amendment means that individuals will be taxed even when transferring funds between their own mobile wallets. This could significantly reduce mobile money transactions, particularly among those in the informal sector who depend on these services for their banking needs..

Amount Range	Current Rate (K)	Proposed Rate (K)	Proposed Increment (K)
Between K1 to K150	0.16	0.32	0.16
Above K150 to K300	0.20	0.40	0.20
Above K300 to K500	0.40	0.80	0.40
Above K500 to K1,000	1.00	2.00	1.00
Above K1,000 to K3,000	1.60	4.00	2.40
Above K3,000 to K5,000	2.00	7.50	5.50
Above K5,000 to K10,000	3.00	8.00	5.00

Toll fees

The Hon. Minister proposes to increase toll fees for all motor vehicles, except for small and light vehicles, as well as buses. Under this proposal, toll fees for small and light vehicles and buses would remain unchanged, while fees for medium, heavy, and abnormal-load vehicles would be adjusted upwards.

This targeted approach recognises that medium, heavy, and abnormal-load vehicles contribute more significantly to road wear and degradation. By aligning toll fees with the impact these vehicles have on infrastructure, the measure aims to generate additional revenue specifically for road maintenance. In doing so, it seeks to ensure that those responsible for greater road usage and deterioration contribute proportionately to the upkeep of the road network.

Vehicle Description	Current Toll Fees (K)		Proposed Toll Fees (K)	
	Michael Chilufya Sata Toll Plaza	All other Toll Plazas	Michael Chilufya Sata Toll Plaza	All other Toll Plazas
• Medium heavy vehicle with 2 - 3 axles (more than 6.5 tons) (rigid) (single access)	300	50	400	200
• Heavy vehicle with 4 axles and above (single access)	460	250	600	300
• Abnormal load vehicle (single access)	800	800	1,000	3,000

Citizenship fees

The Hon. Minister proposes an increase in citizenship fees. This adjustment aims to more accurately reflect the actual costs and value associated with administering citizenship and immigration services. The measure is also expected to enhance revenue collection.

Description	Current Fee (K)	Proposed Fee
Application for Citizenship by Registration	1,466.66	US$ 1,000 or Kwacha equivalent
Certificate of Citizenship by Registration	26,666.66	US$ 10,000 or Kwacha equivalent
Application for Bestowal of Citizenship	1,466.66	K5,000.00
Certificate of Bestowal of Citizenship	13,333.33	K25,000.00
Declaration of Renunciation of Citizenship	2,666.66	K5,000.00
Letter of Confirmation	1,333.33	K2,500.00

Firearm licence fees

The Hon. Minister proposes to significantly increase firearm licence fees. The proposal intends to align with strengthened regulatory oversight and public safety requirements.

Description	Current Fee (K)	Proposed Fee (K)
Tourist's Import Permit	88.88	3,600
Certificate of Exemption	22.40	1,200
Firearm licence in respect of each rifle or pistol entered on certificate	88.88	2,400
Firearm licence In respect of each breech –loading firearm other than rifle or pistol	16.80	1,200
Firearm licence In respect of each muzzle – loading firearm	44.80	360
Duplicate firearm certificate	22.40	600
Certificate of exemption (antique firearm)	22.40	1,200
Certificate of registration as a firearm dealer	333.33	3,600
Firearm Dealer's Import Permit.	333.33	1,200
Permit for repair, test proof.	333.33	600

Mining Taxes

The Hon. Minister highlighted improved performance in the mining sector, attributing this to a stable mining tax and regulatory environment, among other factors. Consequently, the 2026 budget proposes only minimal tax changes specific to mining.

1. Increase in Turnover Tax Threshold for Artisanal and Small-Scale Mining

A key specific change to the mining sector is the proposal to raise the turnover threshold for presumptive tax registration for artisanal and small-scale mining licence holders from K800,000 to K5,000,000 per annum. Currently, the operators with annual turnover of K800,000 or less pay presumptive tax at 4% of turnover, after deducting the Mineral Royalty Tax (MRT).

It is important to note that artisanal and small-scale mining were incorporated into the presumptive tax regime in 2023. Prior to this, all mining entities were subject to income tax regardless of turnover.

Presumptive tax serves as an alternative mechanism for income tax collection, similar in purpose to Corporate Income Tax (CIT) and Turnover Tax (ToT). The primary distinction lies in turnover thresholds and tax calculation methods.

The following table summarises key differences between CIT, Turnover Tax, and Presumptive Tax:

Feature	Corporate Income Tax (CIT)	Turnover Tax	Presumptive Tax
Applicable Turnover	Above K5,000,000 per annum	Up to K5,000,000 per annum	Up to K5,000,000 per annum (proposed)
Tax Base	Accounting profit adjusted as per ITA	Gross turnover (top line) without expenses deducted	Estimated taxable income less MRT paid
Tax Rate	Variable, based on nature of operations	5%	4% (artisanal and small-scale mining rate)
Return Filing Frequency	Quarterly provisional returns; annual final return due 21 June after tax year	Monthly	Typically, quarterly
Expenses Deductions Allowed	Yes	No	Limited to MRT
Purpose	Standard profit-based tax system	Simplified tax for small businesses	Simplified tax for informal or hard-to-assess incomes
Examples of Use	Larger mining and corporate entities	Small formal businesses	Artisanal and small-scale mining licence holders

The proposed increase aligns the presumptive tax threshold with the turnover tax threshold raised effective 1 January 2025. This change is intended to simplify compliance, promote fairness, and ensure consistency across sectors.

Moreover, the adjustment supports the Hon. Minister's objective to broaden the revenue base by encouraging voluntary tax compliance and targeting that currently evading tax.

Mining Taxes

2. Extension to maintain books of accounts in United States dollars for mineral processing businesses

Currently, only persons carrying out mining operations who earn at least 75 percent of their income in foreign exchange from outside Zambia may elect to keep their books of accounts in US dollars for all transactions related to mining operations. The Income Tax Act defines “mining operations” to cover an operation carried out under a mining right but expressly excludes an operation carried out under a mineral processing license only or an exploration license.

The Government now proposes to extend this US dollar accounting option to businesses involved in mineral processing. At this stage, it remains unclear whether the same criteria—such as the 75 percent foreign exchange earnings threshold—will apply to mineral processing companies.

This measure aims to provide greater flexibility in financial reporting for mineral processing businesses, facilitating more efficient business processes and aligning accounting practices with operational realities in the sector.

3. Update of legislative references in the Income Tax Act

The Hon. Minister proposes to update the Income Tax Act by removing all references to the repealed Mines and Minerals Development Act, 2015, and replacing them with references to the Minerals Regulation Commission Act, 2024 which governs the administration of the Mineral Royalty Tax (“MRT”).

The new Act was assented on 20 December 2024, and the Minister of Mines and Minerals Development executed the Commencement Order for the Minerals Regulation Commission Act on 3 June 2025.

This measure is intended to facilitate clarity and consistency in the respective Acts.

4. The Government proposes to broaden the definition of “Commodity Royalty” for income tax purposes.

Currently, the Income Tax Act defines a commodity royalty as an amount paid under royalty financing or a general agreement to persons resident in Zambia. This amount is calculated by reference to the production, profit, or the value of production from a mineral deposit or other natural resource in Zambia.

However, the definition excludes repayment of the purchase price for the commodity royalty, which is an amount advanced in return for future royalty payments.

In essence, a commodity royalty represents a form of financing where payments made to an investor or financier fluctuate in line with the production or profitability of a mineral deposit or natural resource. This contrasts with fixed loan interest payments, which are contractual regardless of performance, and dividends, which are discretionary distributions dependent on available profits.

The proposed amendment aims to extend the scope of commodity royalties to include financing arrangements where no purchase price has been paid to a resident company. It also seeks to capture cases where dividend payments to shareholders are termed a commodity royalty.

This change intends to reflect the evolving nature of financing arrangements and ensure all relevant payments are correctly classified and taxed. It will protect the tax base by closing loopholes (created by legal form rather than substance of the transaction) that facilitate tax base erosion and profit shifting through alternative financing or profit distribution methods. This measure reinforces the integrity of the tax system and ensures fair and effective collection of revenue from resource-based activities.

Customs and Excise Measures on mining

The 2026 Budget proposes to clarify that machinery and equipment required for mining and exploration activities—including geothermal, oil, and gas exploration—are exempt from Customs Duty.

This measure aims to remove ambiguity and ensure consistent application.

House Keeping measures

1. Clarification of Customs Duty exemption for mining and exploration equipment

The 2026 Budget proposes to clarify that machinery and equipment required for mining and exploration activities—including geothermal, oil, and gas exploration—are exempt from Customs Duty.

This measure aims to remove ambiguity and ensure consistent application.

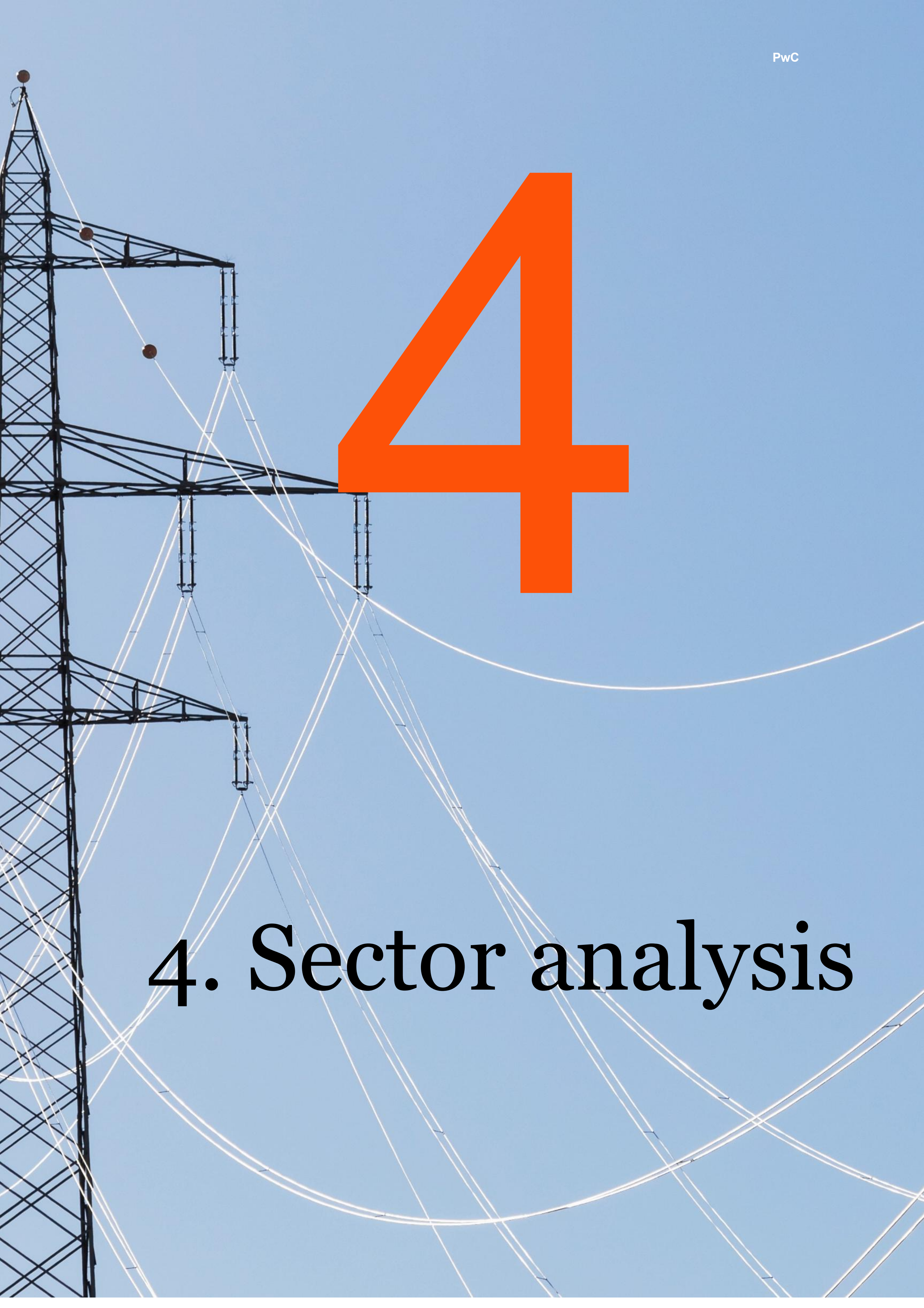
The exemption covers not only mining but also extends to equipment used in geothermal, oil, and gas exploration, and includes "other goods" necessary for these activities, except for spare parts.

2. Recognition of Mineral Valuation Certificate issued under the Minerals Regulation Commission Act, 2024 as an alternative basis for determining the Free-On-Board (FOB) value of exported minerals for Customs Valuation

The Hon. Minister proposes to use the Mineral Valuation Certificate, issued under the Minerals Regulation Commission Act, 2024, as an alternative to the Free-On-Board (FoB) value currently used in the valuation of mineral export.

The FoB value currently refers to the value of goods at the point of shipment for export, encompassing all costs and charges up to the delivery of goods onto the exporting vessel, vehicle, or aircraft.

This change harmonises the Customs and Excise Act with the Minerals Regulation Commission Act, 2024, which repealed and replaced the Mines and Minerals Development Act, 2015. The measure aims to enhance consistency in the interrelated legislation which is likely to enhance reconciliation of the information held by different Government functions.



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4. Sector analysis

Agriculture

Sector summary

The agriculture sector is a vital component of Zambia's economy, employing the largest share of the workforce at 25.2% according to the 2023 Labour report. Its performance has a direct impact on national living standards and economic stability. Recognising this, the Eighth National Development Plan (8NDP) prioritises agriculture as a key driver of economic transformation and job creation, focusing on increasing production and productivity through mechanisation, irrigation, modern technologies, and value addition.

