From stability to growth: Laying the foundations

Zambia 2027 Budget Bulletin



November 2026

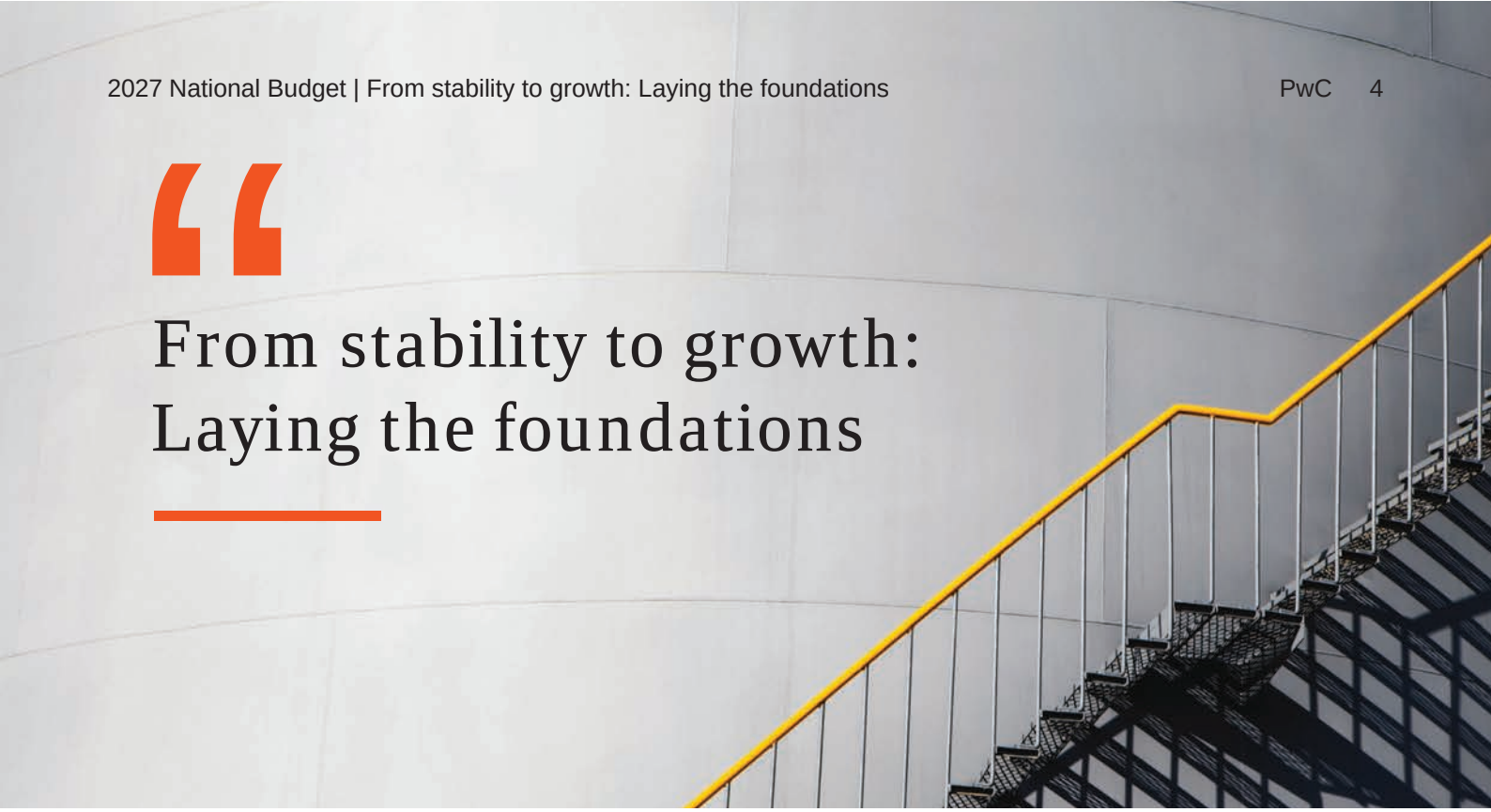
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Commentary





From stability to growth: Laying the foundations

A transition Budget: the stability platform is in place and the foundations for growth are being laid

On Friday, 6 November 2026, the Honourable Minister of Finance and National Planning, Dr Situmbeko Musokotwane, MP, presented the 2027 National Budget to the National Assembly. It is the sixth budget of the UPND Government and the first of its second term, following the August 2026 elections. Its theme is “Grow Zambia: From Stabilisation to Unlocking Opportunities, Creating Jobs and Improving Livelihoods for All.”

The Budget arrives on firmer ground than any of its predecessors. Annual inflation was 6.3% in October 2026, down from 11.2% in December 2025. The policy rate is down to 10.75%. Gross reserves reached US$6.1 billion at the end of August 2026. External debt restructuring is nearing completion, and on 30 October, a week before the Budget, Moody’s upgraded Zambia’s rating to Caa1 with a positive outlook. These are real achievements, and the Hon. Minister is entitled to the satisfaction with which he reported them.

At ZMW284.8 billion, or 28.4% of GDP, the Budget is 12.6% larger than the ZMW253 billion planned for 2026. Domestic revenue is expected to fund 82.1% of it, borrowing 14.7%, and grants 3.2%. The revenue measures are due to take effect on 1 January 2027, but remain proposals until Parliament passes the amendments to the Income Tax Act, the Customs and Excise Act, and the Value Added Tax Act. The proposed repeal of the Railways Act is likewise subject to Parliament enactment.

Our view. The 2027 Budget is a transition Budget. It preserves the stability built over the previous five years and begins shifting the policy focus towards private sector-led growth under the 10-10-5-3-3-1-1-1 Grow Zambia agenda. The platform is credible, but delivery remains unfinished: arrears, debt service, climate risk and implementation capacity still constrain the turn. With few direct incentives, the Budget relies on infrastructure, legal reform and private investment to do most of the work. The direction is right; the test is whether Government converts the agenda into funded milestones and consistent delivery.

The fiscal design remains one of consolidation and follows the staff-level agreement reached with the IMF on 9 October 2026 for a proposed new Extended Credit Facility arrangement. The agreement remains subject to IMF Executive Board approval and agreed prior actions. Separately, the Budget targets a deficit of 3.0% of GDP in 2027, down from a projected 5.9% in 2026, supported by new revenue measures expected to raise a net ZMW10.8 billion, and the Address aims to bring the deficit down to 1.2% by 2029. An economy does not change course abruptly; what matters is that the heading has been keyed in and that each Budget from here builds on the last, as the five before it did.



Key takeaways

- **A transition Budget.** It preserves the stability built over the previous five years and begins shifting policy towards private sector-led growth under the Grow Zambia agenda.
- **The platform is credible.** Inflation was 6.3% in October 2026, down from 11.2% in December 2025, and Moody's has upgraded Zambia to Caa1 with a positive outlook.
- **Few direct incentives.** The Budget relies on infrastructure, legal reform and private investment; the budget lines visibly linked to the agenda total about ZMW48 billion, or 17% of the Budget.
- **Delivery is unfinished.** Arrears of about ZMW112 billion, debt service absorbing nearly a quarter of spending, climate risk and implementation capacity still constrain the turn.
- **Signals to watch.** The sectors expected to deliver the targets face proposed higher taxes and households are asked to carry more first; the test is funded milestones, with an accountable institution, first milestone and date for each of the eight targets.

Turning the ocean liner

A country is like an ocean liner. It does not change course in an instant. The new heading is keyed in, the wheel is turned, and the ship comes round progressively, each degree building on the one before. Zambia has spent five years steadying the vessel and clearing the way for private capital. The 2027 Budget is the next turn of the wheel towards Grow Zambia, and the five budgets before it show how this Government makes its turns: gradually, and without reversing.

Budget	Theme	How we described it
2022	Growth, Jobs and Taking Development Closer to the People	The road to recovery. "A huge statement of intent", ambitious to the point of being unrealistic, but achievable.
2023	Stimulating Economic Growth for Improved Livelihoods	Resetting for growth. Bold and ambitious. Life under an IMF programme, with "some pain, at least in the short term".
2024	Unlocking Economic Potential	Rebalancing for growth. Fine-tuning and refining, still in the recovery and stabilisation phase.
2025	Building Resilience for Inclusive Growth and Improved Livelihoods	Ambitious but constrained. A "climate changed" budget, shaped by drought and the power deficit.
2026	Consolidating Economic and Social Gains	Getting back on track. From crisis response to stability and resilience.
2027	Grow Zambia: From Stabilisation to Unlocking Opportunities, Creating Jobs and Improving Livelihoods for All	Laying the foundations. A transition Budget: the stability platform is in place and the foundations for growth are being laid.

Read together, the six budgets tell one story. The first term restored stability: debt restructured, subsidies removed, reserves rebuilt, inflation brought down, and, sector by sector, the rules rewritten to let private capital in. Each budget built on the last and the direction never reversed. The UPND's manifesto described three phases: recovery and stabilisation, steady growth, then take-off. The 2027 Budget signals Government's move from phase one towards phase two.

We agree the platform is in place. We also note that the ship still carries the weight of the first phase: a deficit that slipped in 2026, debt service consuming nearly a quarter of spending, and arrears not yet cleared. That is why we do not judge this Budget by asking whether each target is already funded. It is not, and the Hon. Minister does not claim otherwise. The better question is whether the Budget turns the ship in the right direction and whether the next four budgets can build on it. On that test there is real progress to point to, and a few signals to watch.

Grow Zambia: the compass

For the first time, Zambia's growth ambition has been reduced to eight numbers, coded 10-10-5-3-3-1-1-1 and set for 2031

Target	2031 goal	Pillar
Maize	10 million tonnes	Growing the economy
Electricity generation capacity	10,000 MW	Connecting the nation
International tourist arrivals	5 million	Growing the economy
Copper	3 million tonnes	Growing the economy
Soya beans	3 million tonnes	Growing the economy
Wheat	1 million tonnes	Growing the economy
Sugar	1 million tonnes	Growing the economy
Beef exports	US$1 billion a year	Growing the economy

Source: 2027 Budget Address.



Measurable targets matter because they let investors and citizens hold Government to account, and the agenda is built to last. The Ninth National Development Plan for 2027 to 2031 will be anchored on Grow Zambia and will carry a monitoring and evaluation framework, so this agenda will be the organising idea of Zambian economic policy for some time. Businesses should read it as the frame within which the next four budgets will be written, not as one year's theme.

The Address does not state a starting position for maize, soya beans, wheat, sugar, or beef exports. We would expect the 9NDP monitoring framework to supply baselines.

The Budget organises its policies under five pillars: growing the economy, connecting the nation, improving living standards, building an effective public sector, and financing our future. Beneath them sit four principles, the first being that growth must be private sector-led and export-oriented.

Two things stand out. First, the scale. Five of the eight targets are agricultural, and all five are far beyond what Zambia consumes, which makes corridors, borders, and regional market access as important as the farms. Second, the candour. The Hon. Minister told the House that some interventions "will only require a change in policy or laws. Thereafter, the private sector will do the rest", and under Pillar Five that the Government budget "cannot provide adequate financing for development." That reframes how the Budget should be read. The test of Grow Zambia is not how much the Treasury spends on it, but whether investors respond.



If the private sector does the rest, what does the public sector do?

If the private sector is to “do the rest”, the public sector’s role changes from doing to enabling. That is the right model for a country with Zambia’s fiscal constraints, but it is not a smaller job. It is a different one, and the Budget should be judged on how well it performs it.

In our view, a facilitating state has six duties:

1. **Build the platform.** Roads, rail corridors, airports, transmission lines, dams, and border posts that private operators cannot build alone and that make everything else possible.

2. **Make the rules clear and keep them stable.** Investors can price almost any regime. What they cannot price is one that changes every year.

3. **Make markets work.** Maize is the clearest example. In 2026 the Food Reserve Agency bought 2.7 million tonnes of maize against a target of 500,000, at a cost of ZMW14.7 billion met through a supplementary budget and new domestic borrowing. Government cannot buy 10 million tonnes, and should not try. The planned commencement of the Food Reserve Agency Act, the Agricultural Marketing Act, and the Agricultural Credit and Warehouse Receipts Act is meant to let private traders, financiers, and exporters do what the state cannot. The same pattern will have to repeat in beef, sugar, and power.

4. **De-risk investment where the market will not go first.** The new development finance institution, PPP viability gap financing, and the ZMW5 billion MSME guarantee scheme are the instruments.

5. **Pay what it owes, on time.** Government currently owes its suppliers about ZMW51 billion and its exporters about ZMW60 billion in VAT refunds. Clearing these balances would release liquidity to the very businesses the Government expects to lead.

6. **Deliver.** Permits, licences and approvals need to be issued on time. The Minister’s own figures show the scale of the task: only 572 of the 1,578 government services targeted for digitisation by 2026 have been onboarded so far.

The 2027 Budget makes a good start on the first four duties, in intent if not yet in scale. The fifth and sixth, paying what is owed and delivering services on time, are where there is most room for progress, and they are where the private sector’s confidence will be won or lost.

The counterpart to a facilitating state is a private sector that does its part: identifying opportunities and realising them, rather than waiting for Government. In agriculture, the Address expects large-scale investors, foreign and local, operating at thousands of hectares along the corridors on the pattern of Nakambala to find their own export markets, with smallholders linked through out-grower schemes. On this reading, the measure of the Budget is not what Government spends but what Government does, and the measure of the private sector is whether it steps forward.

Facilitative infrastructure: what turns the ship

The Budget's clearest contribution to Grow Zambia is not in direct incentives but in the platform it builds. We estimate that the Budget lines visibly linked to the agenda total about **ZMW48 billion, or 17% of the Budget**, as set out below. Beside them sits a set of policy and legal reforms that cost the Treasury little but may matter more

Grow Zambia target	2027 Budget lines	ZMW billion	Tax and policy support
Maize, soya, wheat, and sugar (10m, 3m, 1m, 1m tonnes); beef exports (US$1bn a year)	Agriculture, fisheries and livestock (including animal health), of which FISP ZMW9.0bn.	22.7	Proposed farm block development agency; FISP proposed to move to a loan scheme; three agricultural marketing laws due to commence; proposed 15% duty and 10% surtax on crude soya and sunflower oil; proposed surtax on imported processed meat raised to 30%
Copper and wider mining (3m tonnes copper)	Mining activities, including geological mapping ZMW0.5bn; artisanal and small-scale mining ZMW0.5bn; mineral regulation ZMW0.2bn	1.2	Proposed gold royalty cut to 3% for sales to approved aggregators; gold trading agency; digital licensing
Power (10,000 MW)	Grid Resilience Programme	0.4	Cost-reflective tariffs; open access; regional interconnectors; over 1,400 MW of non-hydro capacity due in 2027
Tourism (5m arrivals)	Ministry of Tourism ZMW1.36bn; provincial airports ZMW2.35bn	3.7	Proposed suspension of customs duty on safari vehicles, hospitality, and communications equipment
Enablers across all targets	Roads ZMW17.1bn; water and sanitation ZMW2.1bn; PPP viability gap ZMW0.5bn; new DFI ZMW0.4bn	20.1	Lobito, TAZARA, and Zambia Railways corridors; proposed repeal of the Railways Act for open access; ZMW5bn MSME guarantee scheme; smart border gates
Total		48.1	

Source: 2027 Budget Address, functional expenditure table and Yellow Book 2027. The table shows notable items only and is non-overlapping: the agriculture envelope includes fisheries, livestock and animal health, so beef is not shown separately. Further support may sit in the full Estimates



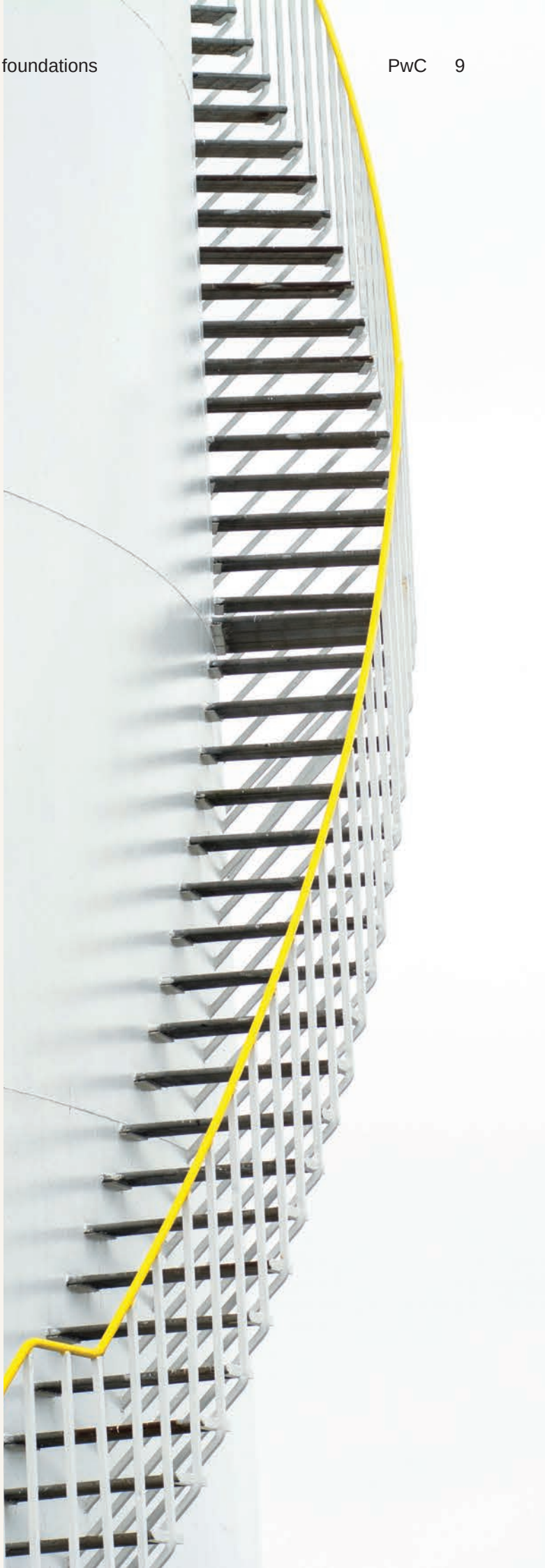
Much of this did not begin in 2027, and it will not end there. The copper measures are the clearest example: the aerial geophysical survey started in 2024, the Minerals Regulation Commission is already operating, and expansions at the major mines are under way. The 2027 Budget inherits a pipeline rather than starting one. It is also the first of five budgets under the agenda, and more measures should be expected as the 9NDP takes shape.