Look back

- Maize bumper harvest of 3.7 million metric tonnes during the 2024/25 season, attributed to good rainfall and timely provision of inputs via the FISP e-voucher system.
- Financial disbursements under SAFF more than doubled from K272.3 million to K667.3 million in the 2024/25 season
- The Green2000 Farm in Luena Farm Block (Kawambwa District) was transferred from the Ministry of Agriculture to the Industrial Development Corporation (IDC) to improve management of the 2,600 hectare high-tech farm, enhance cereal and horticultural production using 16 center pivots and 30 greenhouses and enable IDC to hire skilled staff through a Special Purpose Vehicle (SPV).

The Farm Block Development Agency (FBDA) Bill, 2025 was approved in principle by Cabinet on August 29, 2025, to establish a dedicated agency to coordinate farm block and irrigation development programmes across Zambia.

- To reduce reliance on rainfed agriculture and mitigate climate risks, the Government progressed irrigation development by continuing existing irrigation schemes and Initiating construction of five new dams at Chinkhombe (Katete), Kashambana (Nkeyema), Mulemba (Kalomo), Namakala (Mulobezi), and Pemba (Pemba).

Livestock

- The Animal Health (Registration of Laboratories) Regulations, 2025 were approved by Cabinet on September 15, 2025, facilitating the registration of private veterinary laboratories to expand diagnostic capacity, improve disease control and food safety and enhance livestock trade credibility.
- Introduction of the Matching Grant Facility by the Ministry of Fisheries and Livestock, providing funding from K25,000 up to K2.5 million to support Livestock infrastructure development, Veterinary services enhancement and processing facilities to boost productivity and value addition.

Fisheries

The national fish deficit reduced from 74,000 metric tonnes in 2023 to 51,000 metric tonnes in 2025.

Construction of fishery greenhouses continued at Chadiza, Kaoma, Mwenda, Mwinilunga, and Sinda government fish farms to ensure year-round fingerling production.

Establishment of three new hatcheries in Kasempa, Mushindamo, and Samfya aqua parks, increasing the total number of hatcheries to 84 in 2025.

Fingerling production increased to 460 million in 2025, up from 433.4 million previously, supporting growth in fish farming and food security.

Agriculture

Sector outlook

- In the wake of the devastating 2023/24 drought that halved Zambia's maize output, the 2026 Budget takes steps to bolster agriculture's resilience to climate shocks and ensure food security. Central to this effort is the sustained investment in irrigation infrastructure. Building on commitments made in 2025, the 2026 Budget prioritizes the construction of nine new dams, the completion of ongoing projects, and the maintenance of existing irrigation systems. These interventions aim to enhance water security and reduce dependence on rain-fed agriculture, which has proven vulnerable to erratic weather patterns.
- The budget also scales up climate-smart farming practices through expanded access to financing. The Sustainable Agriculture Financing Facility, which supported 8,841 farmers by mid 2025, is being further expanded to enable more farmers to adopt drought-resistant crops, conservation agriculture, and integrated livestock systems.
- The 2026 Budget completes the migration of the Farmer Input Programme (FISP) by extending the system to the remaining 42 districts. This digital approach enhances efficiency, transparency, and accountability, ensuring that inputs reach bona fide farmers in a timely manner.
- The continued emphasis on dam construction and irrigation maintenance suggests a broader commitment to expanding access to water and mechanized farming tools. These investments are critical for raising yields, reducing labour intensity, and improving the overall competitiveness of smallholder agriculture.
- Access to finance is another pillar of support. The expansion of the Sustainable Agriculture Financing Facility enables farmers to invest in productivity-enhancing technologies, diversify their operations, and build resilience against market and climate risks. By mid 2025, nearly 9,000 farmers had accessed loans and the 2026 Budget aims to scale this impact further.

Our view

The budget's emphasis on climate smart practices supports this diversification by equipping farmers with the knowledge and tools to manage different cropping systems effectively. The Livestock Pass-On scheme further broadens the agricultural base, integrating animal husbandry into smallholder operations and enhancing income streams.

The Government has allocated K15.5 billion to the agriculture, livestock, and fisheries sectors, accounting for 6.1% of the national budget with. Its strategic goal to achieve 10 million metric tonnes of maize, 1 million metric tonnes of wheat and soya beans by 2031. This is supported by its plans to introduce the Agricultural Marketing Bill and amend the Food Reserve Act (2020) and Agricultural Credits Act (2010) which will help boost production and productivity, food and nutrition security, value addition, exports, job creation, stabilize markets and protect both producers and consumers from price volatility during climate-induced disruptions.

Unresolved challenges include vulnerability to climatic shocks like drought and floods, infrastructural bottlenecks, and inefficient market linkages. Further funding pressures and implementation capacity pose risks, especially for scaling irrigation infrastructure and administering new legislation. In addition, market volatility and price unpredictability remain concerns the 2026 reforms attempt to address.

While challenges remain, particularly around climate vulnerability and implementation capacity the 2026 Budget presents a coherent and forward-looking strategy. Its success will depend on robust execution, stakeholder coordination, and continued investment in infrastructure and innovation.

If effectively implemented, these measures could mark a turning point for Zambia's agricultural sector, unlocking its full potential for inclusive and sustainable growth.

Mining

Sector summary

The 2026 budget advances the mining objectives of the Eighth National Development Plan (8NDP) by aiming to increase copper production to 1.5 million tonnes by 2026 and 3 million tonnes by 2031

The mining sector remains fundamental to Zambia's economy, showing resilience amid global market fluctuations and domestic challenges. In 2024, mining contributed 17% to GDP, reflecting its resurgent economic influence. Tax revenues from mining and quarrying increased by over 10%, underscoring the sector's critical role in fiscal sustainability. Export earnings rose 8.6% to US$11.4 billion, driven by copper, cobalt and gold exports.

The 2026 budget advances the mining objectives of the Eighth National Development Plan (8NDP) by aiming to increase copper production to 1.5 million tonnes by 2026 and 3 million tonnes by 2031. It prioritises diversification beyond copper, local beneficiation, support for artisanal and small-scale mining (ASM), a predictable tax regime, exploration, and infrastructure to support mining growth.

Look back

In 2025, the gold rush accelerated the Artisanal and Small-Scale Miners formalisation, with over 90 cooperative licences issued.

Infrastructure projects intended to address energy challenges are also progressing, although deficits and load shedding persist.

Copper production rebounded strongly in 2024, rising 12% to 820,676 tonnes, with 2025 output projected between 950,000 and 1,000,000 tonnes.

Aside from copper, Zambia remains the world's second-largest producer of high-quality emeralds after Colombia. Emerald production increased by 14% from 7,050 ounces in 2023 to 8,040 ounces in 2024. In August 2025,Kagem mine recovered a record 11,685-carat emerald.

Despite progress, 2025 witnessed a severe environmental disaster when Sino Metals' tailings dam breached, displacing 5,000 people and causing ecological damage. Inconsistent implementation of past corrective plans, intensified mining, climate change, and ageing infrastructure contributed to the disaster, highlighting urgent regulatory and risk management needs (source: Environmental Protection Agency Zambia, 2025; Southern Africa Environmental Reports, 2025)

Mining

Sector outlook

The mining sector has K1.2 billion in the 2026 budget for geological mapping, ASM hubs, marketing centres, and operationalising the Minerals Regulation Commission.

Tax relief increased the ASM turnover tax threshold and reduced late payment penalties to encourage compliance.

2026 Key Budget measures

The mining sector has K1.2 billion in the 2026 budget for geological mapping, ASM hubs, marketing centres, and operationalising the Minerals Regulation Commission. Tax relief increased the ASM turnover tax threshold and reduced late payment penalties to encourage compliance. Furthermore, Government has proposed the extension to maintain books of accounts in United States dollars for mineral processing businesses. Some of the Opportunities and risks identified for the sector are as follows:

Opportunities

- Lock in a stable fiscal and regulatory regime; operationalise the Minerals Regulation Commission with ZRA-aligned compliance and expedited dispute resolution.
- Accelerate the countrywide high-resolution geophysical survey to de-risk exploration and expand the bankable project pipeline.
- Formalise and de-risk ASM: scale licensing, enforce safety and mercury-free practices, and invest in district processing hubs and marketing centres.
- Establish a transparent gold trading entity and complete marketing centres (Mumbwa, Rufunsa) to channel ASM output into formal value chains.
- Promote in-country beneficiation by leveraging new processing hubs and linking mine outputs to MFEZ-based copper cable/rod and battery manufacturing.
- Secure reliable, diversified power, reduce logistics costs and strengthen revenue assurance.

Risks

- Operational and infrastructure risks – Persistent load shedding and rising power demand threaten output. Any delay to the planned 1,500 MW of solar within 12 months, 300 MW from Maamba in 2026, or the Zambia–Tanzania interconnector would sustain the supply gap.
- Regulatory, fiscal and compliance risks – The sector is entering a regulatory transition. The Minerals Regulation Commission will be operational this year and coordinate with the revenue authority; ineffective roll-out may introduce compliance uncertainty and administrative friction.
- Market and macro risks – Copper price volatility, slower global growth, and heightened geopolitical risk could weaken revenues, FX inflows, and investment, threatening the plan to row output significantly in 2026 and reach three million by 2031.
- ESG and community risks – ASM safety and environmental risks are material. Rising accidents and mercury use in gold mining will trigger tougher enforcement and a push for mercury-free processing; crackdowns could disrupt supply chains and create reputational exposure.
- Exploration pipeline risk – A slowdown in the progress on the countrywide high-resolution aerial geophysical survey (34% complete) would defer prospectivity insights and licensing, weakening the medium-term pipeline.

Mining

Our view

The 2026 budget, in our view, strengthens regulatory predictability by introducing minimal changes and maintaining close alignment with Zambia's Eighth National Development Plan to support the mining sector.

We believe that urgent and decisive collaboration between Government and industry is essential to unlock Zambia's mining potential and reduce sector risks. Establishing the Minerals Regulation Commission alongside the Zambia Revenue Authority will, in our assessment, provide regulatory clarity and boost investor confidence. Accelerating the geophysical survey will broaden exploration opportunities, while formalising artisanal mining safety standards, expanding licensing, and investing in processing facilities will help integrate ASM into the formal economy.

In our view, securing energy from diverse sources, advancing solar initiatives, and completing the Zambia–Tanzania interconnector are critical to addressing power shortages. Improving logistics and promoting local beneficiation will reduce costs and add value, supporting sustainable growth. We also see continued promotion of the gemstone sector as key to maximising the benefits of Zambia's mining industry.

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Manufacturing

Sector summary

The 2026 National Budget positions manufacturing as a cornerstone of Zambia's industrialization and economic diversification, supported by targeted fiscal measures and strategic investments. With over US$4 billion invested through Multi-Facility Economic Zones (MFEZ) and industrial parks, creating more than 57,000 jobs in ceramics, steel, agro-processing, and pharmaceuticals, the budget advances the Eighth National Development Plan's goals of promoting local value addition, reducing import dependency, and enhancing regional trade integration via the Africa Continental Free Trade Area (AfCFTA) and COMESA.

Look back

From 2021, the sector attracted major investments, especially in MFEZs. The Lusaka South MFEZ alone drew over US$1.4 billion and created 31,000+ jobs. Other zones, including Jiangxi in Chibombo and Kalumbila, added over US$ 2.5 billion and thousands of jobs. New zones were declared to further boost industrialisation. In 2025, manufacturing remained key to economic transformation, supporting diversification, job creation, and import substitution. Zambia became a net exporter of fertiliser and expanded pharmaceutical production. The revival of Zambia-China Mulungushi Textiles (all essential machinery has been received and is being installed in readiness for commencement of production) and fertiliser self-sufficiency were major milestones. Challenges such as drought over the past two years reduced hydropower generation, causing load shedding and manufacturing disruptions. Inflation peaked at 12.3 percent in September 2025, driven by food and fuel prices.

To restore macro-fiscal stability and investor confidence, Government prioritised external debt restructuring under the G20 Common Framework. By mid-2025, agreements covering 94% of eligible debt had been reached, easing fiscal pressure and improving the outlook for private investment. Zambia's manufacturing sector made strong progress toward 2025 budget objectives. Continued focus on energy resilience, regional trade integration, MSME support, and value addition will be essential to sustaining growth.

Manufacturing

Sector outlook

The 2026 Budget seeks to consolidate achievements while addressing bottlenecks. To capitalize on gains, it is essential to tackle challenges and leverage emerging opportunities to enhance industrial capacity, boost employment, and promote sustainable regional development. Below are key opportunities and risks shaping the sector's outlook.

2026 Key Budget measures

- Complete Knock Down duty removal: motor vehicles (incl. EVs), tractors, motorcycles, trailers.
- Surtax/customs updates to back local producers: steel, pasta, processed meats & edible offal, CO_2, flexible PVC pipes, polyester fibre, float glass.
- Dairy package: higher duties on powdered milk, cheese, yoghurt, UHT; 10% surtax harmonisation; 0% duty on pasteurisation machinery; extend 2% local-content allowance.
- Energy enablers: T&D duty relief; VAT pre-op refund 10 years (hydro); Electricity Fund (K500 m).
- SME tax/finance: higher thresholds, 0.5% late-payment penalty, ZCGS K851.7 million, Empowerment Funds K588.5 million.
- Public procurement preference for SMEs (SI No. 45 of 2025).
- Policy stability: debt restructuring progress + Tax Administration Bill to simplify compliance.
- Declaration of new Multi-Facility Economic Zones (MFEZs) in Chilanga, Kazungula, Monze, and Kafue, with a projected US$3 billion in investment and over 13,000 jobs, expanding Zambia's industrial base and supporting manufacturing-led growth

Opportunities

- **US$4 Billion Investment Pipeline:** opportunity to convert pipeline into local value:
  (i) lock in supplier localisation & services (steel, packaging, logistics, maintenance);(ii) structure offtakes for agro-processing/textiles/cables;(iii) crowd-in finance (credit guarantees, PPP/blended);(iv) scale AfCFTA exports (NTB mechanism & PAPSS).
- **New MFEZs in Strategic Locations**: Zones in Chilanga, Kazungula, Monze, and Kafue are projected to attract $3 billion and create 13,000 jobs.
- **Labour-intensive growth lanes**: textiles & garments (Mulungushi, cotton out-growers), agro-processing (dairy, edible oils, milling, meat), construction materials & packaging, and auto/tractor components (wire harnesses, tyres, plastics alternatives) leveraging CKD
- **Local dairy expansion:** Combined tariff protection and duty-free pasteurisation machinery create conditions for milk collection centre investment, UHT capacity and cold-chain upgrades.
- **Labour-intensive growth lanes**: Textiles/garments, agro-processing, construction materials & packaging, auto/tractor components (via CKD supply chains).
- **Import Substitution and Export Expansion**: Zambia's shift from fertilizer importer to exporter shows the viability of import substitution. Expanding this in textiles, agro-processing, and construction materials can reduce foreign exchange outflows and enhance export earnings.
- **Revival of Strategic Industries:** Reopening the Zambia-China Mulungushi Textiles plant and cotton out-grower schemes will strengthen agro-industrial linkages, support rural development, increase value addition, and position Zambia as a regional textile supplier.
- **Policy Stability and Debt Restructuring:** Debt restructuring under the G20 Common Framework has improved fiscal space and macroeconomic stability, bolstering investor confidence and enabling predictable implementation of industrial policies.