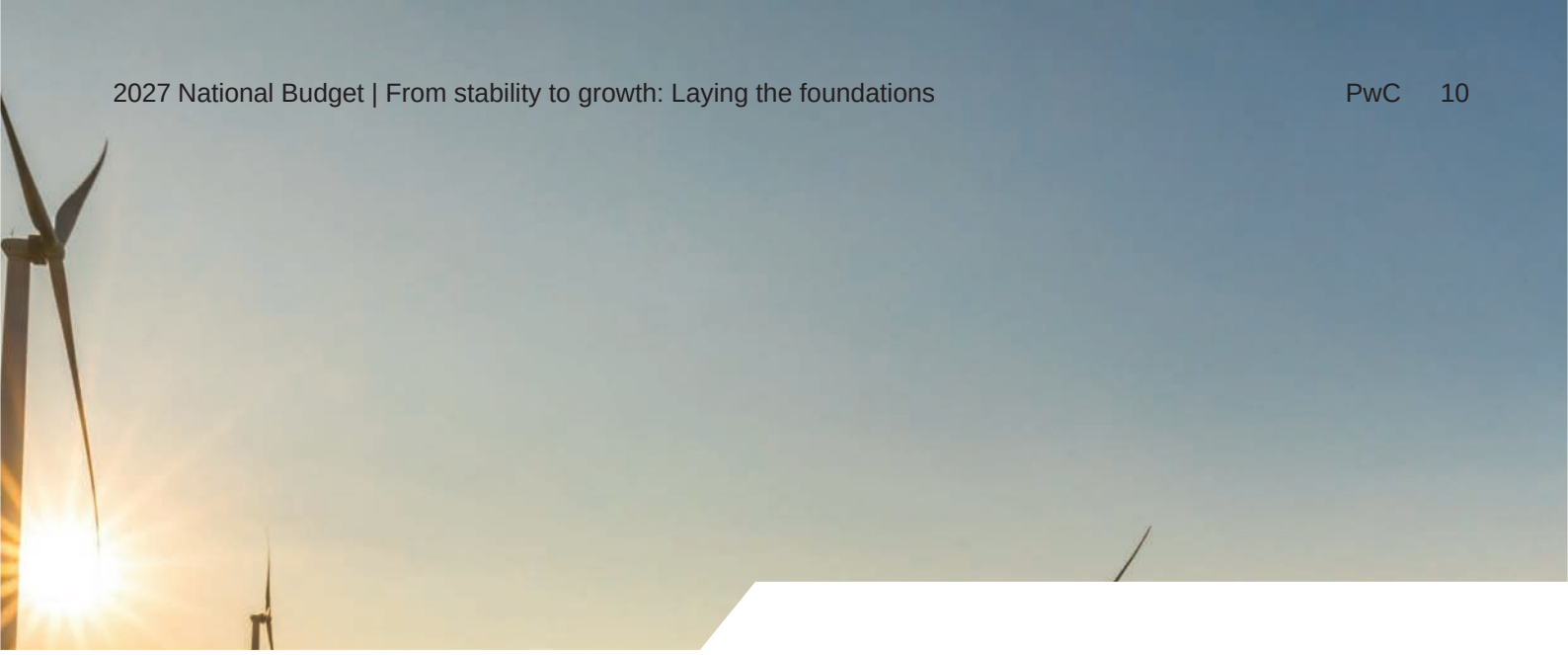
Physical infrastructure. Roads are the largest growth-enabling investment, at ZMW17.089 billion for the road-infrastructure sub-programme, up from ZMW13.498 billion in 2026 (26.6%), with a stated target of 787 kilometres to be built or rehabilitated (the Yellow Book output table itemises 717 kilometres, and the difference is subject to Ministry clarification). More important for exports are the corridors: the Lobito railway is due to break ground in the fourth quarter of 2027, TAZARA is being rehabilitated, and €60 million has been secured for the Kapiri Mposhi to Ndola section of Zambia Railways. Airports, dams and water harvesting are also prioritised. The corridors carry Congolese and Tanzanian trade as much as Zambian exports, and the Address identifies the TAZARA and Lobito corridors as the zones for large-scale maize, wheat, soya, sugar, and forestry production, so that farms, railways, and ports are planned together.

Power. Installed capacity has grown 42% in five years, to 4,722 MW, mostly through private investment, and more than 1,400 MW of non-hydro capacity is expected in 2027. The constraint is shifting from generation to the grid. The Budget lists regional interconnectors and ZMW391.3 million for grid resilience funded from Eurobond buyback savings: a smart use of fiscal space, but modest given the additional generation expected, so a broader financing plan is needed to keep the grid in pace.

Enabling reforms. The reforms may turn the ship faster than the concrete. The three agricultural marketing laws would create the legal basis for warehouse receipts, private commodity finance, and a Food Reserve Agency focused on strategic reserves rather than buying the crop. The Budget proposes to repeal the Railways Act to let private operators run trains on public track, and to set up a farm block agency for large-scale agriculture along the TAZARA and Lobito corridors. Export permits would be automated, and a development finance institution would return with ZMW400 million of seed capital.

None of this delivers a tonne of maize or a megawatt by itself. All of it is what a facilitating state should be doing. The question, to which we return below, is whether it is delivered on time.





The headwinds

A ship turning onto a new course still has to contend with the weather. Four headwinds bear on this Budget. Two of them, oil and rain, are beyond the Hon. Minister's control and have rewritten each of the last three budgets mid-year. The other two, debt and arrears, are within it.

Geopolitics and the price of fuel

The escalation of the Middle East conflict in early 2026 pushed crude oil from US$64.6 a barrel in January to US$114 by October, and Zambia imports all of its petroleum. Government responded quickly: from 1 April, VAT on petrol and diesel was zero-rated and excise duty suspended, and in July the relief was extended to the end of September. The Hon. Minister attributes the below-target 2026 revenue outturn "largely" to the suspension, and the 2026 deficit is now projected at 5.9% of GDP against the 2.1% originally targeted.

The relief has since been moderated. Excise duty was reinstated on 1 October and VAT is scheduled to return on 1 December; pump prices rose by about 31% between September and November (petrol rose from ZMW25.29 to ZMW33.06, according to the regulator), with exchange rates and international prices also at work. The IMF programme commits Government to completing the reversal. In effect, the Hon. Minister has had to balance relief for households against the need to protect revenue, and the 2027 revenue targets assume that the reversal is completed as planned. The cost falls on households and on every sector that moves goods by road. The TAZAMA rehabilitation and a new multi-product pipeline will lower landed costs over time, but not in 2027. How long elevated oil prices persist is the first thing we would watch.

El Niño and the 2027 lean season

In the supplementary estimates of 22 October, the Hon. Minister explained that the Food Reserve Agency had bought 2.7 million tonnes of maize, against a target of 500,000, "in view of the anticipated lean period in 2027 due to the adverse effects of El Niño." Government is preparing for a poor 2026/27 season. The purchase cost ZMW14.7 billion, most of a ZMW19.9 billion supplementary financed largely by ZMW18 billion of new domestic borrowing.

If the forecast holds, the implications run through the whole Budget. The 2024 drought halved output for most crops, cut hydropower generation to 1,255 MW against 3,811 MW installed, and forced a ZMW41.9 billion supplementary budget. The 2027 Budget assumes the opposite: a maize surplus for export, inflation held at 6% to 8% by food prices, and growth of at least 4.9% led by agriculture. A drought year would test all three at once, in the first year of an agenda whose agricultural targets depend on rain until irrigation arrives. The defences are the right ones, though most mature after 2027: 500,000 hectares of irrigation by 2031, dams prioritised this year, 1,400 MW of non-hydro capacity, and reserves already stocked. The deficit target would be more robust for a stated view of what a weak season would do to it.

Debt: stabilised, and proceeding to plan

The debt story is proceeding to plan, and it deserves credit. External debt restructuring is nearing completion, and in 2026 Government bought back part of its Eurobond debt, cutting the external stock to US$15.46 billion by June, from US$16.15 billion, with the savings now directed to the grid. On 30 October, a week before the Budget, Moody's upgraded Zambia to Caa1 with a positive outlook, and the markets have noticed.

The attention now moves onshore. Government securities and loans rose by ZMW27.2 billion in the first half of 2026, to ZMW280.9 billion, and the October supplementary adds ZMW18 billion more. Net domestic financing for 2027 is 2.9% of GDP, up from 2.3% planned for 2026, and debt service of ZMW67.6 billion absorbs 23.7% of the Budget and about 29% of domestic revenue. The Hon. Minister's response is the right one: liability management, fixed-rate securities, and consolidated benchmark bonds. The thing to watch is the share of domestic credit the state absorbs. The more domestic credit the state absorbs, the less room may remain for private-sector borrowers, particularly where financial-system liquidity is constrained.

Arrears: an opportunity to release liquidity

Government owes ZMW51.4 billion in arrears on goods and services and ZMW60.3 billion in outstanding VAT refunds. That is about **ZMW112 billion**, or roughly 11% of GDP, owed to the private sector. The Budget allocates ZMW4.7 billion to clearing arrears, about 4% of the stock.

This is a headwind that Government is well placed to address. Suppliers and exporters awaiting payment or refunds are, in effect, providing finance to the Treasury, and the liquidity they are owed is what many would need to invest in the opportunities Grow Zambia creates. In our view, a published, time-bound clearance plan would be one of the most direct ways to support private sector activity, without the need for new taxes. The proposed VAT increase to 16.5% makes this more pressing, since it could increase refund balances for exporters and other businesses in a net repayment position. We welcome the proposed liability management operations on legacy arrears and VAT refunds as a first step, and we would encourage Government to publish the schedule.

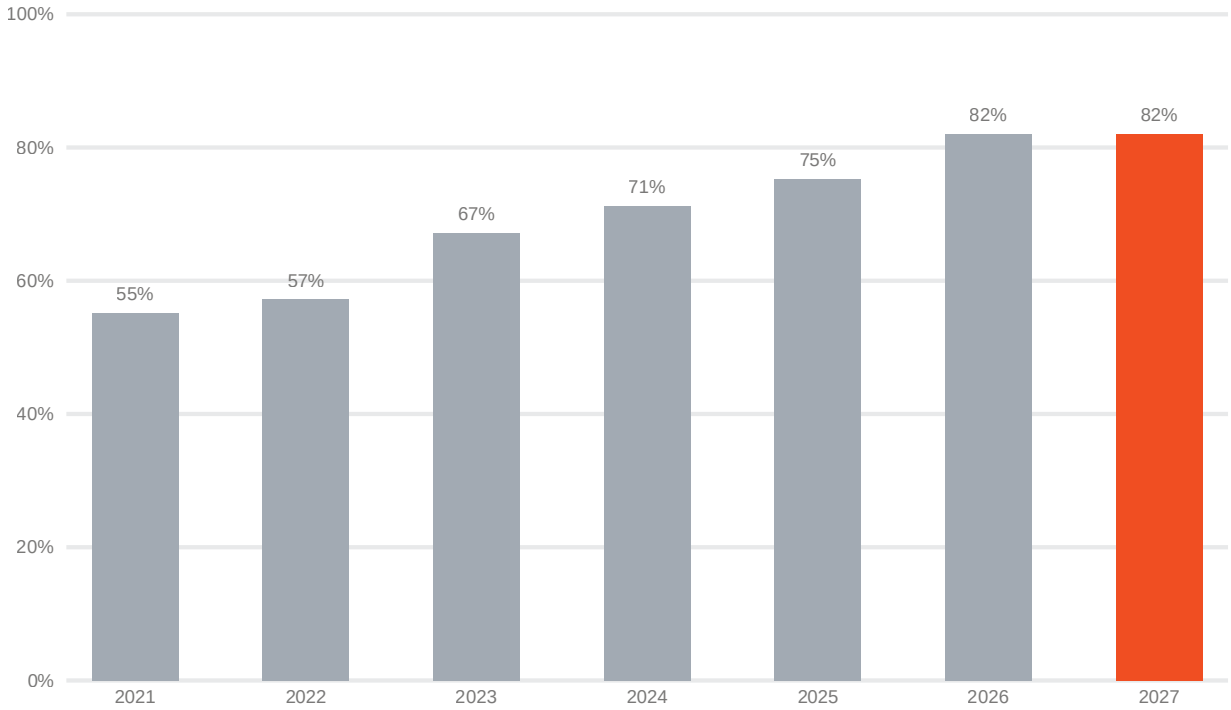




Who pays for Grow Zambia?

Domestic revenue is projected at ZMW233.7 billion, or 23.3% of GDP, funding 82.1% of the Budget. The journey to self-reliance is one of the Government's quieter achievements and is worth pausing on. Zambia now funds more than four-fifths of its budget from its own resources, with grants at 3.2%.

Share of total budget financed from domestic revenue, as budgeted



Up 27 percentage points since 2021. Grants fund 3.2% and borrowing 14.7% of the 2027 budget.

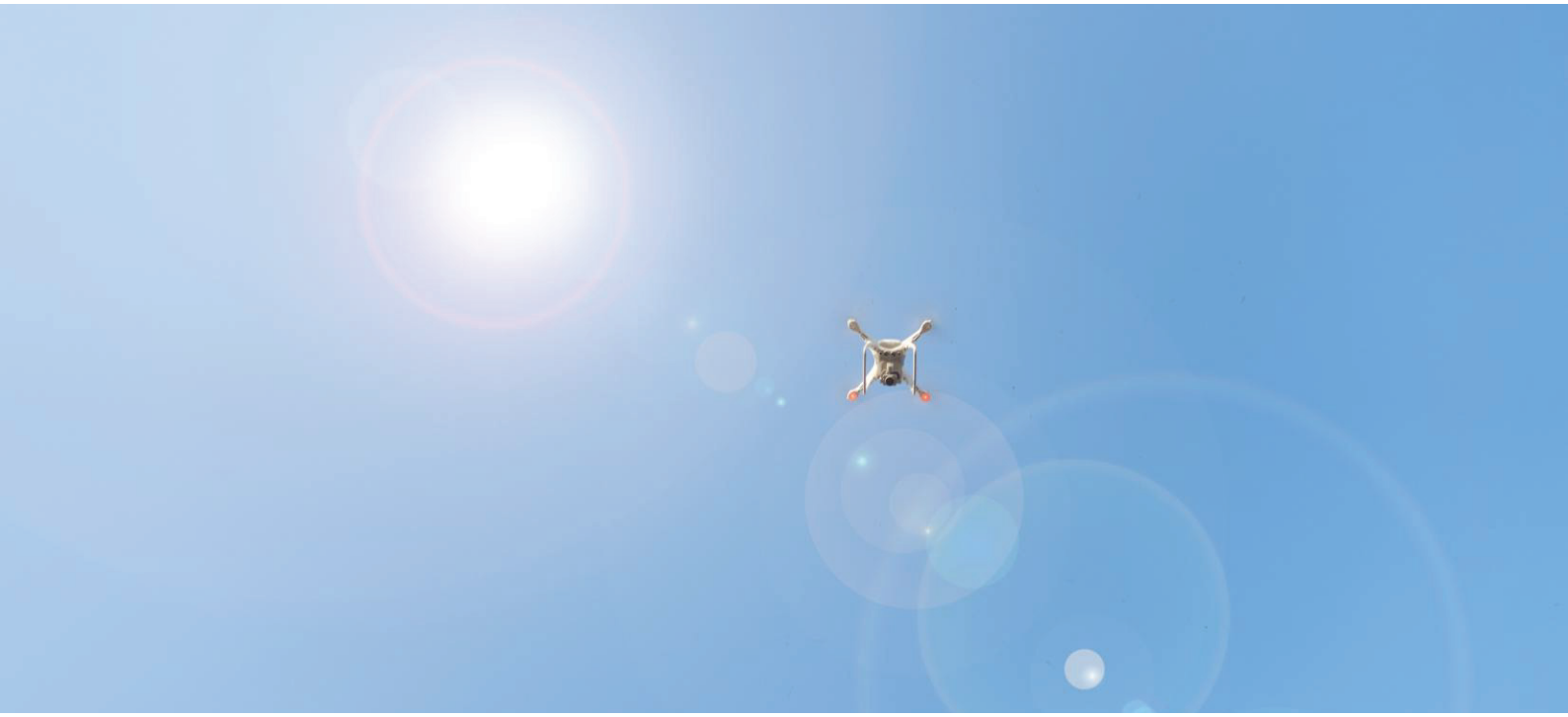
The share has, however, plateaued. The 2026 Budget also planned 82%. Further gains must come from a broader base rather than a heavier load on the same payers, and the 2027 measures are a mixed answer to that challenge.

The new measures are expected to raise a net ZMW10.8 billion, about 1.1% of GDP, led by the proposed VAT increase to 16.5%, a 5-point rise in company income tax on preferentially taxed income and a new 39.5% PAYE band.

There are real attempts to widen the base. The betting levy extended to phone-based lotteries, mandatory smart invoices on exports, automatic exchange of tax information, and higher licence fees all reach into activity that has sat outside the net, and the ZRA's proposed power to withdraw incentives from investors who miss their pledges is a welcome discipline. We support the direction. The proposed doubling of the mobile money levy is different: it raises more from an existing formal transaction channel rather than widening the base, and it deserves a closer look. Doubled in every band, it would mean that a ZMW100 transfer bears 0.64% and a ZMW10,000 transfer 0.16%. The levy therefore falls proportionally more on smaller transactions, and may encourage some of the smallest users to revert to cash, which would sit awkwardly with the Hon. Minister's own call to "go cashless". We would encourage Government to consider whether the lower bands could be adjusted so that the levy supports, rather than slows, digital adoption.

Copper plays a larger role in revenue than the headline suggests. Mineral royalties of ZMW22.0 billion and total company income tax of ZMW42.7 billion together amount to about 28% of domestic revenue; the Budget does not disaggregate the mining share of company income tax. These figures were budgeted while copper sat near a record US$14,850 a tonne. A price correction in 2027 could affect these estimates, so it would be prudent to show how the revenue estimates hold up under a lower copper price.

Most of the increment falls on the formal sector. Raising the VAT rate places more of the burden on those who already comply, and salaried employees and established companies would carry the proposed PAYE and CIT changes, while much of the informal economy remains outside the net. The next phase of revenue mobilisation is about formalisation and compliance rather than higher rates.



The Constituency Development Fund: a question of sequencing

The CDF is impactful and popular, and we do not question its place. In 2027 the total rises 45%, from ZMW6.2 billion to ZMW9.0 billion, not because the allocation per constituency (ZMW40 million) has risen but because there are more constituencies after delimitation.

In a year of fiscal constraint, it is worth considering whether holding the allocation at ZMW40 million for every constituency is the only option. The Budget Address does not publish absorption rates, making utilisation difficult to assess. The Hon. Minister's own review of the allocation formula, to weight equity as well as equality, points in the same direction. A formula that also reflected capacity to absorb funds and the completion of existing projects could help deliver the same impact more efficiently.

Signals that could slow the turn

If the private sector is to do the rest, the signals the Budget sends to investors matter as much as its allocations. Three of them deserve a closer look.

Agriculture: a signal worth watching

Agriculture and livestock account for five of the eight Grow Zambia targets. The same sector sees one of the sharpest proportional increases in tax rates in the Budget. Company income tax is proposed to rise by 5 percentage points on preferentially taxed income, with the final scope subject to legislation:

Income category	Current rate	Proposed 2027 rate	Increase in tax burden
Farming, agro-processing, and related exports	10%	15%	50%
Producers of organic and chemical fertilisers	15%	20%	33%
Export of non-traditional products	20%	25%	25%
Companies adding value to copper cathode	20%	25%	25%

Source: ZRA 2027 Budget Highlights. All measures are proposals subject to Parliament enactment.

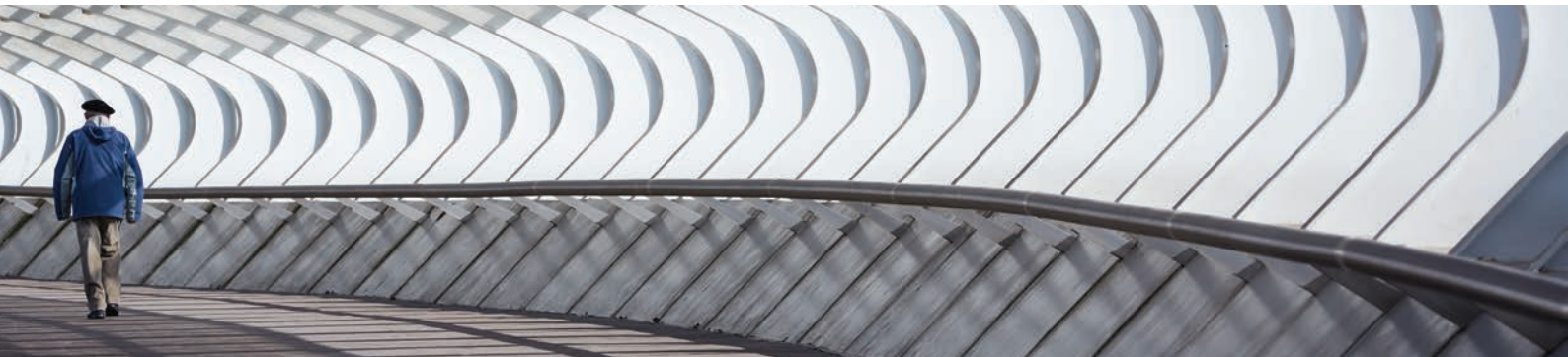
Every category affected is a Grow Zambia priority: primary agriculture, fertiliser, non-traditional exports and copper value addition. A new excise of ZMW1 per kilogram on sugar also arrives as the agenda seeks to more than double sugar output. The stated aim is to harmonise rates, and we understand both the logic and the need for revenue.

Context matters here. Even at 15%, farming and agro-processing would be taxed at half the standard rate, and the wider regime for the sector remains generous, so it is still among the most favourable in the economy. Our concern is with the signal rather than the amount. Preferential rates are one of the clearest ways a government tells capital where it wants it to go. Narrowing them at the start of a five-year drive to multiply agricultural output may send a mixed message, particularly to foreign investors. We would encourage Government to consider phasing the increase against production milestones.

Mining: stability, and a package of new measures

The Hon. Minister lists “a stable, predictable and competitive mining fiscal regime” among the foundations for 3 million tonnes of copper. The Budget also proposes a cadastre-based licence fee regime under which fees rise with the size of the tenement held.

The licence reform deserves a fair reading. Its purpose is to ensure that mineral rights are held by those with the capacity to develop them and to end speculative holding of ground. We support the objective. Smaller local holders may still find the fees a challenge, and the proposed 15% dividend withholding tax, up from zero, takes effect in the same year. Together the measures add to costs in the sector expected to deliver the headline target, so we would encourage Government to present them as one package and restate its stability commitment.





Protection, and what the neighbours do next

The Budget proposes to continue the push, begun in 2026, to support domestic manufacturing, with higher customs duties on ceramic tiles, aluminium profiles, crude edible oils, processed meat, float glass and cement bags. We welcome the focus on value addition and the proposed clawback on investors who miss their pledges: support for local industry works best with performance conditions.

Two considerations apply. First, protection carries a cost, which falls on construction and household budgets. Second, the Zambian market cannot absorb 10 million tonnes of maize or 3 million tonnes of soya, so Grow Zambia relies on regional markets, chiefly in SADC and COMESA. Trade tensions there often take non-tariff forms such as permits, standards and border delays. We would encourage Government to keep protection selective and time-bound, and to pair it with active trade diplomacy.

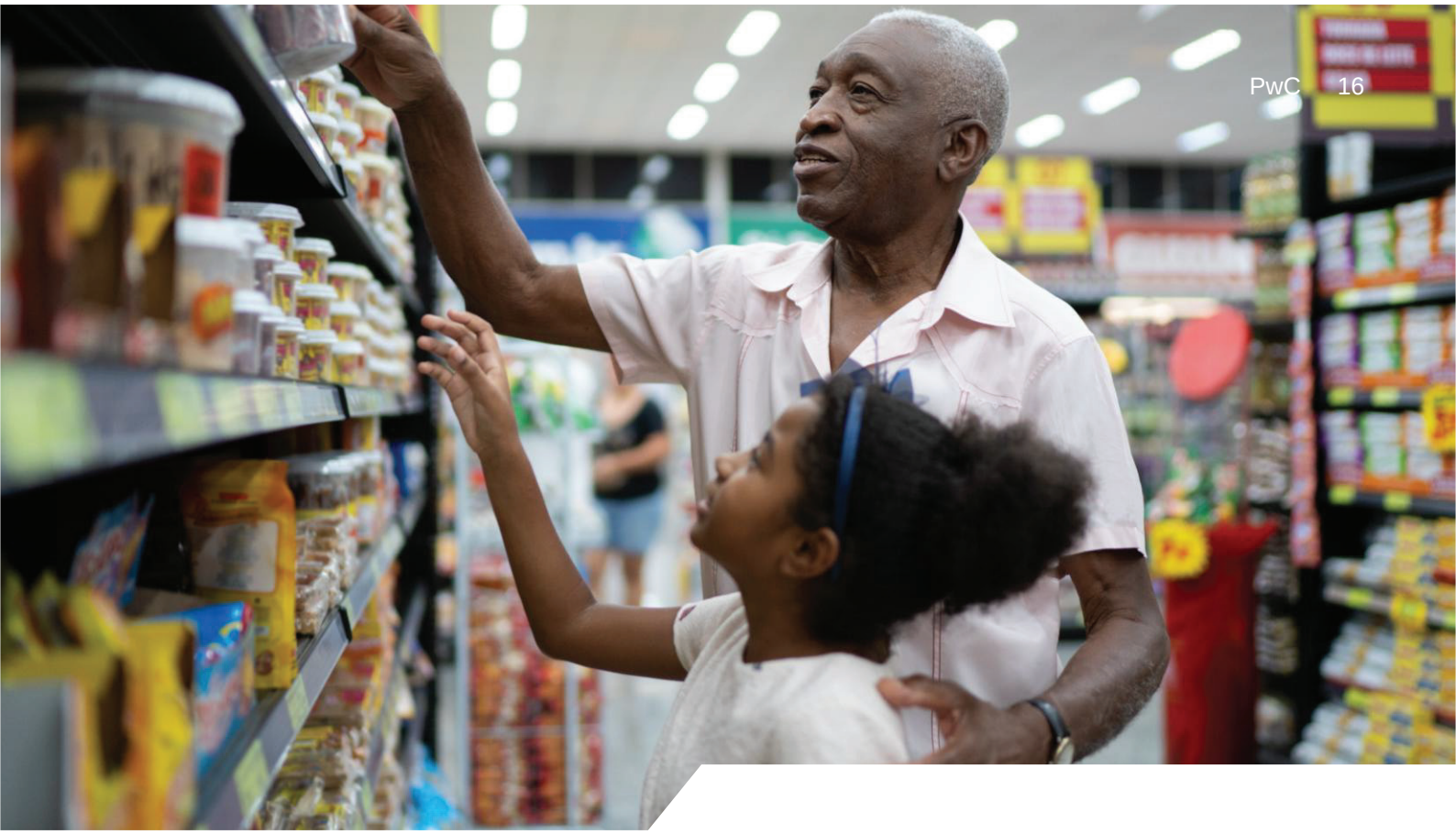
The people on board

A ship is turned for the sake of its passengers, and the Zambians on board have had a hard voyage. Years of elevated inflation pushed prices up faster than incomes, and the cost of living shaped the 2026 election more than any other issue. In 2024 we wrote that “patience, especially among poorer households, is wearing thin.” The macroeconomic news since has been good: inflation was 6.3% in October, the kwacha has strengthened, and the harvest was a bumper one. The question every household is asking is when that stability reaches the kitchen table.

Balancing the cost of living and the growth agenda

The Budget’s theme promises improved livelihoods for all. In the near term, several of its revenue measures will also reduce household disposable income, and we think the Address could say more about how the two fit together. VAT is proposed to rise to 16.5%, which could affect the price of standard-rated goods and services. The mobile money levy is proposed to double, and sugar would attract a new excise. Fuel tax relief is being withdrawn, and pump prices are up about 31% since September. A new 39.5% band is proposed above ZMW37,000 a month. Few taxpayers are affected.

We recognise the fiscal constraint the Hon. Minister faces, and the need to protect the gains of the past five years. Even so, households are being asked to carry more now, in return for benefits that will come over time. The Address does not publish an estimate of what the measures mean for a typical household. We would welcome one, ideally with a clear account of how social spending and the growth agenda will reach working families. In the meantime, many households may feel the early effects at the till and the pump before they feel the benefits.



Protecting the vulnerable, and finding the way out

The commitment to the most vulnerable has been strong and consistent across all six budgets, and the Social Cash Transfer shows it.

Year	Social protection budget	Social Cash Transfer	Beneficiary households	Monthly transfer (standard / disability)
2021	ZMW4.8bn	ZMW2.3bn	880,539	ZMW180
2022	ZMW6.3bn	ZMW3.1bn	Over 1 million	ZMW200 / ZMW400
2023	ZMW8.1bn	ZMW3.7bn	1.1 million	ZMW200 / ZMW400
2024	ZMW9.7bn	ZMW5.4bn	1.3 million	ZMW400
2025	ZMW16.1bn	ZMW8.3bn, including drought transfers	1.3 million, plus 952,570 drought-affected households	ZMW400
2026	ZMW15.7bn	ZMW7.6bn	1.5 million	ZMW400 / ZMW600
2027	ZMW16.2bn	ZMW10.4bn	1.6 million	ZMW450 / ZMW650

Source: PwC Zambia National Budget Bulletins 2022 to 2026; 2026 and 2027 Budget Addresses. Figures are as budgeted; the 2025 Social Cash Transfer figure includes the drought-related programme. The 2021 transfer value is from the 2027 Budget Address.

In six years the number of beneficiary households has nearly doubled, the standard transfer has risen two and a half times, and the allocation has grown more than fourfold. The 2027 increase alone, from ZMW7.6 billion to ZMW10.4 billion, is 37%. Alongside it, school feeding nearly doubles to ZMW1.0 billion, and health receives ZMW6.4 billion for drugs and 3,125 new frontline workers.

The Social Cash Transfer represents about 4.5% of domestic revenue; the more difficult question is whether it provides a sustainable pathway into productive livelihoods. The table shows a programme that has become a permanent fixture without a stated route out. In our view, social protection should become a bridge into Grow Zambia rather than a holding pattern. Beneficiary households sit in the communities where out-grower schemes, farm blocks, and the 100,000 new training places are planned. A graduation pathway, with targets for households moving into productive livelihoods, would turn welfare spending into an investment in the agenda itself.



Keeping the course

The commitment to the most vulnerable has been strong and consistent across all six budgets, and the Social Cash Transfer shows it.

Because we have read every budget of this administration, we can see what the Grow Zambia agenda is built from. Much of it has been announced before.