Manufacturing

Risks

- Infrastructure Bottlenecks: Despite the budget's focus on expanding MFEZs, many industrial areas still suffer from unreliable electricity, poor road connectivity, and limited water access. These gaps may delay timelines and increase operating costs.

- **Delayed Operationalization of Industrial Assets:** The revival of strategic facilities like the Zambia-China Mulungushi Textiles plant is encouraging, yet past delays with similar projects highlight risks related to bureaucratic inertia and weak implementation capacity. Without clear timelines and accountability, investor confidence may be undermined.

- **SME Marginalization**: The budget's emphasis on large-scale investments and MFEZs risks sidelining the vital role of SMEs. Without targeted support like market access, and capacity building, SMEs may struggle to thrive.

- **VAT Refund Arrears:** Outstanding VAT refund liabilities to the manufacturing sector amount to K19 billion, creating cash flow constraints that restrict reinvestment and expansion. While the budget commits to clearing arrears, uncertainty remains around the speed and transparency of disbursement.

- **Global Economic Headwinds:** Zambia's manufacturing sector remains vulnerable to external shocks including rising fuel prices, currency volatility, and global supply chain disruptions, potentially raising input costs and weakening competitiveness.

Our view

From our analysis, the measures proposed by the minister are positive, directionally strong and coherent. The 2026 package continues a multiyear industrial policy focusing on value addition, import replacement, and investment facilitation (zones, duty mix, MSME finance. It rightly pairs sector incentives with energy and logistics enablers (Electricity Fund, grid duty relief, airports/roads) and sustains the MFEZ strategy proven to attract anchor investors.

The 2026 budget establishes a pragmatic foundation for industrial growth, yet critical challenges remain. The increase on tolls, mobile-money levy and borrowing costs pressures cash flow, especially for SMEs. Persistent energy shortages hinder productivity, although initiatives like the Electricity Fund and Megawatt-addition dashboards offer a framework for improvement. Exchange rate volatility escalates input costs for import-dependent manufacturers, with limited hedging mechanisms. Progress has been made in affordable finance through blended credit guarantees and retrofit tax allowances, but more concessional lending is urgently needed.

Where it could go further to be transformative:

- **Power reliability:** Fast track governance under the Electricity Fund, publish MW dashboards, and clarify net metering rules to scale embedded generation.

- **AfCFTA operationalisation: Align** Rules of Origin, expedite standards harmonisation, and adopt Non Tarrif Barrier (NTB) platform and Pan African Payment and Settlement System (PAPSS).

- **Logistics management:** Treat the Lobito corridor and TAZARA reviival as industrial projects with milestones and "time to market" metrics.

- **Cost of capital relief:** Blend guarantees with retrofit tax allowances; ring fence support for women and youth owned SMEs.

Tourism

Sector summary

Tourism is a strategic growth sector for Zambia, generating foreign exchange, jobs and investment while diversifying the economy beyond traditional exports. This sector reviews Zambia's recent tourism performance, the policy and investment foundations, and the outlook, risks, and opportunities under the Eighth National Development Plan (8th NDP).

Look back

Tourism is a priority sector under Economic Transformation and Job Creation in the Eighth National Development Plan. The sector's budget rose to K1.3 billion in 2024 (a 41 % increase from K921.6 million in 2023), supported by an earmarked Tourism Levy of K97.8 million across 2022–2026 and strong non-tax revenue of K319.5 million in 2024. These measures indicate a deliberate, growth-oriented stance and aim to catalyse private investment.

Performance improvements are evident. International arrivals reached 1.1 million in 2022 and doubled to 2.2 million by 2024, reflecting enhanced international marketing and targeted visa waivers in key source markets. Domestic tourism also expanded, with 530,110 visitors recorded at waterfalls, national parks, museums, and heritage sites, up from 312,195 in 2022.

Investment in the sector was projected at US$969.7 million, with a decade-long growth rate of 3.2%, outpacing Sub-Saharan Africa's 3.0%. Infrastructure upgrades, most notably at Kenneth Kaunda International Airport, alongside road improvements and hospitality investment, have enhanced accessibility and the visitor experience.

Policy reforms, including the Tourism and Hospitality Act (2015) and the Wildlife Act (2015), have strengthened regulation, licensing, and conservation. Regional cooperation through the Kavango-Zambezi Transfrontier Conservation Area (KAZA TFCA) has promoted cross-border tourism, while "Destination Zambia" campaigns and partnerships with global platforms such as the BBC and Expedia have raised international visibility.

Sector outlook

By mid-2025, more than 1.2 million visitors had arrived, surpassing the year-to-date target of 1.1 million and placing the sector on track for 2.4 million annual arrivals, compared to 2.2 million in the previous year. Hotels in Livingstone reported 70% occupancy versus 40% before 2023, and the average length of stay rose to five days from three before 2024. High-visibility campaigns by the Ministry of Tourism under the "Destination Zambia" banner achieved substantial global reach. Visa-free entry for citizens from 167 countries has eased access, and digital adoption is deepening, with online bookings projected to account for 66% of tourism revenue by 2030.

Opportunities

Priority destination upgrades at Kasaba Bay, Liuwa, and Livingstone, together with ongoing legal reforms and a pipeline of public-private partnerships (PPPs), are shaping investable circuits. From 2026, the Government will commence construction of Choma, Kasaba Bay, and Nakonde airports, and has secured land for future development in Chipata, Solwezi, and Mongu.

Tourism

Sector summary

Upgrading provincial airports will enhance connectivity, support rural development, and unlock opportunities across agriculture, mining, and tourism, while improving access to markets and services for citizens and businesses. Budgeted investments in new and upgraded airports and trans-African roads will reduce travel time and costs and enable multi-country circuits.

Additionally, the proposed K1.5 billion sector allocation will strengthen infrastructure, bolster wildlife conservation, and intensify tourism marketing, reinforcing the sector's recovery and growth outlook.

Risks

Key risks include power outages and drought, climate stress on parks and infrastructure, encroachment, connectivity gaps, delivery risks and data blind spots. This can be mitigated through climate-resilient design standards, stronger conservation with community benefit-sharing, contingency route planning, and performance-based PPP contracts.

Zambia's current energy constraints such as drought-linked hydropower shortages and load-shedding, disrupt airports, border posts, hotels, lodges, water systems, ICT and payment networks. This raises operating costs, depresses service quality, and undermines route viability and investor confidence. The fast-tracking of reliable power and connectivity can stabilise operations and protect the visitor experience. The scaling of conservation enforcement with community benefit-sharing, powered by renewables, can maintain wildlife protection despite the drought, reduce encroachment, and strengthen local support.

The proposed upward adjustment of visa fees may dampen price-sensitive demand if entry costs exceed regional peers. The Government should pair implementation with expanded visa-free/visa-on-arrival access for priority markets, fast and predictable e-visa processing, alignment with the Kavango-Zambezi (KAZA) UniVisa for multi-country itineraries, and transparent communication with airlines, online travel agencies and operators.

Our view

Zambia's tourism sector is surging, with international arrivals doubling and hotel occupancy in Livingstone reaching record highs. Backed by a bold K1.5 billion investment, targeted policy reforms, and global marketing, the country is rapidly enhancing its infrastructure, connectivity, and appeal. Visa-free access for 167 countries and digital innovation are making Zambia more accessible than ever.

To keep this momentum, the Government must deliver reliable, climate-resilient power and seamless access to key destinations, while streamlining visas and strengthening conservation with community benefits. These steps will secure Zambia's edge, attract private investment, and unlock new jobs and growth.

With strong foundations and rising demand, Zambia is poised to become a leading African destination—offering visitors unforgettable experiences and driving prosperity across the country.

Financial Services

Sector summary

The Financial Services sector encompasses a wide range of services and institutions that manage money for individuals, businesses, and governments. This sector includes banks, insurance companies, investment firms, and other financial institutions that provide services such as lending, investment management, insurance, and payment processing. In Zambia, the Financial Services sector has shown satisfactory performance and stability.

Look back

The financial services sector remains a foundational pillar of the Zambia's economy, continually evolving to advance the country's development objectives. In recent years, a range of reforms and operational improvements have strengthened the sector's capacity to drive economic growth, promote financial inclusion, and maintain resilience amid challenges. The 2025 budget outlined the following key reforms:

- Deposit Protection Fund: This was intended to reinforce confidence in the banking system by providing a safety net that will reduce systemic risk and protect retail depositors. Although not yet operational, the Bank of Zambia has demonstrated its commitment by releasing draft directives for public consultation.

- Financial Inclusion: Through the introduction of the National Financial Inclusion Strategy II (2024–2028), the 2025 budget targeted an increase in financial inclusion from 69.4% to 85% by 2028. The strategy focuses on underserved groups, including rural communities, women, micro small and medium enterprises (MSMEs), and agricultural businesses, aiming to unlock economic potential within these crucial sectors. The Zambia Credit Guarantee Scheme increased to K851.7 million in 2025 from K386 million in 2024, enabling more SMEs to access affordable financing.

Financial Services

3.8%

The banking sector remains profitable, with a non-performing loans (NPL) ratio of 3.8% as of August 2025.

Sector Outlook

Despite elevated lending rates and external economic challenges, Zambia's financial sector has demonstrated resilience and solid performance in 2025. Key indicators highlight the continuing strength and stability of the sector:

- The banking sector remains profitable, with a non-performing loans (NPL) ratio of 3.8% as of August 2025, well below the prudential maximum of 10%. This reflects sound credit risk management.
- Despite high borrowing rates in 2025, loans to households and enterprises expanded by 20.7% in the first half of the year, signalling robust demand for financial services despite tight monetary conditions.

Opportunities

SME Support Fund

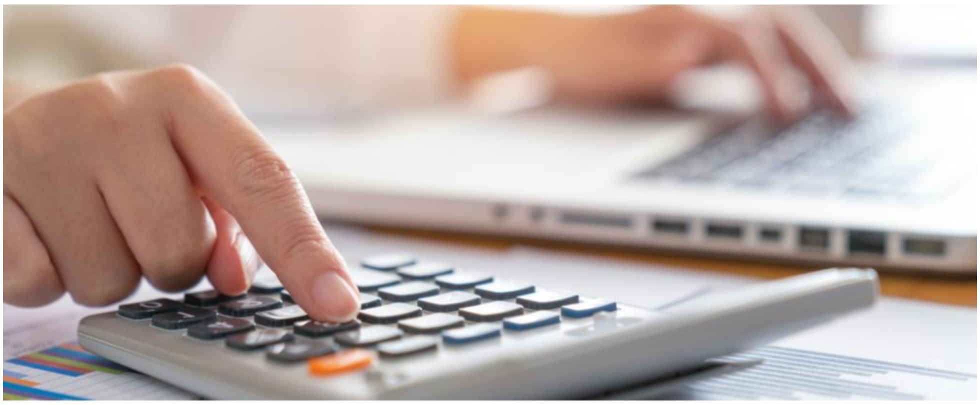
By August 2025, the number of beneficiaries under the Zambia Credit Guarantee Scheme had increased significantly to 19,819, up from 18 in 2021. Loans facilitated rose to K1.6 billion from K10 million by the end of August 2025, reflecting substantial government support for affordable financing. To further stimulate economic growth and inclusion, a K5 billion SME Support Fund is scheduled for launch in early 2026. This initiative will provide credit guarantees via commercial banks and financial service providers, deliver business development services to enhance operational capabilities, and facilitate market linkages to improve value chain integration and competitiveness. The fund aims to unlock SME potential, which is vital for job creation and innovation.

Stability and Resilience Facility

In December 2024, the Bank of Zambia launched a K5 billion Stability and Resilience Facility in response to economic disruptions caused by drought and other challenges. To date, approximately K4.7 billion has been approved under the facility, primarily benefiting the agriculture, manufacturing, and energy sectors. These targeted injections aim to stabilise critical industries and promote recovery.

Deposit Protection Scheme:

The Bank of Zambia expects to release the Scheme regulations by the end of 2026. This initiative will align with practices in several major global economies and ensure security for the expanding number of bank customers.



Financial Services

Risks

Policy Rate

The Bank of Zambia increased the policy rate from 14.0% at the end of 2024 to 14.5% in February 2025. This rate has been maintained up to September 2025, resulting in higher lending rates.

Inflation

Inflation reached 12.3% in September 2025, exceeding the 6–8% target range. This continues to put upward pressure on lending rates and influences monetary policy decisions.

Lending rates

Commercial lending rates remain high at approximately 28.9%, restricting affordable access to credit for many households and businesses.

Banking and Financial Services Act revision

While intended to strengthen the financial system, regulatory revisions also introduce risks related to uncertainty, compliance burden, and potential unintended consequences for financial institutions.