- FISP reform. Promised as a more targeted programme in 2022, it became the Comprehensive Agriculture Support Programme at ZMW9.1 billion in 2023, was to be “gradually replaced” in 2024 and launched as CATSP in 2025. In 2027 it is to become a loan scheme, with the allocation broadly unchanged at ZMW9.0 billion.

- Farm blocks. Announced in 2022, “at different stages of completion” in 2023, 2024 and 2025, and in 2027 a new agency is proposed to deliver them.

- Three million tonnes of copper. Set in 2021 as a ten-year goal, and Government has stayed on the trajectory ever since: disputes resolved, the aerial survey funded for a third year, expansions under way at the major mines, and a record 930,000 tonnes projected for 2026. Whether 3 million tonnes is reachable by 2031 is open to doubt; significant growth in output is not, and the consistency of the policy is what has made it possible.

- Power. In 2025 and 2026 we called the power deficit the single biggest risk to growth. In 2027 the issue has moved from generation to the grid.

We say this to recognise how much has been built, not to find fault. The destination has been consistent for five years, and Grow Zambia gives it numbers for the first time. That consistency is itself an asset: investors can plan around a direction that does not change. The area with most room for progress is delivery. Several of these reforms have been carried forward from earlier budgets, which suggests that implementation has taken longer than first expected. Maize marketing is the sharpest example. In 2024 we described the tension between export prices and the cost of mealie meal as “a chicken and egg situation”. In 2026 the egg cost ZMW14.7 billion, and the marketing laws that would let the private sector carry that risk are only now due to commence.

That is the test for 2027. The Hon. Minister is right that many Grow Zambia measures need only a change in policy or law. But a law commenced is not a market working, an agency proposed is not an agency staffed, and an allocation is not a road. The 9NDP’s monitoring framework will matter more than any budget line. For each of the eight targets we would like to see an accountable institution, a first milestone, and a date.



Conclusion: the direction is set

The 2027 Budget marks the point at which Zambia's economic story turns from stabilisation to growth. Five years of difficult, often unpopular, and ultimately successful work have delivered the platform: a restructured debt, falling inflation, rising reserves, and a sovereign rating moving in the right direction. The Grow Zambia agenda now gives the country a destination it can measure.

The Budget takes the next turn of the wheel. It builds the roads, corridors, airports, and grid that private investment will run on.

It keeps faith with the most vulnerable. And it does all this within an envelope that still carries the weight of the past: nearly a quarter of spending on debt service, ZMW112 billion owed to the private sector, and a deficit that slipped in 2026 under the weight of oil prices and a record maize purchase. The weather, too, may have a say in 2027.

The Budget also contains a few signals that deserve attention as the agenda is implemented. The sectors expected to deliver the targets face higher taxes, albeit from a low base. Households are being asked to carry more of the cost before the benefits are fully felt. And several of the reforms on which the agenda rests have been carried forward from earlier budgets.

For the next budgets to build on this one, four things need to happen:

1. **Clear the arrears.** A published, time-bound plan for the ZMW112 billion owed to suppliers and exporters is one of the fastest ways to support the private sector, without the need for new taxes.
2. **Align tax and policies with the targets.** Continue to review and enhance policies to support the Grow Zambia agenda.
3. **Plan for the weather.** Government is already stocking reserves against a lean 2027. The Budget's growth, inflation, and deficit targets should carry a stated view of what a weak season would do to them, and what the response would be.
4. **Make delivery the measure.** For each of the eight targets, name the institution, the first milestone, and the date, and report against them.

What this means for businesses and taxpayers

The four asks above are addressed to Government. Businesses need not wait for the answers. All tax measures in the Address are proposals that take effect only once Parliament enacts them, with most intended to apply from 1 January 2027, so there is a window to prepare.

- **Model the proposed tax effects.** Re-run payroll, pricing and cash-flow forecasts before January, including VAT at a proposed 16.5%, the proposed 5-point rise in company income tax on preferentially taxed income and the proposed 39.5% PAYE band, and review sector-specific tax positions, while recognising that the measures remain subject to legislation.

- **Protect working capital and compliance.** Plan conservatively around Government arrears and VAT refunds: with ZMW112 billion owed to the private sector and ZMW4.7 billion allocated to clear it, do not budget on early settlement. Prepare for the proposed smart-invoice and customs requirements, including the proposed shortened six-month drawback window.

- **Position for investable opportunities.** Assess the agricultural marketing and warehouse receipt laws, rail open access, the farm block corridors, the PPP viability gap fund and the ZMW5 billion MSME guarantee scheme against actual implementation milestones, rather than waiting for Government to make the first approach.

The ship has been pointed in the right direction. The passengers have been patient. What they need now is to feel the deck move beneath them. The foundations are laid. Now Zambia must build.



02

The Economy

Macroeconomic stability to investable growth

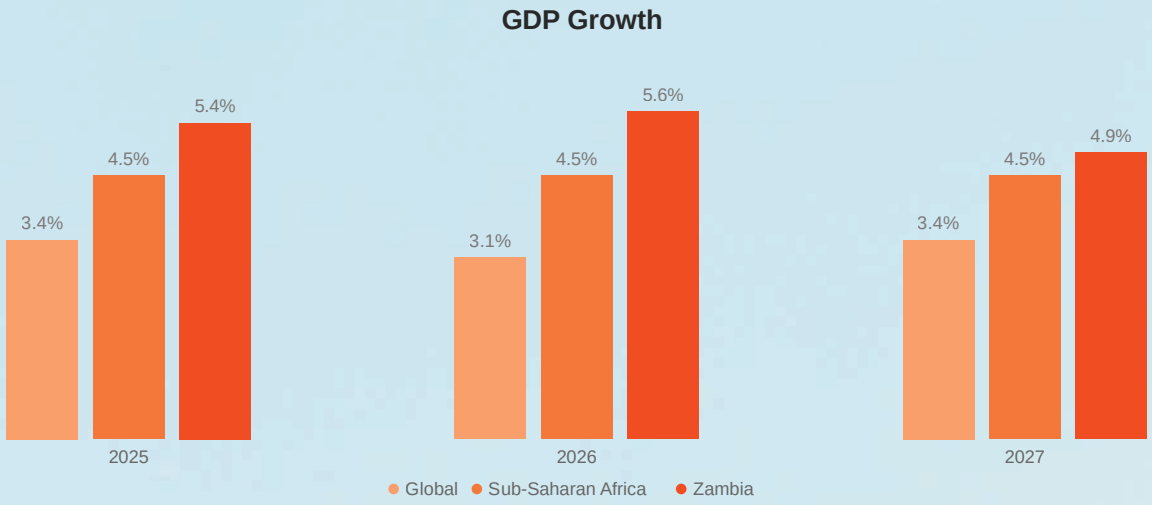
Our view

Zambia enters 2027 from a stronger macroeconomic position, but stability has not yet translated into easy financing or durable investment growth. Inflation is back within the 6–8% target band, the policy rate has fallen to 10.75% and 2026 growth is projected at 5.6%. Yet commercial borrowing remains expensive, fiscal pressures intensified during 2026 and the economy remains exposed to fuel, climate and copper-price shocks. The 2027 test is therefore whether stronger macroeconomic foundations can support investment while Government narrows the deficit without crowding out private-sector finance.

Global and regional backdrop

Zambia's economy grew by 5.4% in 2025, compared with 3.8% in 2024. The IMF projects growth of 5.6% in 2026, while the 2027 Budget targets growth of at least 4.9%. Growth is expected to remain above global and regional averages, but the outlook is sensitive to rainfall, energy costs and copper prices.

The IMF projects global growth of 3.1% in 2026 and 3.4% in 2027, while Sub-Saharan Africa is projected to grow by 4.5% in both years. Energy prices, trade restrictions and the breadth of AI-led investment will shape the global outlook. For Zambia, the key transmission channels remain fuel costs, external financing conditions and copper prices.

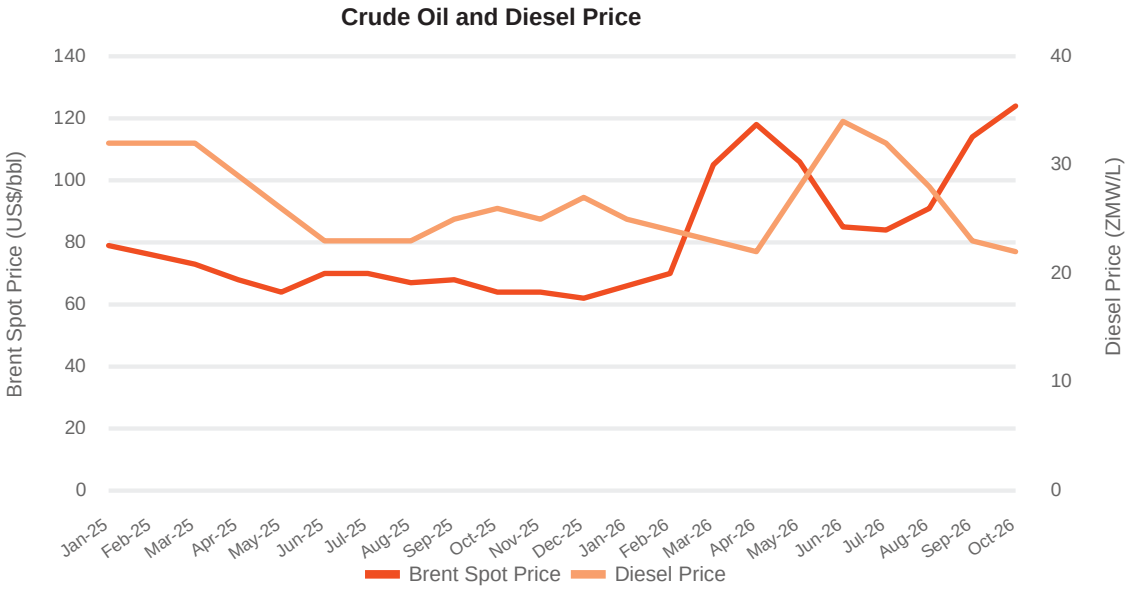


Source: International Monetary Fund and Ministry of Finance and National Planning

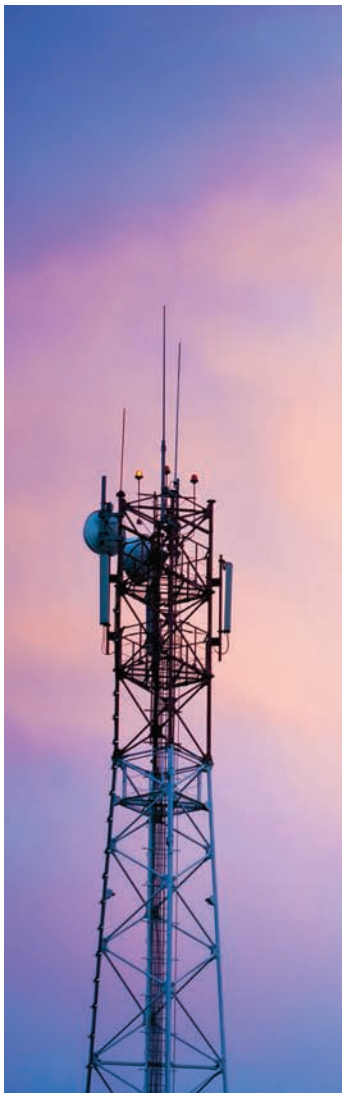
Global energy shock and Zambia

Middle East disruption pushed international petroleum prices sharply higher in 2026, transmitting directly into Zambia through imported fuel. In April, the Energy Regulation Board reported international petrol and diesel prices rising to US$114.51 and US$162.61 per barrel respectively in its pricing build-up. Government temporarily suspended excise duty and zero-rated VAT on petrol and diesel to cushion the domestic impact.

The suspension applied from 1 April to 30 September 2026. Together with the Energy Regulation Board's price-smoothing measures, it kept pump prices relatively stable despite higher international oil prices and exchange-rate pressure, although at a cost to tax revenue.



Source: Energy Regulation Board and U.S. Energy Information Administration



Growth and climate

Maize harvest and El Niño risk

Zambia enters the 2026/27 agricultural season from a strong position, after a record maize harvest of 4.9 million tonnes against a national requirement of 4.2 million tonnes. El Niño increases the risk of below-normal rainfall and agricultural disruption in parts of Zambia during the 2026/27 season. The 4.9 million tonne harvest and larger strategic reserves provide an initial buffer, but a material production shock could reintroduce food-price and electricity pressures during 2027. The 2023/24 drought shows the downside: maize output fell to 1.5 million tonnes against a 3.2 million tonne requirement, with severe effects on crops, water availability and hydropower.

To strengthen the buffer, the Government increased strategic food reserves, with the FRA purchasing 2.7 million tonnes of maize against an initial target of 500,000 tonnes. Supplementary Budget No. 2 of September 2026 provided ZMW14.7 billion to settle farmers and ZMW1.1 billion for FISP, adding to in-year expenditure pressures but reducing near-term food-security risk.

Season	Yield (Million, Mt)	National Requirement (Consumption and Industrial use)
2022/23	3.2	3.2
2023/24	1.5	3.2
2024/25	3.6	3.5
2025/26	4.9	4.2

Source: Ministry of Finance and National Planning

Inflation, exchange rate and monetary policy

Inflation

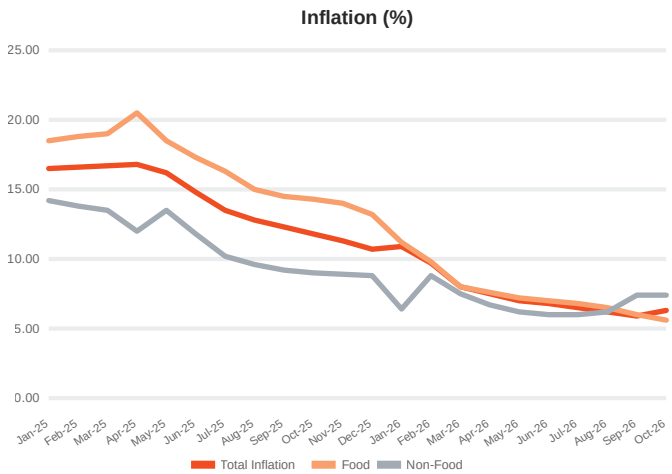
6.3%

Inflationary pressures eased significantly during 2026, with annual inflation declining from 9.4% in January to 6.3% in October, compared with 11.2% at the end of 2025. Inflation has remained within the Bank of Zambia's 6–8% target range since March 2026, reaching a low of 6.1% in September before edging up in October, the first increase recorded during the year.

The moderation was largely driven by food inflation, which fell from 10.9% in January to 5.7% in October. This reflected lower maize grain and related product prices following the 2025/26 bumper harvest, supported by the appreciation of the Kwacha during the first half of the year.

In contrast, non-food inflation remained relatively elevated, rising marginally from 7.3% in January to 7.4% in October. Pressure came from higher international oil prices associated with the Middle East conflict and the reinstatement of excise duty on fuel from October.

Disinflation has shifted from being primarily a macroeconomic repair story to a question of resilience. Food-price gains from the strong harvest may prove vulnerable to El Niño, while non-food inflation remains exposed to international energy prices.