Our view

Zambia's financial sector is well positioned to play a pivotal role in the country's ongoing economic transformation, balancing reform efforts with operational resilience. The sector continues to support inclusive growth, underpinned by prudent monetary policy, expanded financial access, and strengthened regulatory frameworks.

Despite challenges such as elevated borrowing costs and inflationary pressures, ongoing credit growth and targeted support initiatives demonstrate the sector's capacity to facilitate economic activity. One notable measure that has been implemented post budget will permit the ZRA to submit records of unresolved tax liabilities to Credit Reference Bureaus. This reform involves amending existing secrecy clauses to allow targeted disclosure of non-compliance information, enabling ZRA to share outstanding tax debt details with private credit information bureaus

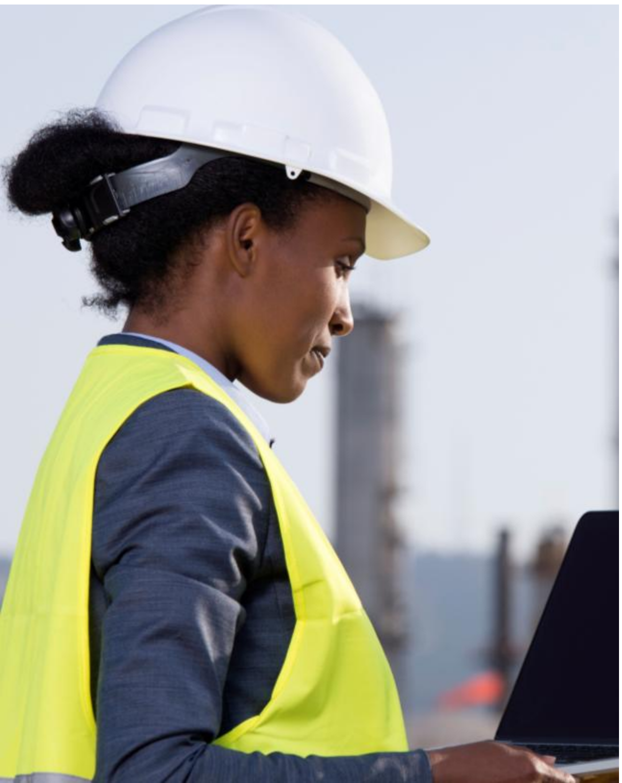
Although not specifically highlighted in the 2026 budget, banks in Zambia identify fintechs and mobile money services as their primary sources of competition, with Artificial Intelligence (AI) also exerting significant competitive pressure. These trends underscore the urgent need for banks to strengthen collaboration with fintechs and mobile money operators while accelerating the integration of AI into their operations. This approach aligns with broader financial inclusion and digital transition strategies. The sector's trajectory supports national development priorities outlined in the Eighth National Development Plan, reinforcing its status as a key enabler of sustainable economic progress.

Energy

The energy sector is pivotal to Zambia's economy because reliable, affordable power underpins mining (the growth engine), agro-processing, manufacturing, and services, while enabling jobs creation, productivity, and regional power trade.

Sector summary

The Energy sector advances 8NDP priorities by expanding power infrastructure, diversifying beyond hydro, adopting cost-reflective tariffs with private sector participation, accelerating rural electrification, and strengthening climate resilience and regional grid links.



Look back

In August 2024, Zambia's installed capacity stood at 3,811MW, primarily consisting of hydropower sources. As at September 2025, installed capacity increased to 3,985.86MW driven by private investment into the energy sector as well as commissioning of the 100MW Chisamba Solar Power Plant. The Government will also be commissioning a an 85MW thermal plant in Lusaka in Q4 of 2025. Additionally, completion of 130 electrification projects, that is, 104 on-grid and 26 off-grid projects has boosted rural electricity access from 8% in 2021 to 34% in 2025.

Historically, hydropower sources contributed 84% of total installed capacity. This has presented a myriad of challenges, particularly linked to rainfall volatility, ultimately resulting in power shortages.

To address this, the Government, through the ERB implemented emergency tariffs aimed at enabling the country's utility, ZESCO to import electricity from its SAPP counterparts. However, these tariff adjustments are not sustainable as they pose adverse risks and uncertainties, further exasperating inflationary pressures currently being experienced.

Furthermore, reduced investment into the energy sector due to fiscal constraints and restructure of the country's sovereign debt has limited improvement of enabling infrastructure resulting in prolonged and frequent power outages.

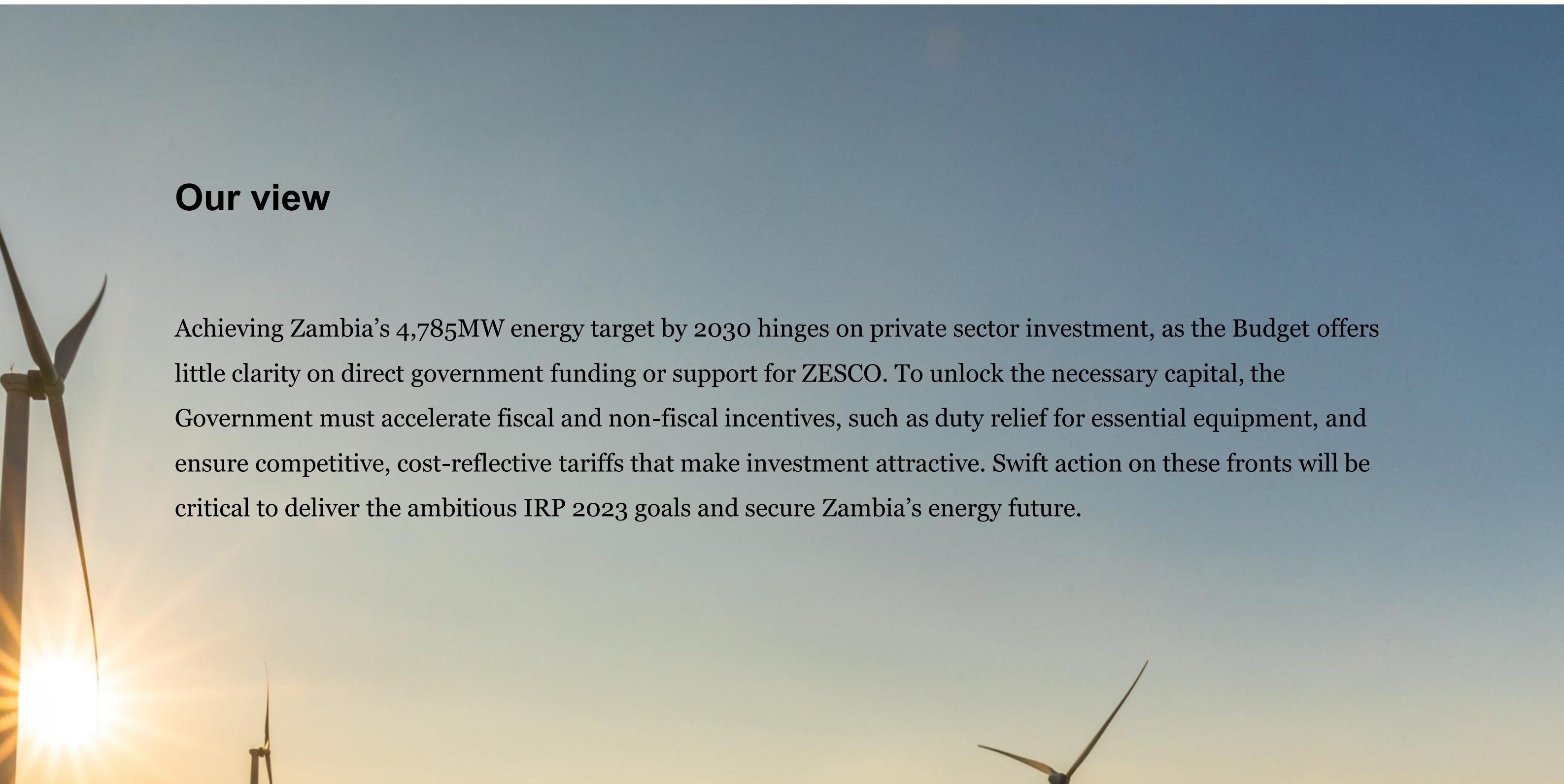
In 2025, the Hon. Minister allocated K2.3 billion to support programmes, including Petroleum Development and Management, Electricity Development and Electrification Management, Renewable and Alternative Energy Development and Management of Energy Sector Standards and Regulations. However, in the 2026 budget, the Government has not allocated funding towards infrastructure improvement in the energy sector, implying that it will be reliant on private sector funding to meet energy development needs.

Energy

Sector outlook

To address the power deficits and other systemic issues within the energy sector, the Government has taken a multi-pronged approach which includes:

1. Continued importation of power from member states of the Southern African Power Pool , notably Mozambique, Namibia, South Africa and Zimbabwe.
2. Construction of the Zambia – Tanzania Interconnector that will enable Zambia to trade electricity with members of the East African Power Pool, particularly Tanzania.
3. Promoting the use of off-grid solutions such as industrial generators and solar systems, which are being installed in markets, public hospitals and schools.
4. Further implementation of sector reforms such as net metering, which allows customers who produce their own electricity to feed excess electricity into the national grid, an open access regime which allows Independent Power Producers - IPPs to sell electricity directly to consumers and a single licensing system that reduces the time for obtaining licenses and permits for power development.
5. Promotion of installation of non-hydro power sources of energy across the country to change the energy mix from the current 3% non-hydro position to 30%. The proposed projects include:
   - 1,500 MW solar by 2026
   - 300 MW Maamba thermal power plant
6. Extension of duty relief to imported machinery relating to generation and transmission of electricity.
7. Establishment of the electricity fund and commitment of K500m towards this.
8. Implementation of 100 new on-grid and 30 off-grid projects, reinforcing its commitment to universal access and energy equity



Our view

Achieving Zambia's 4,785MW energy target by 2030 hinges on private sector investment, as the Budget offers little clarity on direct government funding or support for ZESCO. To unlock the necessary capital, the Government must accelerate fiscal and non-fiscal incentives, such as duty relief for essential equipment, and ensure competitive, cost-reflective tariffs that make investment attractive. Swift action on these fronts will be critical to deliver the ambitious IRP 2023 goals and secure Zambia's energy future.

Petroleum

Sector summary

- The petroleum sector in Zambia experiences significant volatility due to global commodity price fluctuations, exchange rate instability, supply chain disruptions, limited domestic production and inadequate supply infrastructure.
- These volatilities increase operational costs for businesses, lead to inflationary pressures on consumers, and pose challenges for government budgeting and economic planning. Managing this volatility requires strategic reserves, diversified energy sources, and robust policy frameworks.

Look back

- The Government is actively boosting the oil and gas sector by removing customs duties on exploration machinery and equipment, lowering costs and encouraging investment. To increase competition and broaden participation, it has opened third-party access to the TAZAMA Pipeline, inviting private sector players to supply petroleum products.
- For greater price transparency, the Energy Regulation Board began publishing detailed wholesale and retail fuel price breakdowns from February 2024. Additionally, since May 2024, a new pricing mechanism adjusts fuel prices monthly to compensate for exchange rate fluctuations, stabilizing costs for consumers and businesses.
- These measures strengthen Zambia's energy sector by reducing barriers, promoting competition, and enhancing pricing transparency.

Sector outlook

- Government had to re-align the 2024 national budget to accommodate the necessary expenditure of K41.9 billion to finance drought response interventions, resume servicing of the restructured external debt and dismantling of the costly fuel arrears. This is important to ensure consistent supply of petroleum products into the country.
- However, no new accommodations have been made in the budget for 2026.

Our view

In September 2025, the Energy Regulation Board (ERB) revised pump prices for petroleum products, citing the depreciation of the Kwacha and higher import premiums, which outweighed a modest decline in international oil prices. As a result, pump prices for September 2025 stood at ZMW 29.18 per litre for petrol, ZMW 25.02 for diesel, ZMW 23.64 for kerosene, and ZMW 25.83 for jet A-1 fuel. With Zambia reliant on imported fuel, foreign exchange volatility and global commodity prices will remain the primary factors influencing consumer prices.

The planned Ndola Refinery represents a transformative step for Zambia's energy sector. By shifting from imported refined petroleum to domestic crude oil processing, Zambia stands to significantly reduce costs associated with importation, transportation, and currency fluctuations. This strategic development is expected to stabilise and potentially lower fuel prices, easing pressure on consumers and insulating the economy from unpredictable global oil markets.

Beyond price stability, the refinery will strengthen supply chain resilience, reducing the risk of fuel shortages and sudden price spikes. Ultimately, the Ndola Refinery promises more affordable, reliable, and secure petroleum products—a clear benefit for households, businesses, and the wider economy.

Transport

Sector summary

Zambia's transport sector plays a vital role in regional trade and economic development. Road transport dominates the sector, accounting for over 96% of export value. The sector has experienced significant growth, with trade volumes rising by 22% in early 2025. Major infrastructure projects, such as the Lusaka to Ndola dual carriageway, have advanced through Public Private Partnerships (PPPs). Despite this progress, rail, air and water transport remain underutilised, presenting opportunities for diversification. Zambia's strategic location as a land-linked country enhances its role as a transit hub for Southern and Central Africa, with regional corridors like TAZARA and Lobito strengthening connectivity.

Look back

As outlined in the 2025 budget and guided by the Eighth National Development Plan (8NDP) 2022–2026, Zambia has made meaningful progress in the transport and logistics sector. This sector has served as a key driver of economic activity, contributing 12.4% to GDP in 2024. Air transport carried 2.27 million passengers, while road networks accommodated 79.3 million passengers and moved 30.07 million tonnes of cargo. Inland water transport, through Mpulungu Port, linked Zambia to the Great Lakes region and supported exports such as sugar, cement, clinker, steel, and coal. Collectively, these transport modes have advanced Zambia's ambition to become a regional logistics hub. They have reduced business costs, improved rural connectivity, and stimulated job creation and economic growth. Aligned with the 8NDP's emphasis on infrastructure development across key transport sectors, the strategy aims to shift 30% of bulk cargo from road to rail.

Transport

Sector outlook

2026 Key Budget measures

In 2025, the Government allocated K12 billion to road infrastructure, increasing this to K14.5 billion in 2026, a rise of 20.8% that underscores its continued commitment to constructing, rehabilitating, and maintaining the country's road network. The transport sector's 2026 plans align closely with the 8NDP, aiming to drive economic transformation and job creation. The increased budgetary allocations demonstrate a stronger resolve to boost transportation logistics, which are essential for key industries such as mining and agriculture. Urban and feeder road improvements are pivotal for connecting rural areas, supporting strategies under the 8NDP to enhance rural connectivity and inclusivity. Project completion goals, such as rehabilitating key roads like the Mpika to Chinsali Road, directly contribute to the transportation facilitation goal of the 8NDP.

The 2026 budget reflects significant advancements in Zambia's air transport sector, underscoring the Government's commitment to enhancing domestic aviation capacity and safety. Through strategic upgrades and construction projects in key towns, the Government is fostering improved connectivity and supporting tourism growth. Further efforts to secure land for expansion highlight a forward-thinking approach, positioning the sector for long-term development.

In water transport, the budget highlights significant milestones with the completion and near-completion of key harbour projects. By planning new harbours, the Government aims to boost connectivity, trade, and tourism, thereby supporting economic growth and regional integration.

The focus on PPP financing for road projects continues, with agreements increasing from seven to twelve. Rail infrastructure has gained new momentum with agreements signed for TAZARA's concession, enhancing Zambia's logistics network. Air transport has also received increased budgetary support, with new provincial airport projects underway.

Transport

Some of the opportunities and risks identified in the budget pronouncements regarding the sector are as follows:

Opportunities	Risks
Export-Led Growth and Regional Integration; Zambia's integrated investments in road, rail, air, and water transport are positioning the country as a regional trade hub. The shift to a land-linked economy enhances access to both eastern and western seaports, notably through the Lobito Corridor and the anticipated TAZARA concession, which could quadruple freight capacity to 2 million tonnes annually.	Execution Delays and Project Overruns: While some projects are ahead of schedule, others like Lusaka to Mongu are at 24% and Batoka at 39% show slower progress. Delays could impact economic returns and investor confidence, especially where PPPs are involved.
Cost Efficiency and Value for Money: The Lusaka to Ndola Dual Carriageway, contracted at US$650 million versus the initial US$2 billion estimate, reflects improved procurement and project management practices. This sets a precedent for future infrastructure projects to deliver high impact at lower cost.	Sustainability and Maintenance: long-term maintenance funding and institutional capacity will be critical. Without sustainable models, infrastructure gains may erode over time.
Public Private Partnerships (PPPs) and Development Financing: The sector is benefiting from diversified financing, including PPPs and development partner support. The Mutanda to Kaoma corridor concession and Farm to market contracts (US$491 million) demonstrate growing investor confidence and potential for scalable models in rural connectivity.	Debt and Fiscal Pressure: Despite cost efficiencies, large-scale infrastructure still poses fiscal risks. The Government must balance development ambitions with debt sustainability, especially in concessional financing arrangements.
Rural Inclusion and Agricultural Productivity: The Improved Rural Connectivity Project and feeder road upgrades (over 700km under rehabilitation) are unlocking access to markets for rural communities. This supports inclusive growth and aligns with Zambia's agricultural transformation agenda.	Environmental and Social Safeguards: Projects like the Kasomeno to Mwenda border post and harbour developments must integrate environmental and social impact assessments to avoid displacement, ecological degradation, or community resistance.
Tourism and Domestic Connectivity : Upgrades at Kasama, Chipata, Mongu, and Solwezi airports, and planned works at Mfuwe and Choma, enhance domestic air travel and tourism potential. Border post modernization further facilitates smoother cross-border movement.	Institutional Coordination: Multi modal transport development requires strong inter agency coordination. Fragmentation could lead to inefficiencies, especially in integrating road, rail, and water transport systems.
Strategic Border Infrastructure: Operationalization of one stop border posts (Kazungula, Mwami to Mchinji, Nakonde) and upgrades at others will reduce transit times and improve trade facilitation, especially for land linked corridors.	Geopolitical and Regional Dependencies: Reliance on regional corridors e.g., TAZARA and Lobito introduces geopolitical risks. Stability in partner countries and alignment of cross-border policies will be essential for sustained operations.

Transport

Our View

The 2026 budget for Zambia's transport sector demonstrates a clear ambition to address previous gaps and adopt innovative, collaborative funding models. It establishes a strong foundation for comprehensive infrastructure development, positioning transport as a central driver of economic growth and sustainability.

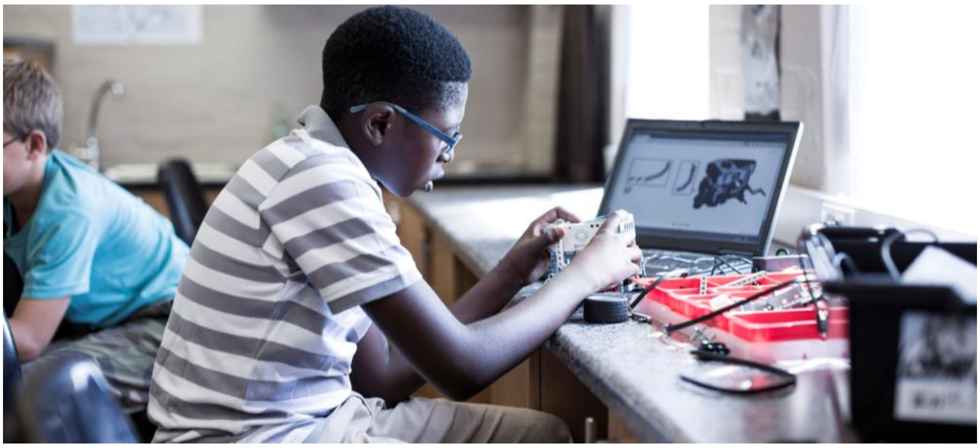
Project milestones, such as achieving a 57% completion rate with 2,400 km of feeder roads rehabilitated out of the 4,200 km target under the Improved Rural Connectivity Project (IRCP), and upgrading key routes like the Mpika to Chinsali Road, demonstrate tangible progress aligned with the core transportation objectives of the 8th National Development Plan (8NDP). Nevertheless, significant challenges persist. The 2024 Annual Economic Report highlights pressing constraints in rural infrastructure, underscoring the urgency for innovative approaches. To maximise the impact and expand access, it is essential that the road sector is supported by increased funding, robust strategic planning, transparency and community involvement.

The Government's commitment to expanding PPP agreements marks a pragmatic shift towards diversified financing, recognising public resource constraints while aiming for transformative infrastructure. Yet, lengthy procurement processes, low traffic volumes, limited institutional capacity, inconsistent policy frameworks, and poor risk allocation continue to undermine investor confidence and project sustainability. Proactive investment in rail and air transport, including K1.1 billion for provincial aerodrome upgrades, signals intent to enhance logistics and regional connectivity. However, water transport still requires greater focus and investment to realise its full potential. A balanced, integrated approach across all modes will be vital for sustainable economic progress.

Furthermore, proactive steps in rail development indicate an intent to revolutionise the country's transport framework, embedding resilience and efficiency in national logistics networks. In these ways, the 2026 budget not only builds upon past achievements but also strategically aligns with broader economic development agendas.

The 2026 budget for Zambia's air transport demonstrates ambition, with K1.1 billion allocated towards upgrading provincial aerodromes. This financial commitment reflects the Government's resolve to enhance airport infrastructure to boost tourism and improve regional connectivity, which are crucial for economic support. However, water transport requires more focused attention and investment to fully harness its strategic potential. Future strategies should ensure balanced development across all sectors, creating a cohesive transport infrastructure that supports sustainable economic progress for Zambia.

Technology and Science



The Government has prioritised the construction of communication towers in underserved and unserved areas to strengthen e-governance and digital services

In collaboration with cooperating partners, the Government will procure Starlink kits to provide internet to 400 health facilities under the solar for health project.

Sector summary

The Information and Communication Technology (ICT) sector encompasses a wide range of technologies and services that facilitate communication and the processing and transmission of information. This sector includes various components such as telecommunications, internet services, computer hardware and software, and digital services.

The 2025 national budget placed strong emphasis on improving connectivity and fostering innovation. Key measures included:

- 202 new communication towers (171 via ZICTA at K409 million, 31 via private sector)
- Ongoing procurement of 525 Starlink kits to connect post offices, youth resource centres, and constituency offices beginning in 2023.
- Conversion of post offices into Digital Transformation Centres (DTCs) with 48 being been created by 2024, and 50 more planned in 2025.
- Support for 53 innovation hubs and 21 incubators to nurture startups.
- Launch of the 2025 Science, Technology and Innovation Policy, committing over K3 billion to R&D and K8 million for AI and emerging tech.

Sector outlook

The Zambian Government has continued to make significant strides in the ICT sector, and this has been amplified by the Hon. Minister's Pronouncements.

2026 Key Budget measures

The Hon. Minister indicated that the year 2025 recorded significant progress:

The Government has prioritised the construction of communication towers in underserved and unserved areas to strengthen e-governance and digital services 525 Starlink kits have been deployed to various government departments, constituency offices, post offices, youth resource centres, and other public institutions.

In collaboration with cooperating partners, the Government will procure Starlink kits to provide internet to 400 health facilities under the solar for health project. The Government Wide Area Network has been rolled out to 93 local authorities, 79 district administration offices, and 29 schools, with a cumulative total of 438 sites connected.

Solar energy has been installed in all 116 councils to ensure business continuity and protect installed equipment from power outages

Technology and Science

The ICT sector in Zambia presents numerous opportunities for growth and development. Enhanced connectivity through the construction of communication towers and deployment of Starlink kits in underserved areas can significantly improve internet access and digital services, fostering digital inclusion.

The ICT sector in Zambia presents numerous opportunities for growth and development. Enhanced connectivity through the construction of communication towers and deployment of Starlink kits in underserved areas can significantly improve internet access and digital services, fostering digital inclusion. This improved connectivity supports e-governance, enabling more efficient delivery of government services and programs. Additionally, better ICT infrastructure can spur innovation and entrepreneurship, particularly among the youth, and support various sectors such as agriculture, health, and education, contributing to overall economic growth.

However, the ICT sector also faces several risks. Increased digital connectivity can expose systems to cybersecurity threats, necessitating robust measures to protect data and infrastructure. Despite efforts to improve connectivity, there may still be disparities in access to digital services between urban and rural areas, leading to a digital divide. Ensuring the maintenance and sustainability of ICT infrastructure, particularly in remote areas, can be challenging. Moreover, securing adequate funding and investment for ongoing and future ICT projects can be a risk, especially in the face of economic constraints.

Our View

While the 2025 budget prioritised infrastructure, the 2026 budget shifts focus towards leveraging these investments to enhance service delivery in health, education, agriculture, and social protection, with comparatively limited emphasis on the ICT sector. Notable progress in connectivity is already evident, as mobile money now drives over half of financial inclusion and citizens increasingly access a wide range of e-government services locally.

To achieve a truly transformative impact, we believe the Government should strengthen cybersecurity by implementing robust measures to protect data and infrastructure from emerging threats. Investing in digital literacy programmes will empower citizens to use digital services effectively, while continued efforts to expand connectivity will ensure that all regions benefit from the digital transformation.

We also recommend fostering public-private partnerships to draw on additional resources and expertise for ICT development. Establishing clear mechanisms to monitor and evaluate ICT projects will help ensure they achieve their objectives and deliver tangible value to citizens.

Environmental Sustainability

Sector summary

Environmental sustainability is now a central pillar of Zambia's national development agenda, reflecting a strong commitment to balancing economic growth with responsible management of natural resources. The Government of Zambia, led by the Ministry of Green Economy and Environment (MGEE), has made significant strides in integrating environmental considerations across all sectors. Key legislative and policy frameworks—including the Eighth National Development Plan (8NDP), the Green Economy and Climate Change Act (2024), and the National Green Growth Strategy (NGGS)—provide a comprehensive roadmap for advancing climate resilience, low-carbon development, and sustainable resource management.

The 8NDP, guiding national priorities from 2022 to 2026, positions environmental sustainability as one of its four strategic pillars. The Green Economy and Climate Change Act, enacted in December 2024, establishes a robust legal framework for climate change adaptation, mitigation, and the development of a green economy. This Act also creates new institutional structures, such as the Green Economy and Climate Change Council and a Technical Committee, to coordinate and oversee implementation. The National Green Growth Strategy (2024–2030) further articulates Zambia's ambition to transition to a resource-efficient, climate-resilient, and inclusive economy, aligning national efforts with global commitments under the Paris Agreement.

Oversight and implementation responsibilities are shared among several ministries and agencies, including the MGEE, the Zambia Environmental Management Agency (ZEMA), and sectoral ministries responsible for energy, agriculture, water, and forestry. These institutions are tasked with operationalizing Zambia's environmental agenda, ensuring compliance, and mobilizing resources for sustainable development.