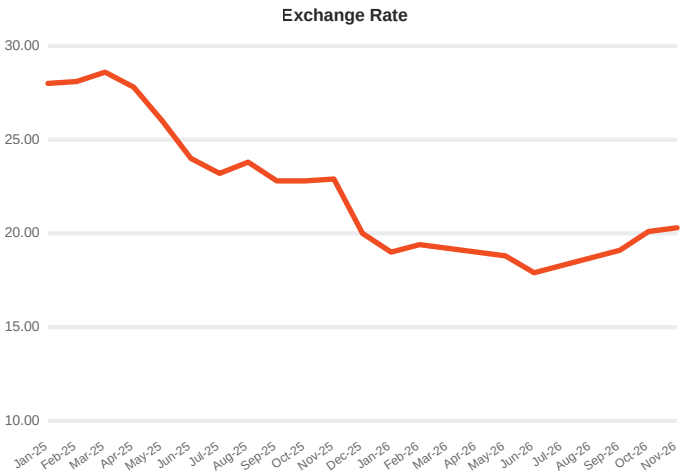


Source: Bank of Zambia

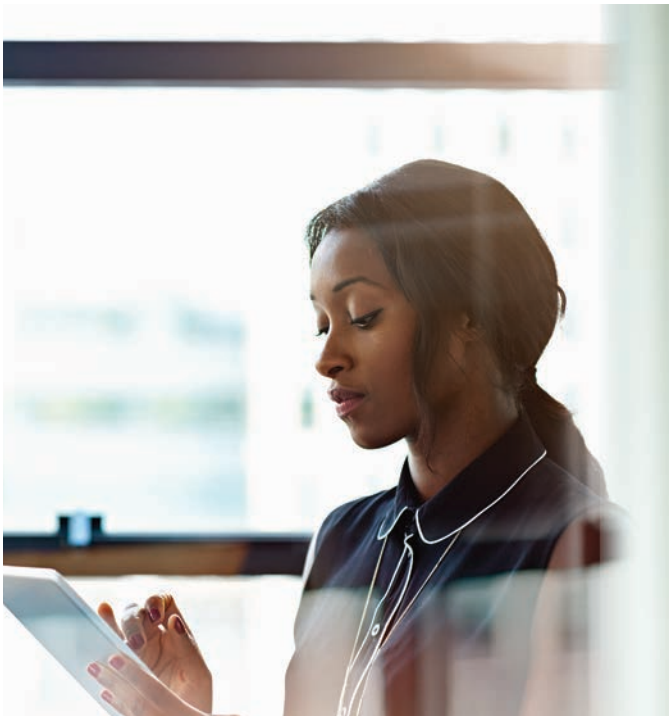
Exchange rate

The Kwacha appreciated strongly during the first half of 2026, from approximately ZMW22.2/US$ in January to ZMW17.3/US$ in June, supported by stronger mining export earnings and improved foreign-exchange liquidity. Some gains subsequently reversed as foreign-exchange demand strengthened, but by early November the currency remained materially stronger than at the beginning of the year, at a Bank of Zambia mid-rate of approximately ZMW20.29/US$ on 4 November 2026.

Looking ahead, volatility in global copper prices, energy imports and foreign-currency demand remain key risks to the Kwacha and inflation.



Source: Bank of Zambia



Interest rates



Interest rates remained elevated for much of 2026, although monetary conditions eased during the year. The Bank of Zambia reduced the Monetary Policy Rate by 250 basis points to 10.75% in September 2026 as inflation moved firmly back within the target range.

Lower policy rates do not automatically translate into affordable investment finance. Commercial borrowing costs remain materially higher, with average bank lending rates at approximately 27.3% in August 2026, so the transmission from macroeconomic stability to private investment remains incomplete. This may temper the investment response to stronger growth in 2027.

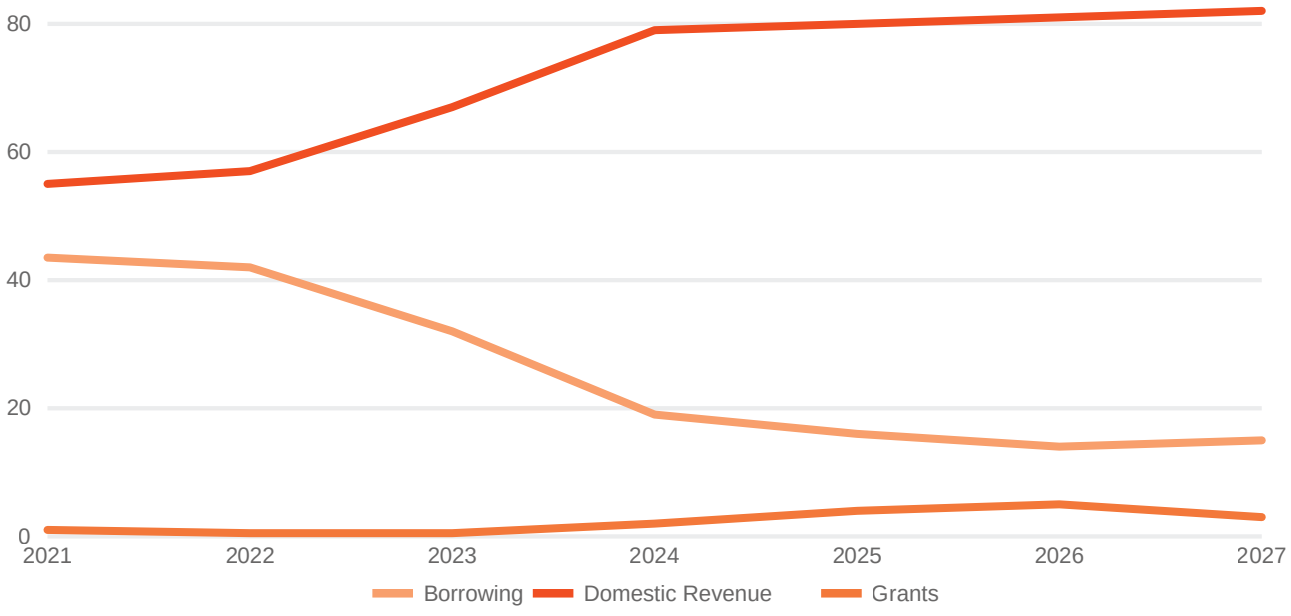
Revenue credibility

Domestic revenue remains the principal source of budget financing. The 2027 Budget expects domestic revenue of ZMW233.7 billion to fund 82.1% of the ZMW284.8 billion Budget, with borrowing of ZMW41.9 billion and grants of ZMW9.2 billion. The shift towards domestic financing strengthens budget ownership, but it also concentrates execution risk in revenue performance. That reduces reliance on external borrowing, but if VAT, fuel taxes or growth underperform, the adjustment must come through additional borrowing, lower spending or arrears. First-half 2026 collections of ZMW93 billion were about 10% below the ZMW103 billion target, partly reflecting the temporary suspension of VAT and excise duty on petroleum products, which highlights the tension between cushioning the economy and preserving the revenue base.

Mining provided a significant offset, with revenue increasing 150% to ZMW10 billion at half year from ZMW4 billion, supported by higher copper prices, improved profitability and increased sector activity. The price-linked mineral royalty regime also supported collections as copper prices strengthened, alongside the 30% corporate income tax rate on mining operations. Revenue mobilisation is further supported by tax administration digitalisation, including Smart Invoice, measures to broaden the tax base and new tax measures expected to generate ZMW10.8 billion in additional revenue.

Overall, the stronger contribution from domestic revenue is positive. Its sustainability in 2027 will depend on improved VAT performance, continued gains from digitalisation and a broader tax base, while stronger growth and mining activity would support collections. Conversely, weaker agriculture, higher fuel prices or softer copper revenues could widen the financing gap and increase reliance on domestic borrowing.

Financing source as a share of revenue



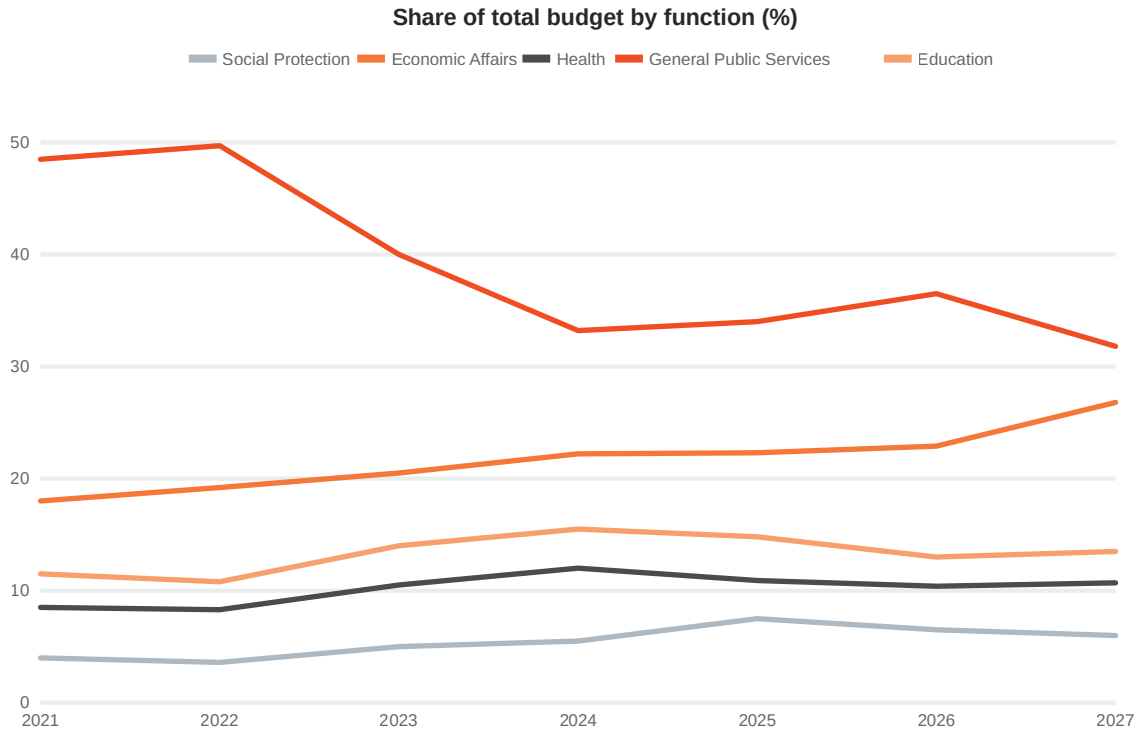
Source: Ministry of Finance and National Planning

Debt and financing

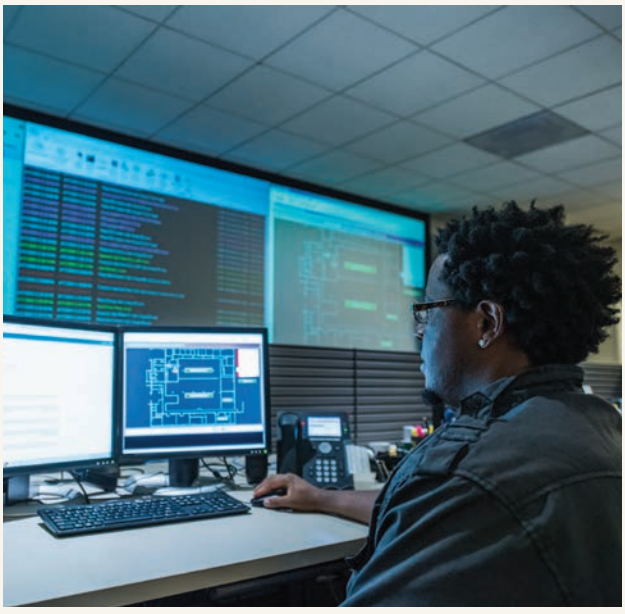
The 2027 Budget reflects a reduction in debt-service costs, with external debt service declining by approximately ZMW4.9 billion and domestic debt service by a further ZMW1.2 billion. Together, these reductions deliver savings of approximately ZMW6.1 billion, creating additional fiscal space within the Budget.

The benefit from lower external debt service is significant, but domestic debt remains the principal pressure point. At ZMW50.8 billion, it accounts for roughly 75% of the 2027 debt-service allocation of approximately ZMW67.6 billion (ZMW16.8 billion external). Further reductions in the overall debt-service burden will therefore depend increasingly on managing domestic borrowing and funding costs.

These pressures were already evident in 2026 and resulted in two supplementary budgets worth a combined ZMW46.2 billion, to respond to higher public-service wage increments, Middle East oil-price effects and additional maize purchases.



Source: Ministry of Finance and National Planning

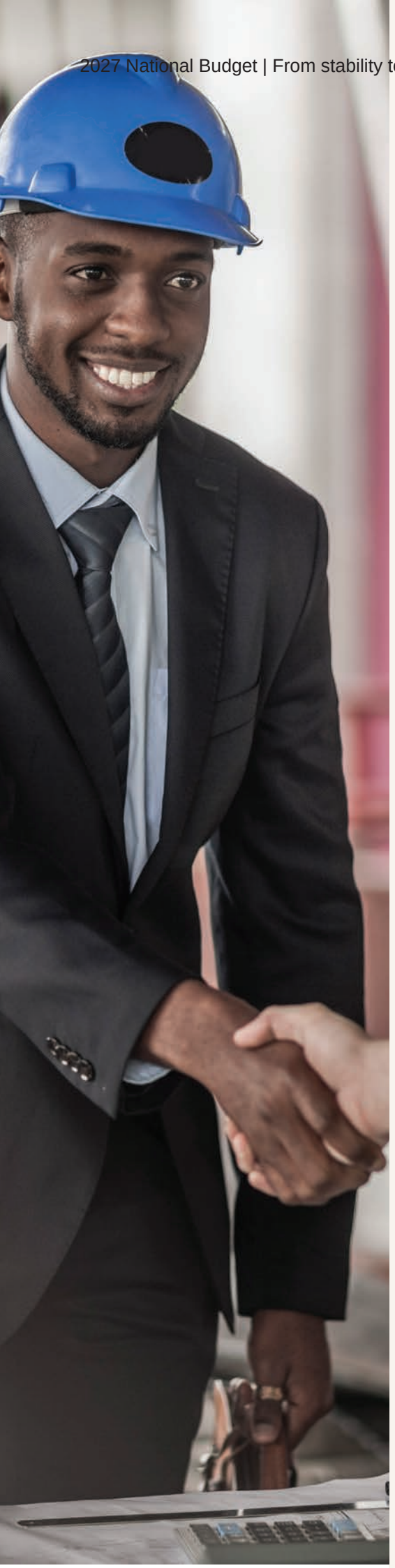


Expenditure and the growth shift

The 2027 expenditure mix points to a gradual rebalancing towards growth-enabling functions as well as the cost of a larger government. Economic Affairs rises from ZMW58.65 billion in 2026 to ZMW75.90 billion in 2027, an increase of ZMW17.25 billion, or 29.4%.

The sharp increase in Economic Affairs in the 2027 Budget is mainly an investment-led expansion in agriculture, roads, CDF and airport infrastructure stemming from the increase in the number of constituencies.

The composition of expenditure is moving towards growth-enabling functions, but larger allocations do not by themselves establish higher productive investment. The test is whether infrastructure and agriculture spending produces assets, connectivity and productive capacity rather than simply higher nominal expenditure.



2027 outlook: what could move the numbers

The 2027 Budget sets the following macroeconomic and fiscal targets:

1. Attain real GDP growth of at least 4.9%
2. Maintain inflation within the 6-8% target band
3. Maintain gross international reserves above four months of import cover
4. Increase domestic revenue to at least 23.3 percent of GDP
5. Reduce the fiscal deficit to 3.0 percent of GDP
6. Limit net domestic borrowing to 2.9 percent of GDP

The macroeconomic targets are individually credible, but achieving them together is the harder test. A weaker harvest, renewed fuel-price shock or revenue shortfall could raise inflation and spending pressures just as Government is targeting a materially lower deficit. If the resulting financing gap is met domestically, the cost may appear not only in the public accounts but in tighter credit for businesses.

Agriculture carries the greatest uncertainty. The October assessment warns of below-average rainfall and drought risk for Zambia in the 2026/27 season. Existing grain stocks soften the immediate food-security impact, but how long they last is uncertain and depends on whether the poor rains persist in an increasingly challenging climate. Mining remains the anchor of the medium-term outlook, supporting export earnings, foreign exchange inflows and tax revenue.

The revenue measures support collections but add to price pressure. The proposed VAT increase from 16% to 16.5%, alongside other tax changes, should lift revenue. It will also raise some consumer prices, at a time when food and fuel costs are already under strain.

Supplementary Budgets 1 and 2 point to growing fiscal strain and reinforce the importance of expenditure discipline alongside the new revenue measures.

Balancing price stability with revenue mobilisation remains key, as any shortfall will most likely be met through domestic borrowing. As the Government competes with businesses for domestic funding, heavier borrowing could tighten private-sector credit. External financing conditions may improve if the proposed new IMF-supported programme proceeds. The 9 October 2026 staff-level agreement on a proposed 36-month Extended Credit Facility arrangement (access of US$1.472 billion) remains subject to IMF Executive Board approval and agreed prior actions, so it should not yet be treated as committed financing.

Zambia has rebuilt much of the macroeconomic stability needed for growth. The 2027 challenge is transmission: lower inflation must become lower financing costs, stronger revenue must create fiscal space rather than crowd out investment, and higher growth allocations must become productive assets. Stability has laid the platform; whether businesses can invest on it will determine the next phase.



03

Taxes

Cross-cutting measures

Our view

The 2027 Cross-cutting measures are mainly administrative, but some have important governance consequences for taxpayers. Recognising electronic service increases the importance of accurate ZRA contact details and monitored communication channels, while stronger protection of tax information raises expectations around access and handling. Most significantly for investors, the proposed monitoring of ZDA incentives places greater emphasis on demonstrating delivery against investment and employment commitments. Businesses should therefore treat these measures as a prompt to strengthen tax governance, records and ownership rather than simply as legislative housekeeping.

Budget context

The four measures below are from the cross-cutting section of the ZRA 2027 Budget Highlights. They remain proposals until Parliament enacts the relevant amendments, and their final scope, commencement and procedural requirements may change.

The measures

Electronic service of notices. Electronic communication is proposed to become a valid way for ZRA to serve notices and other official communications under the tax laws and subsidiary legislation. The stated aims are to modernise and harmonise the rules on service and reduce reliance on physical delivery.

Protection of tax information. The tax laws are proposed to be amended to prohibit unlawful access to, or use of, information governed by them, with penalties for non-compliance, in line with Global Forum requirements that exchanged information be secured and accessible only to authorised persons. A separate proposed Income Tax Act amendment would provide the legal framework for the Automatic Exchange of Information (AEOI).

Updated references to mining legislation. References in the tax laws to the repealed Mines and Minerals Development Act, 2015 are proposed to be replaced with references to the Minerals Regulation Commission Act, 2024.

Monitoring of ZDA incentives. The Commissioner General, working with the Zambia Development Agency (ZDA), is proposed to be empowered to recommend to the Minister that a ZDA incentive be suspended or withdrawn where the investor fails to deliver pledged investment or employment creation. The stated aim is to ensure that only compliant investors continue to benefit.

Opportunities

More efficient tax administration

Electronic service should reduce reliance on physical delivery and give greater certainty over official tax communications, but the benefit comes with a responsibility to keep contact details current and to assign clear internal ownership of the registered channel.

Clearer protection of tax information

The proposal should strengthen the legal safeguards around tax information as Zambia develops its international information-exchange framework (it joined the Global Forum in 2024). Businesses should ensure their own tax-data governance is equally robust, particularly where payroll, tax compliance or financial information is handled by third-party service providers.

Better alignment of tax and mining legislation

Replacing the references to the repealed 2015 mining legislation with the Minerals Regulation Commission Act, 2024 appears to be legislative housekeeping rather than a substantive change in tax treatment.





Risks

ZDA incentive monitoring

Under the proposal, the Commissioner General's power is to recommend suspension or withdrawal of ZDA incentives to the Minister, not an automatic withdrawal power; under-delivery would not of itself result in withdrawal.
In our view, this is the most commercially significant measure: it turns incentive compliance into an ongoing, externally monitored obligation rather than a one-off approval-stage matter. Our analysis of investment actualisation is set out in the Corporate income tax chapter . Investors should be ready to evidence delivery against their pledges, including legitimate timing differences, phased implementation or delays outside their control.

Electronic service of notices

Once electronic service becomes legally effective , an unattended registered address could become a tax-control failure rather than an administrative inconvenience. Taxpayers should identify the authoritative ZRA contact point, assign monitoring responsibility and set escalation procedures for assessments, objections and other time-sensitive notices.

Protection of tax information

The tax laws are proposed to be amended to prohibit unlawful access to, or use of, tax information, with penalties. Their scope and consequences cannot be confirmed until the legislation is published , and they should not be assumed to impose new direct cybersecurity obligations on all taxpayers or service providers. In our view, the proposal is a prompt to review who has access to tax information, how it is stored and whether staff and service providers understand the consequences of unauthorised handling.

Call to action for businesses and investors

Businesses should use these measures to strengthen their controls over tax communications, information and incentive compliance.

- **Control tax communications.** Verify registered ZRA contact details, assign ownership of monitored electronic channels and set escalation procedures for statutory notices.
- **Protect tax information.** Review access rights, storage, retention and third-party handling of sensitive tax information.
- **Evidence investment delivery.** Keep records supporting delivery against ZDA investment and employment pledges, including the reasons for any variances.

Strong governance will matter more as tax administration becomes more digital, information-driven and linked to measurable investor commitments.

Direct taxes



Pay As You Earn

Proposed from 1 January 2027, subject to Parliament enactment.

Our view

The proposed 39.5% top PAYE rate is targeted rather than broad-based: only taxable income above ZMW37,000 a month would bear the additional 2.5 percentage points. The immediate tax increase is therefore modest close to the threshold but becomes more material for higher earners, potentially increasing remuneration pressure for employers competing for senior and specialist talent. For employers, the near-term priority is operational: payroll systems, remuneration modelling and employee communication will need to be ready if the proposal takes effect on 1 January 2027.

Budget context

The 2027 Budget proposes a fifth PAYE band of 39.5% on monthly taxable income above ZMW37,000, equivalent to ZMW444,000 a year. Existing rates would continue to apply below that threshold, meaning only taxable income above ZMW37,000 would bear the higher rate. The proposal is intended to take effect from 1 January 2027, subject to Parliament enactment.

The current and proposed PAYE bands are:

Annual income (ZMW)	2026 rate	Proposed 2027 rate
ZMW0 to ZMW61,200	0%	0%
ZMW61,201 to ZMW85,200	20%	20%
ZMW85,201 to ZMW110,400	30%	30%
ZMW110,401 to ZMW444,000	37%	37%
Above ZMW444,000	37%	39.5%

Source: ZRA 2027 Budget Highlights.

Look back

The PAYE bands and rates did not change between 2025 and 2026, so the proposed 39.5% band would be the first change to the rates since at least 2025.

Opportunities

Employment planning. The proposal gives employers a reason to revisit the design of remuneration packages for senior and specialist employees, including the balance between cash remuneration and appropriately structured benefits, while ensuring any changes comply with the applicable tax rules.

Risks

Talent and remuneration pressure. The additional PAYE reduces take-home pay above the threshold. Employers competing for scarce senior or specialist skills may therefore face pressure to review gross remuneration, particularly where employees negotiate on a net-pay basis.



Illustrative impact on disposable income

The table illustrates the proposed change for individuals with monthly taxable income of ZMW50,000 and ZMW100,000. The figures are calculated on the 2026 and proposed 2027 bands and exclude other deductions and reliefs.

	ZMW	ZMW
Monthly Income	50,000	100,000
2026 PAYE	16,126	34,626
2027 PAYE	16,451	36,201
Additional PAYE (monthly)	**325**	**1,575**

As shown above, the impact increases with taxable income above ZMW37,000 because only the excess is subject to the additional 2.5 percentage points.

Call to action for businesses and investors

Employers should prepare payroll and remuneration processes ahead of the proposed commencement date.

- **Test payroll systems.** Model the proposed 39.5% band and validate payroll calculations for employees with monthly taxable income above ZMW37,000.
- **Assess remuneration exposure.** Identify affected employees and determine whether the change creates material net-pay, retention or remuneration-budget implications.
- **Prepare for implementation.** Confirm payroll-vendor readiness and prepare employee communication but implement the new rate only once the legislative position is confirmed.

Prepared employers should be able to implement the change promptly without creating payroll errors or unnecessary employee uncertainty.

Corporate income tax changes

Our view

The 2027 corporate income tax (CIT) proposals favour revenue mobilisation and tax neutrality over new investment incentives. Restricting Minimum Alternative Tax (MAT) to persistent loss-makers is welcome, but the second 5-percentage-point increase in preferential rates makes a clear harmonisation path and protection of existing incentive rights more important. The proposals also raise the cost of certain employee benefits and tighten oversight of investment incentives. The direction is clear, but investors need the implementing legislation to confirm scope, commencement and transitional treatment.

The analysis reflects the measures announced in the 2027 National Budget. The implementing legislation had not been published at the date of publication, so the measures remain proposals and their final scope, commencement and transitional provisions may change on enactment.

Budget context

The 2027 Budget works within the existing CIT system, adjusting rates, loss rules and incentive oversight rather than introducing new incentives.

Look back

- MAT was introduced for 2026; its structure, exclusions and current status are set out in section 1.
- The 2025 Budget began the harmonisation of preferential CIT rates; the 2027 proposals are the second step.
- Investment incentives rest on sector regimes such as multi-facility economic zones (MFEZs), stability commitments and certificates administered with the Zambia Development Agency (ZDA).

Opportunities

- Narrowing MAT towards persistent loss-making businesses.
- Potential simplification of the CIT structure over time.
- Improved accountability for investment incentives.
- Reduced double-tax risk associated with the betting measure, where applicable.

Risks

- Treatment of genuine start-up and investment-phase losses.
- No stated end-point for preferential-rate harmonisation.
- Interaction with existing time-bound investment incentives.
- Additional employer benefit costs.
- Safeguards surrounding the withdrawal of investment incentives.



Measure-by-measure analysis

1. Restriction of Minimum Alternative Tax to businesses with sustained losses

MAT, introduced by the Income Tax (Amendment) Act No. 10 of 2025, is charged at 1% of total turnover and may be credited against income tax for five subsequent charge years. The administrative regulations had not been identified in the material reviewed at the date of publication, so the operational position should be confirmed before implementation.
The 2027 Budget proposes to limit MAT to businesses that record losses for three consecutive years. The existing exclusions for taxpayers subject to presumptive or turnover tax, and for railway public-private partnership special purpose vehicles during their first 12 years of operation, are expected to remain.

It is unclear when the three-year period will commence. If the count starts in 2027, the third loss year is 2029, so MAT could first apply in 2029 (if charged in the third loss year) or 2030 (if charged only after three completed loss years). The final legislative wording will decide which reading is correct. Clarity is also needed on whether a profitable year resets the count and how reorganisations are treated; the MAT regulations are expected to address these issues.

Capital-intensive mining, energy and manufacturing projects often incur losses during set-up and early operation, and the five-year credit period may expire before it can be used.

2. Increase in preferential CIT rates



The Budget proposes to increase CIT rates by 5 percentage points on preferentially taxed income. The Budget Speech refers to income currently taxed at 20% and below, while the ZRA Highlights refer more broadly to income taxed below the 30% standard rate, so the final scope depends on the legislation. The aim is to reduce sector differences and make the system more consistent. The affected income includes the non-exempt income of approved public benefit organisations (PBOs). It remains unclear from the Budget announcement whether the proposed rate increases will extend to time-bound incentive rates, including those applicable to qualifying MFEZ businesses and public-private partnership special purpose vehicles.

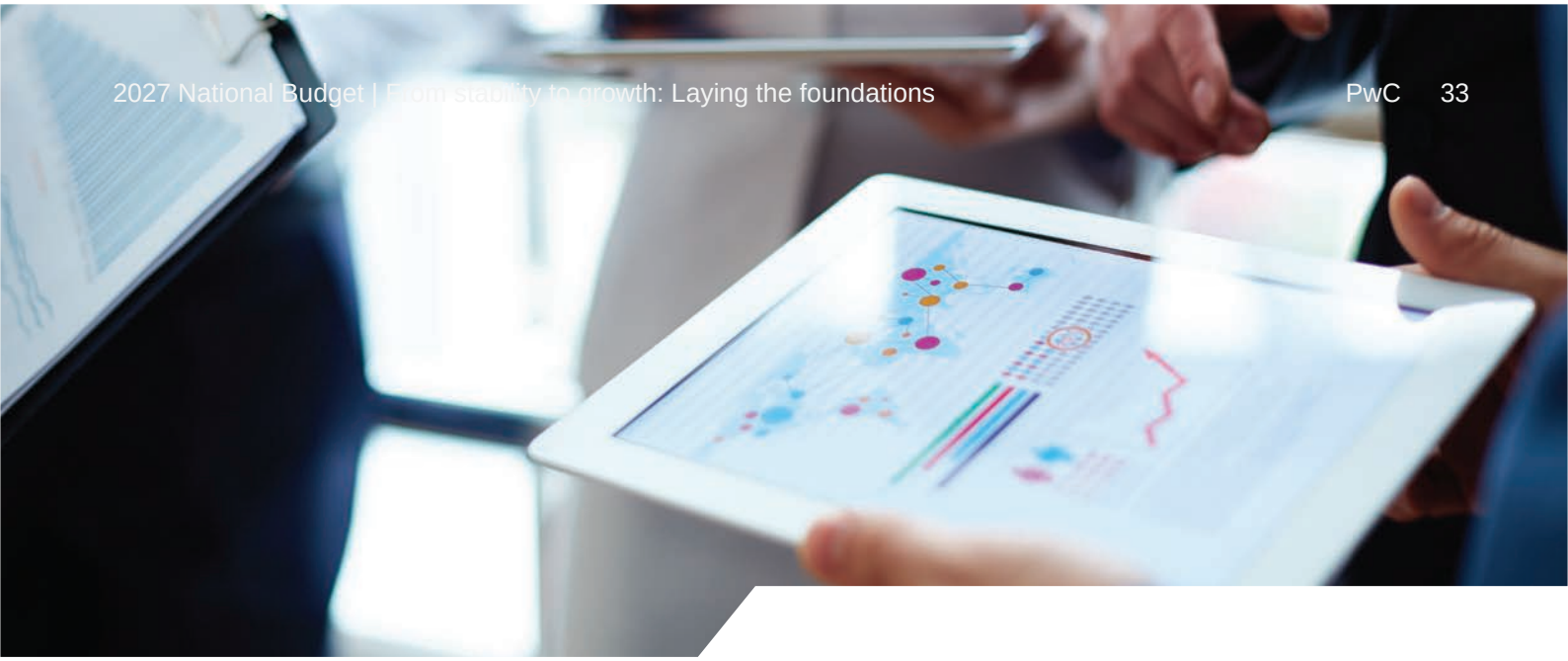
The categories listed by the ZRA are set out below; the implementing legislation may include more.

Qualifying income	Current rate	Proposed rate
Farming and agro-processing, including the export of non-traditional products from farming or agro-processing	10%	15%
Production of organic and chemical fertiliser	15%	20%
Non-exempt income of approved PBOs	15%	20%
Export of other non-traditional products (excluding minerals, electricity, services and cotton lint exported without a permit)	20%	25%
Manufacture of products from copper cathodes	20%	25%

In the short term, the measure should raise revenue: each ZMW1 million of qualifying taxable profit attracts an additional ZMW50,000 of CIT. Over time, the higher rate reduces post-tax earnings available for reinvestment, although the effect will depend on each business's profitability, financing structure and capital requirements. This sits uneasily with the Budget's own reasoning: it cites the rise in fertiliser exports, from US$19.9 million in 2021 to US$131.9 million in 2025, as evidence that value addition drives exports, yet the measure taxes that activity more heavily.

Regional competitiveness. The proposed increases would narrow the gap between Zambia's preferential rates and the 30% headline CIT rates in Tanzania and the Democratic Republic of the Congo (DRC). However, Botswana's headline rate is 22%, while Mauritius applies a 15% headline rate. Headline rates do not tell the full story: sector incentives, minimum taxes, capital allowances, withholding taxes, value added tax (VAT) recovery and administrative certainty can materially alter the effective tax burden and investment outcome.

What to model or confirm	The cash-tax and reinvestment effect of the rise, which income streams fall within each rate category, and whether an MFEZ licence or stability commitment fixes your current rate.
What depends on legislation	The commencement date, whether the increase extends beyond these categories, and whether existing rate commitments are preserved.



3. Increase in disallowance of employer-provided non-cash benefits

The 2027 Budget proposes to increase the disallowed amount for employer-provided housing by 3 percentage points, from 37% to 40% of the employee's annual gross taxable emoluments, and each motor vehicle disallowance by 10%. The housing disallowance applies to free housing in an employer-owned house, unless an independent valuation of the rentable value can be determined. No changes have been announced for leased housing.

The current motor vehicle scale charges and the indicative proposed amounts are set out below.

Engine capacity (cubic centimetres, cc)	Current annual disallowance (ZMW)	Indicative proposed annual disallowance (ZMW)
Below 1,800 cc	25,200	27,720
1,800 cc and below 2,800 cc	43,200	47,520
2,800 cc and above	57,600	63,360

For example, for an employee with annual taxable income of ZMW600,000 in employer-owned housing, the disallowed amount rises from ZMW222,000 to ZMW240,000. At the 30% standard CIT rate, the additional ZMW18,000 disallowance adds ZMW5,400 of CIT for the employer. The additional tax cost may affect how employers structure housing and vehicle benefits, particularly where those benefits are operationally necessary.

4. Other CIT measures

The Budget also proposes two changes affecting the CIT base and the administration of incentives.

Exclusion of online betting income from income tax

The 2027 Budget proposes to clarify that income from online betting services is subject to the Betting Levy rather than income tax, reducing the risk of the same income being charged under two regimes. Operators of integrated platforms will, however, need to distinguish levy-bearing betting receipts from technology, advertising or payment income that remains within the income tax base.