Environmental Sustainability

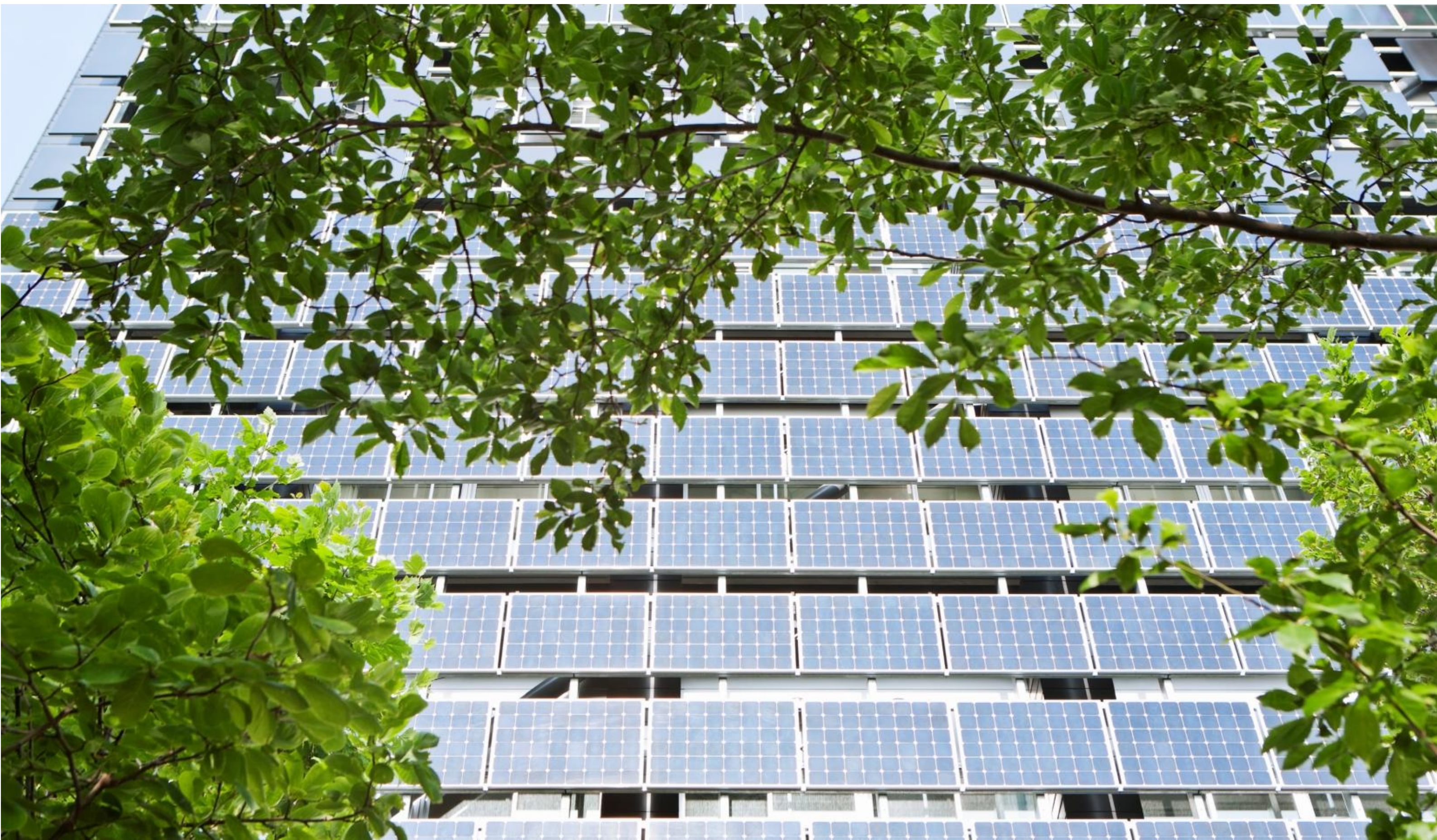
Look back

Recent Developments and Integration of Sustainability in recent years, Zambia has made notable progress in embedding environmental sustainability across both commercial and social sectors. The 8NDP has driven the integration of climate and environmental considerations into national planning, with cross-sectoral initiatives targeting agriculture, energy, mining, and infrastructure.

The Medium-Term Budget Plan (2026–2028) and the 2026 National Budget speech both underscore the Government's resolve to address climate-induced shocks, such as the 2023/2024 drought, by prioritizing climate adaptation and resilience-building measures. Key policy milestones include the enactment of the Green Economy and Climate Change Act, which mandates the development of National Adaptation and Mitigation Plans, the establishment of greenhouse gas (GHG) emission standards, and the regulation of carbon markets. The Act also introduces the Green Economy and Climate Change Fund to finance climate action and innovation.

The National Green Growth Strategy, launched in 2024, sets out a blueprint for low-carbon, resource-efficient growth, emphasizing green jobs, sustainable infrastructure, and the circular economy. On the ground, sustainability initiatives have become increasingly pervasive. The Government has expanded the use of climate-smart agriculture, invested in renewable energy projects, and promoted community-based natural resource management. For example, over 250 automatic weather stations and 300 rainfall stations have been installed to improve early warning systems and support climate-resilient agriculture. The issuance of green bonds—raising over US$150 million for solar energy projects—demonstrates growing private sector engagement and innovative financing for sustainability.

Despite these advances, challenges remain. Deforestation, land degradation, and pollution continue to threaten ecosystems and livelihoods. The enforcement of environmental regulations and the mainstreaming of sustainability in private sector operations are still works in progress, with varying levels of compliance and capacity across industries.



Environmental Sustainability

Sector outlook

Anticipated Changes and Strategic Priorities

Looking ahead, Zambia's environmental sustainability agenda is set to accelerate, driven by new legislation, policy reforms, and strategic investments. The operationalisation of the Green Economy and Climate Change Act will be a defining development, as statutory instruments and regulations are rolled out to clarify compliance requirements, data management protocols, and carbon market participation.

The Medium-Term Budget Plan prioritizes the implementation of the National Green Growth Strategy and the National Adaptation Plan, focusing on climate-resilient infrastructure, sustainable land and water management, and the expansion of renewable energy. The Government is expected to continue leveraging green finance mechanisms, such as green bonds and carbon trading, to mobilize resources for climate action.

Legislative amendments are anticipated in related areas, including the review of the Electricity Act and the Energy Regulation Act to support renewable energy deployment and open access to the grid.

The decentralization of environmental management functions to local authorities, as outlined in the budget, aims to enhance community participation and improve service delivery at the grassroots level.

The National Budget introduces several tax incentives and fiscal measures to promote environmental sustainability and support infrastructure development. Excise duty on selected new hybrid vehicles is reduced from 30% to 15%, while specific duty rates for used hybrids are introduced to make them more affordable. Excise duty on single-use plastics is increased from 30% to 100% to discourage their use and encourage sustainable alternatives. Customs duty relief is extended to machinery and equipment for electricity transmission and distribution projects, fostering renewable energy expansion.

Environmental Sustainability

Additionally, VAT zero-rating for mains water supply enables utility companies to claim input VAT, reducing operational costs and supporting water sector sustainability.

Strategic priorities for the coming years include:

- Strengthening the regulatory and institutional framework for environmental governance.
- Scaling up investments in climate-smart agriculture, renewable energy, and sustainable forestry.
- Enhancing monitoring, reporting, and verification systems for GHG emissions and climate finance.
- Promoting public-private partnerships and community-based approaches to natural resource management.
- Advancing education, awareness, and capacity building to support the green transition.

Our view

The recent and proposed changes represent a significant step forward in embedding environmental sustainability within Zambia's development agenda. Aligning national policies with international best practices and establishing dedicated institutions and funding mechanisms provide a strong foundation for progress.

However, the effectiveness of these reforms will depend on several critical factors. Building implementation capacity across government, local authorities, and the private sector is essential, supported by clear guidance, streamlined procedures, and robust data systems to avoid delays and ensure compliance. Mobilising finance through green bonds and carbon markets offers promise, but targeted incentives are needed to encourage private sector participation, particularly among local enterprises and SMEs. Transparent and competitive access to climate finance will be crucial for scaling up impact, while effective enforcement and accountability must address persistent issues such as illegal deforestation, pollution, and non-compliance with environmental standards.

Broad stakeholder engagement—including communities, civil society, and the private sector—will be vital to foster ownership, innovation, and inclusivity. The transition to integrated sustainability reporting, guided by international standards such as IFRS S1 and S2, will enhance transparency and attract investment. Organisations will require support to develop the systems and skills needed for high-quality ESG disclosures, ensuring that sustainability initiatives deliver meaningful and lasting benefits.

Decentralisation

Sector overview

Zambia has accelerated its decentralisation agenda in recent years, establishing it as a central pillar of national development and local governance reform. The Constituency Development Fund (CDF) plays a pivotal role in this strategy, directly financing community-level projects and services. This approach aligns with the objectives of the Eighth National Development Plan(8NDP) and demonstrates the Government's commitment to inclusive, citizen-driven development.

Looking back

Policy Implementation and Structural Reforms

Since the implementation of the National Decentralisation Policy in 2023, local authorities have assumed responsibility for 13 key public services—including education, health, and agriculture—with over 4,000 civil servants reassigned to support council operations. Ward Development Committees (WDCs) now serve as the primary platforms for delivering initiatives such as the Farmer Input Support Programme (FISP), the Constituency Development Fund (CDF), and Cash for Work.

Budgetary Expansion and Fiscal Decentralisation

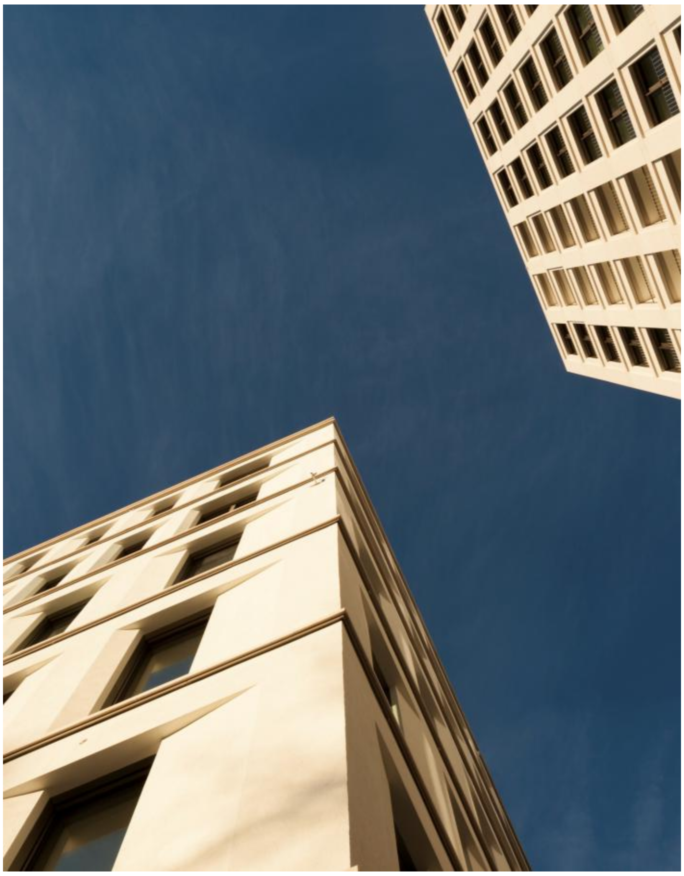
The 2025 national budget increased the CDF allocation by 17%, rising from K4.8 billion to K5.6 billion. This adjustment raised the per-constituency allocation from K30.5 million to K36.1 million. Since 2022, the Government has redirected over K16 billion from central ministries to local constituencies, reinforcing fiscal decentralisation and enhancing the autonomy of local governance structures

Utilisation and Capacity Constraints

Despite increased funding, local authorities have struggled to utilise the CDF effectively. Eight out of ten provinces reported utilisation rates below 50%, with the national average falling short of 60%, according to Transparency International Zambia's assessment. This underperformance highlights persistent capacity constraints within local authorities and constituencies. The growing size of the fund has further strained administrative systems, resulting in delays in project implementation and fund absorption.

Oversight and Governance enhancements

To address these challenges, the Government enacted the CDF Act No. 1, which streamlines approval processes and enhances community participation. The Government has also strengthened oversight by improving information and communication technology systems, enabling better monitoring and reporting of CDF implementation.



Decentralisation

Sector outlook

The Government continues to demonstrate its commitment to local development by planning a further increase in the Constituency Development Fund for 2026. The CDF will rise by 10.7% to K6.2 billion in 2026, up from K5.6 billion in 2025. This equates to K40 million per constituency, up from K36.1 million—an increase of K3.9 million per constituency.

The following highlight the impact of CDF in the community

1. Education – Construction of 2,800 classroom blocks, rehabilitation of 422 classroom blocks, and procurement of 670,000 desks.
2. Health – Construction of 131 health posts, building of 195 new maternity annexes, and rehabilitation of 11 maternity annexes.
3. Water and Sanitation – Drilling of 1,941 boreholes, installation of 531 water schemes, and construction of 228 ablution blocks. These investments align with the 8th NDP's priority to improve water supply and sanitation.
4. Education Access and Skills – Awarding of boarding bursaries to 82,652 secondary school learners and enrolment of 151,518 youths in skills training courses.
5. Economic Empowerment – Provision of grants to 47,246 women and youth groups, and extension of loans to 14,773 beneficiaries.
6. Local Infrastructure – Improvement of 860 kilometres of feeder roads through the enhanced CDF.

The increase in the 2026 CDF will continue to bolster the Government's agenda to enhance livelihoods through targeted investments in education, health, water and sanitation, and local infrastructure.

Our View

The Constituency Development Fund (CDF) is pivotal to Zambia's decentralisation, with allocations rising each year. Yet, persistent underutilisation—stuck at 50–60%—signals the need for urgent reform to turn funding into real, visible improvements for communities. Clearer mandates, stronger local capacity, and robust transparency are essential, alongside open communication to deepen community involvement.

Unlocking the CDF's full potential requires finalising devolution plans, equipping local authorities with practical tools and training, and enforcing regular public reporting and independent audits. Aligning disbursements to realistic project pipelines and performance milestones will drive timely delivery and build trust.

With decisive action, the CDF can become a true engine of local development—empowering communities, accelerating service delivery, and making decentralisation a lived reality across Zambia.

Health

Revitalizing Zambia's Health Sector Through Strategic Allocation and Comprehensive Coverage

Sector summary

Zambia continues to prioritize health as a key driver of socio-economic development. The country faces a high burden of disease, including malaria, HIV/AIDS, tuberculosis, and rising non-communicable diseases. The Government recognizes that improving health outcomes directly boosts productivity, reduces poverty, and supports inclusive growth. The 2026 budget reflects this commitment by aligning health sector investments with the goals of the Eighth National Development Plan (8NDP) and the National Health Strategic Plan (NHSP) 2022–2026.