Strengthened monitoring of ZDA incentives

The 2027 Budget proposes to strengthen the basis on which the Commissioner-General of the Zambia Revenue Authority, in liaison with ZDA, may suspend or withdraw incentives where investors do not meet pledged investment or employment commitments. ZDA's 2025 Annual Report shows that projects registered or expanded between 2021 and 2025 actualised US$14.71 billion against US$89.31 billion committed (approximately 16%), and 91,522 jobs against 614,486 committed (approximately 15%). This gap reinforces the case for stronger monitoring. However, any withdrawal mechanism should distinguish between non-performance and projects that remain within agreed implementation periods or have been delayed by demonstrable commercial or regulatory factors.

Policy recommendations



Minimum Alternative Tax

The remedy lies in the credit period, not the test. We recommend retaining the three-year test and aligning the MAT credit period with the indefinite carry-forward of disallowed interest introduced in 2026, so that credits are not lost before projects become profitable. The regulations should settle the counting questions in section 1 and be issued well before the first MAT returns fall due.

Preferential rates

Harmonisation is a defensible medium- to long-term objective, but a second step without a published end-point makes long-term planning difficult. We recommend that the Government publish a timetable towards a single rate, confirm that the increase does not override rates secured under MFEZ licences and stability commitments still in force, and consider phasing the increase for new value-addition projects.

Benefits and ZDA monitoring

The Budget material reviewed does not quantify the aggregate revenue yield of the higher housing and motor vehicle disallowances. The Government should consider excluding benefits required for operations at remote sites.

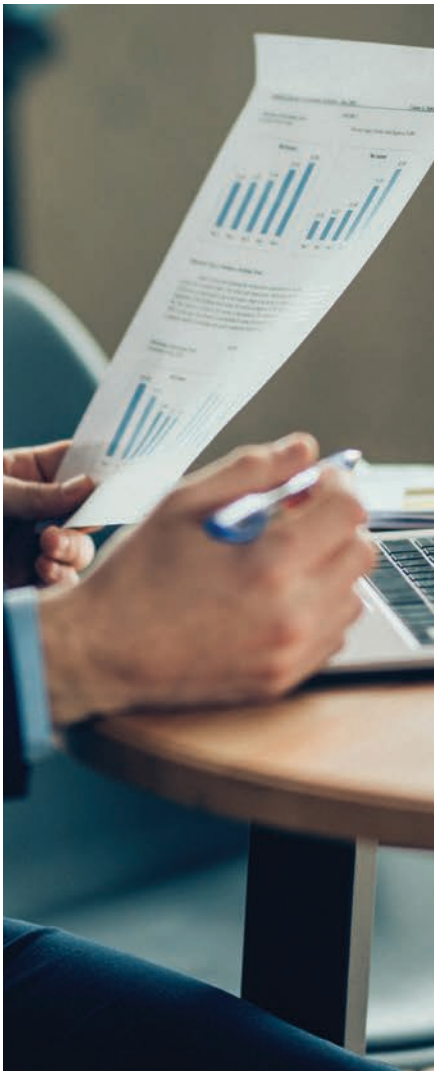
We support stronger ZDA monitoring, provided withdrawals rest on clear thresholds that measure jobs as well as capital, with written notice, cure periods and a right of appeal. Without these safeguards, investors who have already committed capital face uncertainty.

Conclusion

A more neutral CIT system can strengthen Zambia's revenue foundation, but predictability over the destination of harmonisation and protection of existing investment rights will be equally important if that foundation is to support private investment and growth. Businesses should prepare now and revisit investment decisions once the enacted legislation confirms scope, timing and treatment of existing rights. Our three priority actions are set out below.

Priority	Action and reason
Model the tax impact	Update CIT, provisional-tax and cash-flow forecasts for the proposed preferential-rate changes, MAT exposure and employee-benefit disallowances.
Protect existing investment positions	Review ZDA certificates, MFEZ arrangements and stability commitments to determine whether existing rates and incentives have contractual or statutory protection.
Prepare for implementation	Track the eventual Amendment Acts and MAT regulations for commencement, the consecutive-loss test, transitional provisions, affected preferential rates and incentive-withdrawal procedures.

Indirect taxes



Our view

The proposed increase in the standard VAT rate from 16% to 16.5% is small in percentage-point terms but broad in reach. The economic burden falls principally on final consumers and businesses unable to recover VAT, while taxable businesses may face additional cash-flow pressure where refunds are delayed. At the same time, withdrawing VAT and customs-duty relief from energy-saving equipment sits uneasily with Zambia's immediate need to diversify power supply. The package therefore strengthens revenue mobilisation, but its business impact will depend materially on VAT recoverability, refund performance, and the final scope of the measures.

Budget context

VAT is budgeted to raise ZMW44.31 billion in 2027, equivalent to 4.4% of GDP. The Budget proposes to increase the standard rate from 16% to 16.5%, withdraw VAT relief from energy-saving equipment, and provide targeted relief for specified sanitary-product inputs. Other proposals address cross-border electronic services, Smart Invoice fines and qualifying goods supplied to public-private partnership (PPP) contractors. The principal revenue measures are intended to apply from 1 January 2027, subject to Parliamentary approval.

At the date of publication, the implementing legislation had not been published. Final scope, commencement and transitional arrangements therefore remain to be confirmed.

The six measures at a glance

Electronic services, Smart Invoice fines and PPP contractors come from the ZRA Budget Highlights, not the Budget Speech.

Measure	What changes	Who is affected	Cash-flow or compliance effect	Status
Standard rate	16% to 16.5%	All standard-rated supplies, imports and imported services	Higher irrecoverable VAT; additional cash flow where recoverable.	From 1 January 2027 (proposed)
Energy-saving equipment	VAT zero-rating and customs duty exemption withdrawn	Importers, retailers and households	Higher upfront tax; supplier VAT profile may change.	From 1 January 2027 (proposed)
Sanitary-product inputs	VAT exemption and 100% customs duty suspension on imported raw materials	Local manufacturers	Reduced upfront tax on qualifying inputs.	From 1 January 2027 (proposed)
Cross-border electronic services (ZRA Highlights)	Definition of cross-border electronic services clarified	Offshore digital suppliers	Registration position to be confirmed.	Commencement not announced
Smart Invoice fines (ZRA Highlights)	Commissioner General expressly empowered to waive fines, in lieu of prosecution, for failure to use Smart Invoice	Suppliers with Smart Invoice failures	Potential discretionary relief from fines.	Commencement not announced
PPP contractors (ZRA Highlights)	Zero-rating extended to qualifying goods supplied to contractors of a concessionaire or special purpose vehicle	PPP contractors	Reduced upfront VAT on qualifying goods.	Commencement not announced

Source: 2027 Budget Speech; ZRA 2027 Budget Highlights

VAT rate increase: headline rate versus incidence

On a ZMW100 VAT-exclusive supply, VAT would increase from ZMW16.00 to ZMW16.50. For a business entitled to full input-tax recovery, the additional VAT should generally represent a cash-flow rather than an ultimate tax cost. The increase becomes an economic cost where VAT is irrecoverable, including for final consumers and certain exempt or partially exempt activities.

Contracts spanning 1 January 2027

Contracts spanning the proposed 1 January 2027 rate change should be reviewed for VAT-inclusive pricing, tax-change clauses and the statutory rules governing contract adjustments. The commercial incidence of the additional VAT will depend on the contract terms and any transitional rules.

Look back: refunds and cash flow

Legal recoverability does not eliminate cash-flow exposure. Outstanding VAT refund claims declined only modestly from ZMW61.1 billion to ZMW60.3 billion over the first 9 months of 2026. For exporters and other businesses structurally in a refund position, refund timing may therefore matter more commercially than the 0.5 percentage-point headline rate increase. In our view, a published refund-clearance timetable would improve cash-flow visibility for businesses carrying material outstanding claims.

Targeted measures

Energy-saving equipment. Withdrawing VAT zero-rating would raise the upfront tax cost and change suppliers' VAT position, with the effect depending on product coverage and recoverability, and it sits uneasily with the aim of expanding alternative energy capacity.

Sanitary-product inputs. The proposed relief should reduce upfront tax on qualifying imported inputs for eligible local manufacturers, with conditions still to be confirmed.

Cross-border electronic services. The proposed amendment clarifies the definition, and offshore digital suppliers should confirm their registration position once the final wording is available.

Smart Invoice. The Budget proposes expressly empowering the Commissioner General to waive Smart Invoice fines in lieu of prosecution, although the criteria for relief remain to be established.

PPP contractors. Extending zero-rating to qualifying goods supplied to PPP contractors should reduce upfront VAT funding on eligible projects and remove some refund exposure, subject to the eligibility rules.

Opportunities

- **Sanitary-product inputs:** less tax to fund on imported inputs.
- **PPP project cash flow:** less VAT to fund on eligible projects.
- **Electronic services:** clearer rules for offshore digital suppliers.
- **Smart Invoice:** administrative discretion around fines.

Risks

- **Irrecoverable VAT:** a higher rate increases cost for households and exempt or partially exempt businesses.
- **Refund cash flow:** delayed refunds extend working-capital exposure.
- **Contracts:** agreements spanning the rate change.
- **Energy-saving equipment:** a higher tax cost and a changed supplier VAT position.
- **Systems:** implementation of tax-code changes.

What businesses and investors should do

Focus on where the changes create irrecoverable VAT, cash-flow exposure or implementation risk.

- **Model the real VAT exposure.** Separate recoverable VAT from irrecoverable cost, quantify refund positions and test the proposed 16.5% rate across exempt and partially exempt activities.
- **Review contracts and systems.** Identify contracts spanning 1 January 2027, review tax-change clauses and prepare ERP, point-of-sale, Smart Invoice and VAT return configurations.
- **Map targeted measures.** Identify affected energy-saving equipment, sanitary-product inputs, PPP supplies and electronic services, then confirm treatment once the rules are final.

The critical question is not simply whether VAT increases, but whether the additional tax becomes a cost, a recoverable cash-flow item or a delayed refund.



Customs and Excise

Our view

The 2027 customs and excise package favours local production but shifts more tax onto consumption and imported inputs. Higher protection may strengthen demand for locally produced tiles, aluminium, edible oils and packaging where domestic suppliers can compete on price, quality and volume. However, import-dependent manufacturers and consumers may face higher costs, while withdrawing relief on solar equipment works against the immediate need for affordable alternative power. The broader excise base also brings more businesses into unfamiliar compliance obligations. The commercial outcome will therefore depend on local supply responding faster than costs are passed through.

Budget context

Customs and excise duties are budgeted at ZMW29.340 billion in 2027, equivalent to 2.9% of GDP, comprising ZMW15.640 billion of import duties and ZMW13.701 billion of excise duties. Export duties are budgeted separately at ZMW400.160 million (Source: Yellow Book 2027). The revenue measures are proposed to take effect from 1 January 2027, subject to Parliamentary approval. At publication, the implementing legislation is not yet available, so final tariff lines, commencement and transitional provisions remain to be confirmed.

Look back

Customs measures raise duty and surtax on selected imports, add duty on crude edible oils and an export duty on zinc concentrates, withdraw relief on solar equipment and add reliefs for tourism and sanitary products. Excise measures extend the regime to plastics, sugar, chocolate and confectionery, which today pay little or no excise; the tables show the most commercially significant measures, with the full schedule in the ZRA 2027 Budget Highlights.

Customs duties, surtax and export duty

Measure	Current to proposed rate	Stated purpose
Ceramic tiles (HS 69.07)	Duty: 25% to 40%; surtax 30% unchanged	Support local tile manufacturers
Aluminium bars, rods and profiles (HS 76.04)	Duty: 5% (7604.10, 7604.21) or free (7604.29) to 25%; new surtax of 20%	Support local aluminium producers
Crude soya bean, palm and sunflower oil	New duty: free to 15%; new surtax (soya bean and sunflower only): none to 10%	Promote local agro-processing
Cement packaging bags; woven bags (HS 6305.33.00; 3923.29.99)	Surtax: 10% to 30% (harmonisation)	Import substitution; use local capacity
Safari vehicles, hospitality equipment and communications infrastructure for tourism	New customs duty suspension (previously dutiable)	Reach 5 million tourist arrivals
Energy-saving appliances (including solar panels, inverters and batteries)	Proposed withdrawal of duty exemption (SI 102 of 2021) and VAT zero-rating (SI 86 of 2022); customs duty rate not stated; VAT at standard rate	Savings not passed on to consumers
Zinc concentrates	New export duty: 0% to 5%	Local value addition; equal treatment with other concentrates
Raw materials for sanitary products	New duty relief and VAT exemption on imported raw materials (currently dutiable at the rate for each tariff line; VAT payable)	Reduce production costs; improve affordability of locally made sanitary products

Source: ZRA 2027 Budget Highlights (measures 4.1.1, 4.1.2 and 4.2.1 to 4.2.7, 4.2.12, 4.2.13 and 4.2.16); 2027 Budget Speech (paragraphs 111, 112 and 115 and Annex); ZRA Customs Tariff Book (current rates).

Excise duties

Measure	Current to proposed rate	Stated purpose
Plastic bottles	New specific excise: nil to ZMW0.80 per bottle	Internalise plastic waste costs
Plastic floor coverings, tapes, packaging, closures and other articles (HS 3918, 3919, 3923, 3926)	Ad valorem excise introduced or harmonised: 15% or nil to 30%	Reduce plastic consumption
Sugar	New specific excise: nil to ZMW1 per kg	Align with sugar-based drinks
Chocolate; sugar confectionery (HS 18.06; 17.04)	New ad valorem excise: nil to 20%	Align with similar products

Source: ZRA 2027 Budget Highlights (measures 4.2.8 to 4.2.10, 4.2.14 and 4.2.15); 2027 Budget Speech (paragraphs 113 and 115 and Annex); ZRA Customs Tariff Book (current rates).



Opportunities

- Protection for qualifying local manufacturers. Higher duty and surtax on ceramic tiles, aluminium profiles and cement packaging bags are intended to support local producers that can compete on price, quality and volume.
- Local value addition and import substitution. The new duty on crude edible oils and the export duty on zinc concentrates aim to encourage processing in Zambia.
- Tourism and sanitary-products relief. Proposed duty suspension for safari vehicles, hospitality equipment and tourism communications infrastructure, and duty relief and VAT exemption on imported sanitary-product raw materials, would reduce costs. Their value will depend on the eligibility conditions in the Bills.
- Alternative packaging and recycling. Providers of recycling and lower-impact packaging may find new demand as plastic becomes more costly.
- Customs administration. Compliant traders may benefit from using a warehouse bond to cover export goods and from the Commissioner-General's express power to remit interest and fines.

Risks

Cumulative landed cost. The headline tariff increase understates the commercial effect because customs duty, surtax and import VAT interact in determining landed cost. Importers should therefore model the total tax stack, not individual rate movements in isolation. Surtax is charged on top of customs duty. Import VAT is then calculated on the applicable customs value inclusive of relevant customs charges, increasing the cash required at importation. The ultimate cost depends on whether and when the importer can recover the VAT. As an illustration, on a ZMW100,000 consignment of aluminium profiles currently subject to 5% customs duty, customs duty and surtax would rise from ZMW5,000 to ZMW45,000 (25% duty plus 20% surtax) before VAT.

Imported inputs. Protection is not costless across the value chain. A product protected as the output of one domestic industry may be an input for another, as with crude edible oils and aluminium profiles. The investment test is therefore whether competitive local supply develops quickly enough to replace imports without materially increasing downstream production costs.

Solar investment cost. The proposed withdrawal of customs-duty and VAT relief would increase the upfront cost of qualifying solar equipment. This runs in the opposite direction to the immediate policy objective of expanding and diversifying electricity supply, although Government's stated position is that historical tax savings were not sufficiently reflected in consumer prices. The applicable customs-duty treatment and final VAT position should be confirmed from the implementing instruments.

Broader excise footprint. Proposed excise duties on plastic packaging, sugar, chocolate and confectionery would bring additional products and businesses into the excise regime, making classification, licensing and monthly compliance an important implementation issue.

Fixed bottle charge. At ZMW0.80 per bottle , a producer using 1 million affected bottles each month would face ZMW9.6 million annually before considering any behavioural or packaging changes. Businesses may pass some of the additional cost to consumers where market conditions permit, although the extent of pass-through will differ by product, competitive conditions and demand.

Sugar and packaging interaction. The published Budget material does not establish whether excise paid on sugar used as an input will be creditable or otherwise relieved against excise on a finished beverage. Drinks manufacturers should therefore not assume an offset until the implementing legislation provides for one.