This analysis outlines the health sector's budgetary direction, highlights key measures, identifies risks and opportunities, and presents practical implications for stakeholders.

Looking Back

Over the past four years, the Government has made measurable progress in strengthening the health system:

- Completed 282 health facilities, including Level-1 hospitals, mini-hospitals, and health posts.
- Recruited over 18,000 health personnel since 2021 and plans to recruit an additional 2,000 before the end of 2025 to further strengthen service delivery.
- Increased the availability of essential medicines from 46% in 2021 to 90% in 2025.
- Connected over 2,000 health facilities to the SmartCare Pro system, improving patient record management and supporting care for over 90% of people living with HIV.
- Used the Constituency Development Fund (CDF) to support the construction of maternity annexes and health infrastructure at the community level.

These achievements have improved access to care, especially in rural and underserved areas, and laid the groundwork for further expansion.

Sector Outlook

The 2026 health budget allocates K26.2 billion (10.3% of the national budget), reflecting continued prioritisation of health. Key measures include a 29% increase in drug procurement, recruitment of 2,500 health workers, and investment in infrastructure such as mini-hospitals and cancer centres. Digital health expansion through SmartCare Pro and rural connectivity aims to improve service delivery. However, Zambia faces a dual disease burden—persistent malaria, HIV, and TB alongside rising non-communicable diseases—and growing climate-related health risks. While these measures strengthen the system, financing gaps, workforce shortages, and governance challenges remain critical constraints to achieving universal health coverage..

29%

increase in drug procurement

2026 Key Budget Measures

- K6.4 billion allocated for drugs and medical supplies, a 29% increase from the 2025 allocation of K4.95 billion.
- K1.7 billion committed to health infrastructure, including new hospitals and maternity annexes.
- Recruitment of 2,500 additional health workers to strengthen service delivery.
- Continued development of cancer care facilities, with the Ndola Cancer Centre nearing completion and upgrades underway in Lusaka.
- Expansion of digital health systems and internet connectivity for rural health facilities.
- Increased CDF allocation to support local health initiatives and infrastructure.

These measures align with NHSP priorities, including maternal and child health, disease prevention, and health system strengthening.

Opportunities

- Private Sector Engagement: Public-private partnerships in infrastructure, supply chains, and digital health.
- Local Manufacturing: Investment in domestic production of medical supplies and pharmaceuticals.
- Digital Transformation: Expansion of electronic health records and data systems.
- Decentralized Health Planning: Enhanced role of local authorities through CDF and SmartCare integration.

Risks

Despite the strategic advancements outlined in the 2026 budget, concerns persist regarding the health sector's declining share of the national budget—from 10.7% to 10.3%—coinciding with the withdrawal of major donor support. This reduction raises critical questions about the long-term sustainability of healthcare programmes that have historically depended on external funding.

Procurement of medical commodities continues to face complex challenges. Although the Government increased the allocation for medical supplies to K6.4 billion, the sector remains affected by inefficiencies, including inflated commodity prices and procurement mismanagement. These issues undermine the effectiveness of service delivery and pose risks to equitable healthcare access. Addressing these procurement and financing challenges is essential to building a resilient health system capable of sustaining gains in the face of diminishing external support.

Global Realignment of Development Assistance: A shift in donor priorities and funding modalities presents a significant risk. The Government will need to take over programmes previously supported through external financing, including those that sustain critical health systems, supply chains, workforce capacity, and digital platforms.

Our View

The 2026 health budget signals incremental progress rather than transformative change. While the measures address immediate needs, they fall short of resolving underlying structural weaknesses in the sector.
The allocation remains below the Abuja target, with no introduction of new financing mechanisms.
Recruitment and infrastructure targets appear achievable, but sustaining drug availability without additional funding remains uncertain. The budget prioritises continuity over bold reforms in financing, workforce distribution, and climate resilience, limiting its transformative potential.

Without urgent reforms in health financing and governance, Zambia risks facing a "service delivery cliff" as donor support declines. The 2026 measures help stabilise the system but do not sufficiently prepare it for rising non-communicable diseases, climate-related health threats, or future funding shocks.

Social Protection

Sector summary

Social Protection is the comprehensive set of measures aimed at improving the welfare and livelihoods of the vulnerable and marginalised segments of the population. It includes programmes such as the Social Cash Transfer (SCT), Food Security Packs, and the Keeping Girls in School initiative, which provide financial support and enhance access to essential services

Social protection is a cardinal sector as it involves efforts to reduce poverty, address income disparities, and mitigate the effects of shocks such as droughts and pandemics.

Look Back

Over the past four years, more than K8.6 billion has been released to clear pension benefits for 11,921 retirees, reducing the average waiting period for pension payments from over three years to three months.

In the 2025 budget, the Government continued its support to the vulnerable through the following:

- **Social Cash Transfer (SCT):** Beneficiary households increased to 1.3 million, an increase from 895,000 in 2021.
- **Drought Emergency SCT:** K400 per month to 952,570 households affected by crop failure, for 12 months.
- **Cash for Work Program:** **Implemented** in 123 constituencies, providing public services and targeting vulnerable households. This has recruited and empowered over 2.4 million beneficiaries.
- **Girls' Education and Women's Empowerment and Livelihoods (GEWEL) Programme** : in 2024 Supporting 262,444 girls and scaling up to 200,000 women beneficiaries.
- **Pension System**: Efforts to reduce waiting times and dismantle pension arrears, with partial withdrawals to improve livelihoods.

Sector outlook

2026 Key Budget measures

In 2026, the minister has pronounced the following for the sector:

- The number of beneficiary households under the Social Cash Transfer Programme has increased to 1.5 million.
- The Food Security Pack beneficiaries will be increased to more than 320,000 from 244,000 over the medium term.
- The GEWEL Programme in 2025 supported 317,608 girls and women under Phase One.
- Comprehensive pension reforms have been embarked upon, including the introduction of an occupational pension scheme for public service workers.
- A national social registry is being developed to streamline the social protection and human capital development agenda.

Risks in the sector continue to exist and include the reduction in the overall budget allocation to K15.7 billion from K16.1 billion in 2025 despite increase in planned coverage which raises the risk of a lower allocation per household.; the high cost of living may reduce efforts made; disbursing of funds to the wrong household and misuse of SCT resources.

Our view

The ambition to expand SCT coverage is positive, but funding tightness and execution capacity will be decisive.

Where it could go further to be transformative:

- Protect transfer adequacy – ensure per household value does not erode as coverages expands
- Registry and data governance: Fast-track the national social registry with strong privacy, biometric validation, and grievance redress; integrate with civil registration.

Education

Sector Summary

The education sector in Zambia encompasses all Government and non-government efforts to provide formal learning opportunities to its population at various levels such as early childhood, primary, secondary, tertiary, and technical/vocational education. It is a key part of the country's social and economic development strategy, aiming to improve literacy, skills, and employability of citizens.

Overall, the education sector in Zambia is focused on expanding access, improving quality, and ensuring equity to build a skilled and knowledgeable population ready to contribute to national development.

Look Back

Insufficient school infrastructure, overcrowded classrooms, and high school fees are some of the harsh realities that have stifled the education sector for years. The 2025 budget responded by increasing allocations to the education sector, with funding rising to approximately 15% of the national budget. This was a clear acknowledgment of education's critical role in Zambia's social and economic development and the Government's commitment to universal access. Education and skills development continue to be recognised as critical drivers for sustainable economic growth and social equity in Zambia.

Key investments in 2025 targeted teacher recruitment and training, as well as educational infrastructure to accommodate the influx of learners. However, significant challenges persisted, including shortages of qualified teachers, overcrowded classrooms, and inadequate learning materials. Capacity constraints in rural and peri-urban areas remained a concern, hindering equitable access and quality. Additionally, efforts to align education outcomes with Zambia's evolving labour market needs particularly through vocational and technical skills training were nascent and underfunded.

Freeing the Future

The Government's introduction of free education was more than policy; it was a promise. A promise that no child would be denied learning because of poverty.

Education

Sector outlook

In the 2026 budget, the Government has allocated K33 billion to the education sector, reinforcing its commitment to human and social development as a cornerstone of inclusive growth and national transformation. This investment is aligned with the 8NDP's Development Outcome 1: Improved Education and Skills-Development and is designed to consolidate progress made since the launch of the Free Education Policy in 2022. The Hon. Minister's pronouncements included:

1. Expanding Access and Infrastructure

The Government intends to complete 120 secondary schools and establish 480 early childhood education centres by the end of 2026. These initiatives focus on underserved and rural areas, supporting the 8NDP's aim to reduce regional disparities and improve learning conditions.

Additionally, the procurement of 1.6 million desks, with 42% sourced locally via the Constituency Development Fund (CDF), reflects a commitment to dignified learning spaces and local economic empowerment. This initiative supports over 1.2 million pupils, enhancing classroom engagement, retention, and learner focus.

2. Strengthening Human Capital and Curriculum

To improve education quality and reduce overcrowding, the Government will recruit 2,000 teachers in 2025 and 3,500 in 2026, aiming for the national 1:40 teacher-pupil ratio. Since 2021, over 45,000 teachers have been recruited—30,496 in 2022, 4,500 in 2023, and 4,200 in 2024—with the total expected to reach 44,696 by 2026. Despite this progress, Zambia still faces a teacher deficit of 84,000 to 100,000, meaning current efforts cover only half the need. Sustained recruitment will be critical to achieving the 8NDP's goal of quality, equitable, and inclusive education.

The phased rollout of the 2023 revised curriculum continues, with full implementation expected by 2029. The curriculum emphasizes entrepreneurship, digital literacy, and practical 21st-century skills, aligning education with labour market demands and Zambia's long-term development goals.

3. Advancing Skills and Higher Education

To promote employability and entrepreneurship, the Government will provide 6,000 bursaries and train 100,000 youths through TEVET institutions in 2026. This includes the institutionalization of a national blended learning programme supported by the Commonwealth of Learning, with a focus on rural inclusion.

To improve student accommodation and retention, hostel blocks at Copperbelt University and the University of Zambia are scheduled for completion in 2026. These projects have appeared in multiple previous budgets—including those from 2021, 2022, and 2025—but have faced delays due to funding and implementation challenges. Infrastructure development is also progressing at Chalimbana, Mukuba, Nkrumah, and Palabana universities, which have similarly been cited in earlier budgets. The renewed commitments signal a continuation of long-standing efforts to build a more resilient and competitive tertiary education system.

These initiatives are not only consolidating Zambia's economic and social gains but are also laying the foundation for a prosperous, resilient, and equitable Zambia. By investing in infrastructure, human capital, and skills development, the Government is advancing the 8NDP's vision of socio-economic transformation for improved livelihoods.

Education

Our View

Zambia's 2026 education budget adopts a measured and pragmatic approach, maintaining the momentum of free education while ambitiously targeting quality improvements and infrastructure expansion. However, certain areas would benefit from greater focus and scale to fully meet the sector's evolving needs.

Allocating 13% of the national budget to education is commendable, but efficient utilisation will be essential to address growing demand without compromising quality. The strong emphasis on teacher recruitment and ongoing training is a critical step towards reducing chronic shortages and improving the teacher-to-pupil ratio, though successful implementation will depend on capacity at all levels. Infrastructure investments aim to relieve overcrowding, but careful monitoring of construction pace and regional prioritisation is necessary to prevent disparities.

Aligning education with Zambia's future job market is a promising move, but it will require sustained funding, policy coordination, and close collaboration with industry. Expanding technical and vocational training is vital to reduce youth unemployment and support economic diversification. While the 2026 budget marks significant progress, vigilant execution and the pursuit of complementary financing—such as donor support and private sector engagement—will be crucial to achieving Zambia's education sector goals.

5

Tax Data Card

Corporate Tax Rates (1/2)

Corporate tax rates	2026	2025
Standard rate	30%	30%
Banks	30%	30%
Telecommunication companies	35%	35%
Farming/agro-processing or export of non-traditional products from farming/agro-processing	10%	10%
Income earned by producers of organic and chemical fertilizers	15%	15%
Export of other non-traditional products*	20%	20%
Income earned from value addition to gemstones through lapidary and jewellery facilities	25%	25%
Income from the cotton value chain (tax holiday)**	0%	0%
Companies add value to copper cathode	15%	15%
New listings on LuSE***	2% discount	2% discount
New listings on LuSE> 33% shares taken up by Zambians****	5% discount	5% discount
Listings on LuSE>33% shares taken up by Zambians	5% discount	5% discount
Advanced Income Tax (on importation of goods in the absence of a valid tax clearance certificate (TCC))	15%	15%
Advance Income Tax (on exporters and on remittance transactions exceeding US$2,000 without a valid TCC)*****	15%	15%
Turnover tax levied on business (both corporates and individuals) with turnover below K5,000,000 (excludes income earned from consultancy service, property rental and VAT registered businesses) *******	5%	5%
Turnover tax levied on Artisanal and Small-Scale with turnover below K5,000,000 (2025: K800,000)******	4%	4%
Rental income of K30,000 (2025: K12,000) or less p.a. *******	0%	0%
Rental income from K30,001 (2025: K12,001) to K800,000 p.a.	4%	4%
Rental income above K800,000	16%	16%
Minimum Alternative Tax (MAT) on Turnover********	1%	1%

* Excludes income from export of minerals, electricity, services and cotton lint exported without an export permit from Minister of Commerce
**5 years income tax holiday on profits for local producers of cotton seed and ginning of cotton,
***10 years income tax holiday on profits earned from spinning of cotton and weaving of thread
****Discount applicable to corporate tax rates and only available for the first year
*****Extends the charge of advance income tax on foreign remittances to all other financial institutions and platforms.
******Increases threshold to align with the standard Turnover Tax regime to reduce administrative burden and encourage formalisation in the mining sector.
*******Increases the tax-exempt threshold for both turnover tax and rental income tax to K2,500 from K1,000 per month.
*******This was enacted on 19 August 2025 but awaiting regulation. It apply to all companies and partnerships with significant turnover excluding those on turnover tax and the **TAZARA Special Purpose Vehicle (SPV)** which is now exempt for the first 12 years of operation.

Corporate Tax Rates (2/2)

Income Tax concessions for Railway sub-sector Public-Private Partnership (Fiscal regime for the Public Private Partnership for the rehabilitation, renovation, operation, maintenance, management, and financing of the TAZARA SPV

Measure	Period	2026	2025
Corporate Income Tax for SPV:	Year 1 to 5	0%	30%
	Year 6 to 15	10%	30%
	Year 16 to 25	12%	30%
	Year 26 to 28	30%	30%
Deductibility of losses incurred in a charge year (of income tax from the same source.		70%	50%
Cap on interest deduction of EBITDA.		70%	30%

Tax on Casinos, Lottery, Betting and Gaming

Tax on Casinos, Lottery, Betting and Gaming	2026	2025
Casino live games	20% of gross takings	20% of gross takings
Casino machine games	35% of gross takings	35% of gross takings
Lottery winnings (brick and mortar)	35% of net proceeds	35% of net proceeds
Lottery winnings (online)	35% of gross takings	35% of gross takings
Betting (brick and mortar)	25% of gross takings	25% of gross takings
Betting (other than brick and mortar)	25% of gross takings	25% of gross takings
Excise duty on the betting amount	10% of betting amount	10% of betting amount
Gaming – Slot machines (Bonanza)	K250 per machine per month	K250 per machine per month
Gaming – Gaming machines (Limited pay out)	K500 per machine per month	K500 per machine per month
Withholding tax on winning from gaming, lotteries and betting	15%	15%

Capital Deductions, Losses and Interest expenses

Capital deductions*	2026	2025
Investment allowance on industrial buildings** (one off)	10%	10%
Initial allowance on industrial buildings** (one off)	10%	10%
Industrial buildings wear and tear allowance	5%	5%
Commercial buildings wear and tear allowance	2%	2%
Implements, machinery and plant		
▪ Used for farming and agro-processing	100%	100%
▪ implement, plant or machinery for Multi-Facility Economic Zone***	100%	100%
▪ Used for mineral processing, manufacturing, tourism, leasing	50%	50%
▪ Used for electricity generation	50%	50%
▪ Used in mining companies	20%	20%
▪ Implements, machinery and plant- Other uses	25%	25%
Commercial	25%	25%
Non-commercial	20%	20%
Farm improvement/ Farm works allowance	100%	100%
Tax concession (percentage of reduction of taxable income tax) for businesses in a rural areas****	20%	20%
Local content allowance*****	2%	2%
Deductibility of losses incurred in a charge year		
Tax concession TAZARA SPV	70%	50%
Other companies	50%	50%
Carry forward of trading losses		
Tax concession TAZARA SPV	12	5
Electricity generation and mining operation	10	10
Other companies	5	5
Carry forward of disallowed interest expenses		
TAZARA SPV******	12	5
Electricity generation and mining operation******	Indefinite	10
Other companies******	Indefinite	5

*Capital allowances are computed on a straight-line basis.

** Investment and Initial allowance granted in the charge year in which the industrial building has been put into use. Total allowances claimed should not exceed the cost of the asset.

***Extended to developers, currently only applicable to investors

****Extended to all sectors except mining, currently only applicable to businesses in manufacturing, hotels, motels and lodges for the first 5 years

*****Extended to milk, raw hides and skins , currently only applicable on purchase of tomato, cassava, pineapples and mangoes for processing, sorghum and millet.

******While the Hon. Minister proposed to remove carry forward time limitation of disallowed interest in general. For TAZARA SPV the proposed change is from 5 years to 12 years instead, this could be an error. Further the interest cap for TAZARA SPV has been increased from 30% to 70%

Mining Taxes (1/2)

Corporate income tax rate	2026	2025
Mining Profits		
Profits earned from mining operations (for both base metals and industrial minerals)	30%	30%
Mineral Processing	30%	30%
Mineral Royalty Rate		
On ***norm value*** of minerals/precious metals ***under*** **licence:**		
Base metals excluding copper and cobalt	5%	5%
Precious metals	6%	6%
Cobalt and Vanadium	8%	8%
On ***gross value*** of gemstones/energy minerals ***under*** **licence**:		
Energy/Industrial Minerals*	5%	5%
Gemstones	6%	6%

*Industrial Minerals: includes a rock or mineral other than gemstones, base metals, energy minerals or precious metals used in their natural state or after physical or chemical transformation. Examples include salt, sand, clay, talc, laterite, gravel, potassium minerals, granite and magnetite.

Withholding Tax on dividends paid by companies carrying on mining operations

	Resident	Non-resident
Dividend*	0%	0%

Mining Taxes (2/2)

Mineral Royalties on Copper

2026 MRT bands - price per tonne

	Price per tonne from US$	Price per tonne to US$	Tax rate %	Tax on band (maximum) US$	Cumulative tax US$
First	0	4,000	4	160	160
Next	4,001	5,000	6.5	65	225
Next	5,001	7,000	8.5	170	395
Above	7,001		10	X = (Price - $7,000)*10%	X + $396

Mineral Royalties on Copper

2025 MRT bands - price per tonne

	Price per tonne from US$	Price per tonne to US$	Tax rate %	Tax on band (maximum) US$	Cumulative tax US$
First	0	4,000	4	160	160
Next	4,001	5,000	6.5	65	225
Next	5,001	7,000	8.5	170	395
Above	7,001		10	X = (Price - $7,000)*10%	X + $396

Income Tax Individuals

Income Tax Individuals					
2026 Monthly income bands					
	Income from K	**Income to K**	**Tax rate %**	**Tax on band (maximum) K**	**Cumulative tax on income (maximum) K**
First	0	5,100	0	0	0
Next	5,101	7,100	20	400	400
Next	7,101	9,200	30	630	1,030
Above	9,200		37		

Income Tax Individuals					
2025 Monthly income bands					
	Income from K	**Income to K**	**Tax rate %**	**Tax on band (maximum) K**	**Cumulative tax on income (maximum) K**
First	0	5,100	0	0	0
Next	5,101	7,100	20	400	400
Next	7,101	9,200	30	630	1,030
Above	9,200		37		

Non-cash benefits

Housing benefit :

a) Where an employer provides free housing to the employee in a house that an employer owns, then 37% of the employee's annual taxable income is disallowed in the employer's tax computation. In cases where an independent and objective valuation of the rentable value of such housing can be determined, the cost to be disallowed is rentable value of that housing.

b) Where employer leases housing and provides this to one employee, then the rentals are taxed under PAYE for that employee. In cases where the leased housing is occupied by more than one employee, then the housing benefit is taxed in the hands of employer by disallowing the rentals

Staff Benefits and Withholding Tax

Non-cash benefits

Tax on car benefit is payable by the employer at the corporate tax rate based on the following scale charges:

	2026	2025
Engine size < 1,000 cc:	21,600	K21,600
Engine size < 1,000 cc, < 2,800 cc:	36,000	K36,000
Engine size > 2,800 cc	48,000	K48,000

Withholding Tax (WHT)	Resident	Non-resident
Dividend	15%*	20%*
Branch profits	n/a	20%
Interest	15%**	20%
Coupon Income (Interest) on Government Bonds	20%***	20%
Management or consultancy fee	15%	20%
Royalties	15%	20%
Commodity royalty	15%	15%
Commissions	15%	20%
Non-resident construction and haulage contractor	n/a	20%
Non-resident entertainers/sports persons fees	n/a	20%
Reinsurance placed with non-resident reinsurers	n/a	0%

Note: The above rates remain unchanged from 2020
*0% for dividends paid by LuSE listed companies to individuals.
**interest payable to local banks and financial institutions are exempt. Interest earned by individuals from interest earning accounts and from loans advance by members under the savings group such as co-operatives and village banking is exempt. Also interest income earned on green bonds listed on the securities exchange in Zambia with maturity of at least 3 years is exempt.
***This was enacted on 19 August 2025 to increase from 15% to 20% for both resident and non-resident investors.

Tax Treaties

Zambia has tax treaties with the following countries:
Canada, China, Denmark, Finland, France, Germany, India, Ireland, Italy, Japan, Kenya, Netherlands, Norway, Seychelles, South Africa, Sweden, Switzerland, Tanzania, UAE, Uganda, United Kingdom, Yugoslavia*, Zimbabwe*, Botswana**
*These treaties have not been ratified and are therefore infective currently.
**Status of tax treaty currently uncertain.

VAT and Property Transfer Tax

Taxable supplies - rate	
Supply of goods & services in Zambia	16%0%
Import of goods & services into Zambia	16%0%
Export of goods & services from Zambia	0%
Services are deemed to be exports only when physically rendered outside Zambia	
Registration	
Threshold	K800,000 p.a.
Payment and return - due date	
Supply of taxable goods & services	18 days following the end of the VAT accounting period*

*accounting period typically means the month following the month of registration and each succeeding calendar month
Note: The above rates, threshold and deadlines remain unchanged from 2020.

Property Transfer Tax (PTT)*	2026	2025
Land (including buildings)	8%	8%
Shares**	8%	8%
Transfer or sale of mining right for a mining licence;	10%	10%
Transfer of mineral processing licenses	10%	10%
Transfer or sale of mining right held by exploration companies	8%	8%
Intellectual property	8%	8%
Shares listed on the LuSE	0%	0%

*PTT is payable by the seller by reference to the realised value of property being transferred. In the case of shares, the realised value is greater of open market value and nominal value.
**PTT also applies on indirect transfer or control of a Zambian entity where the value of transferred shares is more than 10% of the value of the Zambia company.

Carbon Tax and Presumptive Tax

Carbon Tax*	2026	2025
An annual carbon tax is payable on all motor vehicles as follows:		
Motor cycles	K168 p.a.	K168 p.a.
Engine size < 1,500 cc	K168 p.a.	K168 p.a.
Engine size > 1,500 cc, < 2,000 cc	K336 p.a.	K336 p.a.
Engine size > 2,000 cc, <3,000 cc	K480 p.a.	K480 p.a.
Over 3,000cc	K660 p.a.	K660 p.a.
Vehicles propelled by non-polluting energy sources	nil	nil

*Validity period of the carbon emission tax certificate for vehicles in transit and those that enter for short periods is 90 days.

Presumptive Tax		
Public Service Vehicle (PSV) operators are required to pay presumptive tax on each motor vehicle as follows:		
Type of Vehicle	**Tax per Vehicle per annum (2026)**	**Tax per Vehicle per annum (2025)**
64 Seater and above	Nil*	K15,552
50-63 Seater	Nil*	K12,960
36-49 Seater	K10,368	K10,368
22-35 Seater	K7,776	K7,776
18-21 Seater	K5,184	K5,184
12-17 Seater	K2,592	K2,592
Below 12 Seater	K1,296	K1,296

*Excludes buses with seating capacity of 50 and above from presumptive tax and register them under turnover tax or corporate income tax.

Deadlines and Penalties (1/3)

2026 Deadlines	Penalty	Interest
Income Tax - Companies		
Provisional tax Return deadlines: First Provisional Tax Return: 5 March 2026 (manual submission) 31 March 2026* (electronic submissions) * Returns for companies registered for income tax after 31 March are due 90 days from the date of registration	Provisional tax: Late filing of return: K800 per month or part month	N/A
Revision of Provisional Tax Return 30 June 2026, 30 September 2026 & 31 December 2026 (where applicable)		
Payment deadlines: Within 10 days following the end of the quarter	Late payment of tax: 5% per month or part month **Underestimation of tax: 25%	Late payment: 2% + DR N/A
**Note: 2/3 of the total tax liability must be paid by the final quarter or else the 25% penalty applies.		
Final tax return & payment		
Deadline: 5 June 2026 (manual submissions) 21 June 2026 (electronic submissions)	Late filing of return: K800 per month or part month	N/A
	Late payment of tax: 5% per month or part month	Late payment: 2% + DR

Deadlines and Penalties (2/3)

2026 Deadlines	Penalty	Interest
Income Tax - Individuals		
Final tax return & payment	Late payment of tax: 5% per month or part month	Late payment: 2% + DR*
Deadline: 5 June 2026 (manual submissions) 21 June 2026 (electronic submissions)	Late filing of return: K400 per month or part month	N/A
Withholding Tax (WHT)		
Filing & payment deadlines: Within 14 days after the end of the month of accrual/payment	Late payment of WHT: 5% per month or part month	Late payment: 2% + DR*
	WHT late filing of return: K136 per month or part month (for companies) K58 per month or part month (for individuals)	N/A
Payroll (PAYE)		
Filing & payment deadlines: Electronic returns to be filed within 10 days after the end of the month of accrual/payment	Late payment of PAYE: 5% per month or part month	Late payment: 2% + DR*
Manual returns to be filed within 5 days of after the end of the month	Late filing of PAYE return: K800 per month or part month	N/A

Deadlines and Penalties (3/3)

2026 Deadlines	Penalty	Interest
VAT		
Filing & payment deadlines: 18 days** after the end of the accounting period	VAT late filing of return: Daily penalty – higher of K400 and 0.5% x tax payable	Late payment: 2% + DR*
All annual Income Tax, PAYE and VAT returns should be submitted electronically to the ZRA except for certain small businesses with minimal transactions	VAT late payment of tax: Daily penalty – 0.5% x tax payable	
Turnover Tax		
Filing & payment deadlines: Within 14 days after the end of the month of accrual/payment	Late payment of tax: 0.5%*** per month or part month	Late payment: 2% + DR
	late filing of return: K100 per month or part month	N/A
Key		
*DR = Bank of Zambia discount rate **Withholding VAT agents will be required to submit returns within 16 days after the accounting period.		

Transfer pricing

The penalties for non-compliance with transfer pricing regulation is 80 million penalty units (K32,000,000)

Tax Evasion

The penalties for tax evasion on conviction is 300 thousand penalty units (K120,000) .

***Reduces the penalty for the late Turnover Tax payment to 0.5% from 5% per month or part thereof..

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