Customs administration. The proposed housekeeping amendments tighten several customs processes. Three changes are particularly relevant to finance and supply-chain teams:

- Faster deadlines. The drawback claim period would fall from 2 years to 6 months and tighter export-exit requirements would increase the need for timely documentation.
- Stronger digital and bond controls. Smart Invoice requirements, bonded-warehouse amendments and escalating penalties would increase the importance of systems and customs governance.
- Declaration-date exposure. The proposed change to the duty rate applicable at declaration may become particularly important around rate changes, making the timing and accuracy of customs declarations more commercially significant.

The housekeeping measures also correct specified duty rates for certain hybrid hatchbacks. Importers of affected vehicles should confirm the revised rates before clearance.

Call to action

Businesses should model the proposals against their actual import, production and supply-chain footprint rather than individual headline rates.

- **Model total landed cost.** Quantify customs duty, surtax, excise and import-VAT cash-flow effects across affected inputs and finished goods, and test the implications for margins and pricing.
- **Map products and compliance.** Confirm tariff classifications, identify products entering the excise regime and prepare licensing, Smart Invoice and customs-control processes.
- **Review supply contracts and investment plans.** Test tax pass-through clauses, alternative local sourcing and the effect of proposed solar-relief withdrawal, while monitoring the eventual legislation for commencement and transitional provisions.

The commercial impact will turn on each business's product classification, import dependence and ability to source competitively in Zambia.

Mining taxes



Our view

The Budget signals a direction of travel towards 3 million metric tonnes of copper production by 2031, but the fiscal package pulls the other way. On balance, it raises the cost of investing in Zambian mining and of returning profits from it, which sits uneasily with that target. The test for investors is whether the enabling legislation delivers the stability the Government has promised before the new costs take effect.

Budget context

The Government's stated commitment is to "maintaining a stable, predictable, and competitive mining fiscal regime". All 7 measures below are proposals, not yet law. If enacted, they take effect from 1 January 2027, subject to the enabling legislation and its transitional rules.

1. Proposed withholding tax on dividends paid by mining companies

The 2027 Budget proposes to increase the withholding tax (WHT) rate on dividends paid by mining companies from 0% to 15%, to align mining with other sectors. It affects mining companies and their resident and non-resident shareholders, including foreign parents and Zambian holding companies.

The announced 15% rate does not distinguish between residents (taxed at 15% on other dividends) and non-residents (taxed at 20%). Mining groups should seek clarity on 3 points:

- whether non-residents will pay 15% or the usual 20%;
- how the rate interacts with treaty rates, which may be lower for qualifying shareholders; and
- how the rate will apply to dividends spanning the proposed commencement date. This will depend on the final legislation and the existing WHT timing rules, including when the dividend is paid, accrues, becomes due or is held for the shareholder's order. Mining groups should not assume that declaration before 1 January 2027 will by itself preserve the current 0% treatment.

The measure removes an existing tax advantage and affects shareholder returns, dividend policies and the funding of Zambian mining operations. To illustrate, a ZMW100 million dividend that currently attracts no WHT would result in ZMW15 million being withheld, leaving ZMW85 million for the shareholder before any applicable treaty relief.

2. Proposed reduced mineral royalty rate on gold for artisanal and small-scale miners

The 2027 Budget proposes to reduce the mineral royalty rate on gold from 6% to 3% of norm value for artisanal and small-scale miners who sell to aggregators approved by the Ministry of Mines and Minerals Development. Gold not sold to an approved aggregator remains at the current 6% of norm value under section 68(1)(d) of the Minerals Regulation Commission Act, 2024. For every ZMW1,000 of royalty base, qualifying sales would carry ZMW30 of royalty instead of the current ZMW60, a saving of ZMW30.

Miners will need clear records to demonstrate eligibility, which adds administrative burden unless aggregators help with documentation.

3. Proposed increase in company income tax rate on value added to copper cathode

The 2027 Budget proposes to increase the company income tax rate on income from adding value to copper cathode from 20% to 25%. This forms part of the proposed 5 percentage point increase in preferentially taxed income, with the final scope subject to legislation. For example, on ZMW100 million of taxable income, company income tax would rise from ZMW20 million to ZMW25 million (a 25% rise in tax payable), reducing post-tax income from ZMW80 million to ZMW75 million before other taxes and financing costs.

The higher rate lowers post-tax returns and lengthens payback periods for prospective investors. For the Government, the measure supports domestic revenue mobilisation. The increased rate weakens the fiscal incentive for downstream investment at a time when Government is seeking greater domestic value addition. The ultimate investment effect will depend on power availability, copper feedstock, logistics, financing and the overall fiscal package. Projects close to their investment thresholds are most sensitive to the change.

4. Proposed export duty on zinc concentrates

The 2027 Budget proposes to introduce an export duty on zinc concentrates at 5%. Zinc concentrates are currently exported duty-free, while other mineral concentrates, including copper concentrates, already attract export duty. The change will affect producers, exporters, traders, offtakers and customs clearing agents.

The duty raises the cost of exporting unprocessed zinc and is intended to encourage processing in Zambia. Where local refining capacity, power or financing is insufficient, the immediate effect may be revenue collection rather than new domestic processing. Exporters should include the duty in pricing and offtake contracts.

5. Proposed declaration for imports and exports of gold

The 2027 Budget proposes to require anyone importing gold into, or exporting gold from, Zambia, in any form, to make a declaration in the prescribed form, through amendments to the Customs and Excise Duty Act and/or related regulations. It will affect gold miners, traders, aggregators, refiners, jewellers and individuals carrying gold across the border. Undeclared movements will carry greater risk of enforcement action.

6. Proposed higher mining licence fees and area charges

The 2027 Budget proposes higher fees for exploration, mining and mineral processing licences, including transfers, renewals and changes of control, with foreign-owned holders paying more and annual area charges also revised. The table shows the 2 largest increases.

Category	Current fees (ZMW)	Proposed fees (ZMW)
Large-scale exploration, foreign-owned, 301–14,970 units	4,000	128,000
Large-scale mining, foreign-owned, 121–1,871 units	64,000	384,000

Junior explorers face higher entry and holding costs. The Budget does not say whether the new rates apply to existing licences.

7 Proposed references updated to the Minerals Regulation Commission Act, 2024

The 2027 Budget proposes to replace references to the repealed Mines and Minerals Development Act, 2015 in all tax laws, including the Income Tax Act and the Property Transfer Tax Act, with references to the Minerals Regulation Commission Act, 2024. This realigns definitions such as “mining operations” and “mining right” with the current licensing law. Taxpayers should check that the amended definitions do not change how their activities are classified for tax purposes.

Look back

Mining licence fees have not changed since 2016 , and the Mines and Minerals Development Act, 2015 has since been repealed in favour of the Minerals Regulation Commission Act, 2024. The proposals above update both the fee schedule and the legal references in the tax laws.

Opportunities

The gold royalty concession (measure 2) and the declaration requirement (measure 5) together reinforce the push to formalise the gold trade and support the Government’s planned gold trading agency. The saving depends on approved aggregators offering transparent pricing, so that their margins do not absorb it. The clearer legal references (measure 7) give certainty on definitions.

Risks

The risks are cumulative, because the measures above fall on the same projects and shareholders. Investors should assess their combined effect on project returns, and the points left open above, before committing capital.

Call to action for businesses and investors

Mining businesses and investors should take 3 actions before 1 January 2027.

1. **Model the new tax costs.** Update project economics, shareholder returns, deferred-tax forecasts and investment approval papers for the 15% dividend WHT and the 25% copper cathode rate, test covenant and pricing sensitivity, and confirm that income streams fall within the statutory category.
2. **Review licence portfolios.** Quantify exposure to the new fees, review retained areas and budget for the increases. The published Budget material does not establish how the revised fees will apply across existing licences, renewals, transfers and new applications, so confirm the position when the implementing instruments are available.
3. **Prepare for gold declarations.** Map import and export processes, assign declaration ownership, align customs records with Smart Invoice and inventory data, train clearing agents, retain assay, valuation, permit and payment evidence, and prepare for approved-aggregator sales.

Acting now positions businesses to respond quickly once the enabling legislation and its transitional rules are published.





Non-tax revenue measures

Our view

The 2027 non-tax measures raise approximately ZMW1.3 billion, about 12% of the ZMW10.8 billion expected from all new revenue measures, but their commercial impact is concentrated in a small number of sectors. The direction towards more cost-reflective charges is reasonable where fees have remained unchanged for many years. The sharper issue is proportionality: mining licence fees rise materially, mobile-money levies double across all bands and some immigration and transport charges increase. Businesses should therefore focus less on the aggregate revenue raised and more on where individual measures materially change transaction, operating or investment costs.

Budget context

The Budget proposes approximately ZMW1.3 billion of additional non-tax measures, against approved non-tax revenue of ZMW32.214 billion in the Yellow Book (a broader classification used elsewhere gives a higher figure that is not comparable). The proposals cover mobile-money transactions, immigration and civil-registration services, road tolls, mining licences, NGO registration, passports and betting-sector inspection fees. Final implementation will depend on the relevant enabling instruments.

Measure	Proposed change	Who is affected
Mobile-money levy	Levy doubles in every band, to ZMW0.64–ZMW16.00 per transaction (e.g. ZMW7.50 to ZMW15.00 for transfers above ZMW3,000 to ZMW5,000).	Individuals, businesses and payment service providers
Passports and citizenship	First revision since 2008: ordinary passports up 50% (ZMW1,000, 32 pages) and up 35% (ZMW1,500, 48 pages); new premium two-day issuance at ZMW5,000.	Individual applicants; employers funding staff travel
Civil registration	Birth and death registration within 12 months stays free; replacements and name changes rise to ZMW200–ZMW500; adoption of a non-Zambian child ZMW10,000.	Individuals and families
Immigration permits	About 25% rise for most private sector permits (employment ZMW30,000); spouse permits treble (ZMW9,000 issuance; ZMW18,000 renewal).	Expatriates, investors and employers
Mechanical-horse tolls	Reclassified as heavy vehicles: up 50% to ZMW300 (NRFA) and ZMW600 (Michael Chilufya Sata) per access.	Hauliers and logistics operators
NGO registration	Rises of 16%–25% (registration ZMW1,300 local, ZMW2,700 international); new ZMW100 name reservation fee.	Local and international NGOs
Mining licence fees	Cadastre-based fees, highest for foreign-owned holders: large-scale exploration from ZMW4,000 to ZMW128,000–ZMW320,000; large-scale mining from ZMW64,000 to ZMW384,000–ZMW1,536,000 ; transfers to ZMW384,000; new annual area charges.	Licence holders, applicants and traders
Betting houses and lotteries	Proposed legislation to allow inspection fees; levels not published and no effective date stated.	Betting and lottery operators



Look back

Some administrative charges have been static for long periods. Passport fees, for example, are being revised for the first time since 2008: ordinary passports increase by 50% (ZMW1,000, 32 pages) and by 35% (ZMW1,500, 48 pages).

Opportunities

More cost-reflective public services. Fee revisions can be justified where charges have materially fallen behind service-delivery costs, as with passport and civil-registration fees that move from nominal to cost-reflective levels.

More productive use of mineral rights. Materially higher mining cadastre charges may discourage speculative retention of large or undeveloped licence areas.

Risks

Digital payments. Doubling fixed mobile-money levies increases the relative burden on low-value and frequent transactions (about 0.43% of a ZMW150 transfer versus 0.16% at ZMW10,000). This may work against efforts to deepen the use of digital payments, particularly for frequent low-value transactions. Revenue may not increase proportionately with the higher rates if users change transaction behaviour, including by consolidating transfers or using alternative payment methods.

Mining. Very large percentage increases create questions around existing licence holders, annual area charges and portfolio rationalisation. Cadastre-based fees fall hardest on foreign-owned groups with large or undeveloped areas, and royalty rates are unchanged. The Budget does not establish from the published information whether all higher fees will apply to existing licences, new applications or renewals. Licence holders should therefore assess the potential cost against their existing portfolios but await the implementing instruments before concluding on the final liability.

Business mobility and logistics. For most private-sector permits, the increases are unlikely to be material relative to the total cost of a senior international assignment, although the trebling of spouse-permit fees adds more visibly to mobility costs. Higher tolls increase trip costs for affected hauliers and may be passed through to customers where contracts or market conditions allow. NGOs face combined fee and permit increases.

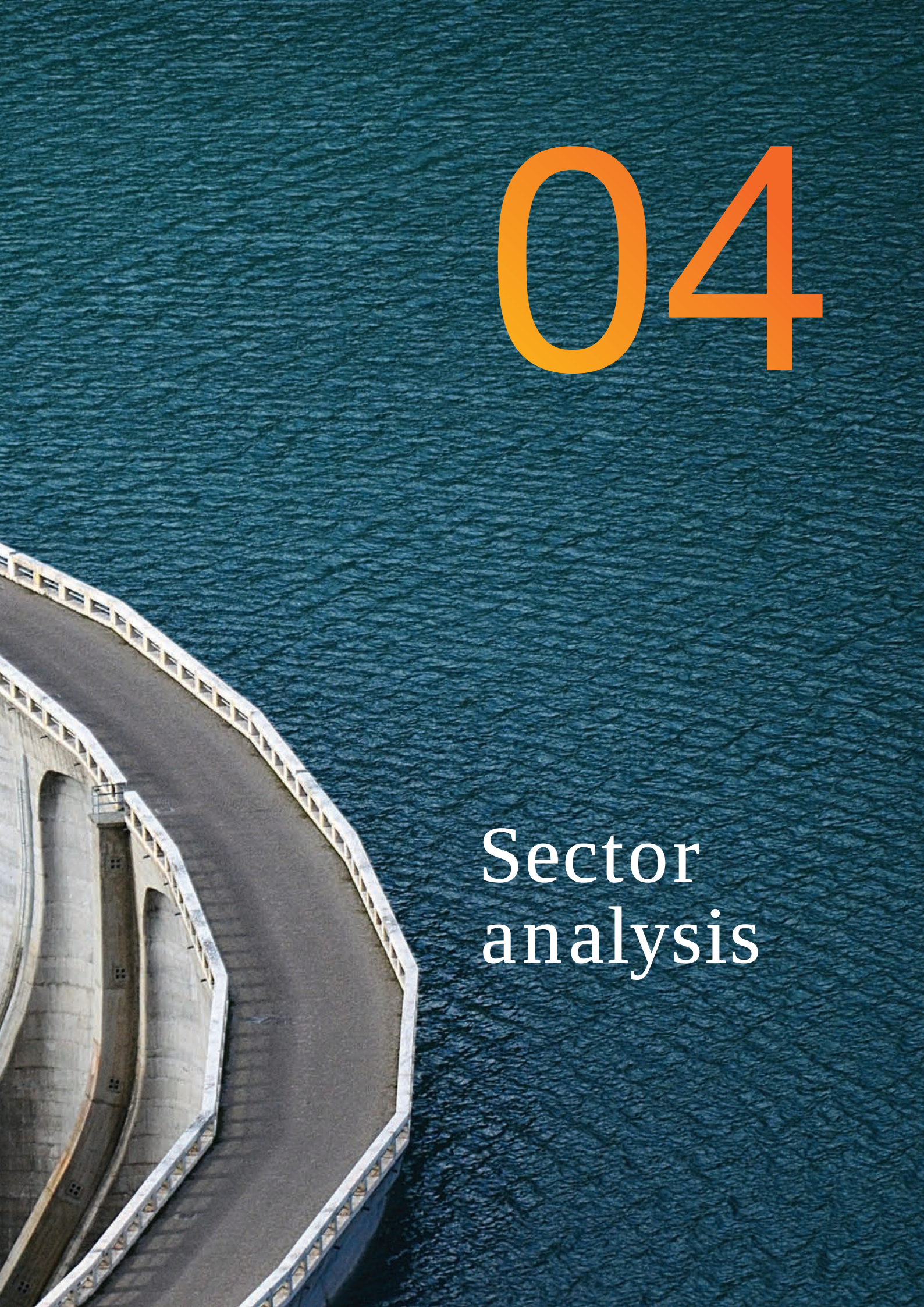
Betting and lotteries. For betting and lottery operators, the commercial effect cannot yet be quantified because the proposed inspection-fee levels and commencement date have not been published.

Call to action for businesses and investors

Businesses should identify where the proposed charges create material recurring or transaction-specific costs.

- **Quantify direct exposure.** Model the proposed mobile-money levies, immigration fees and road tolls against transaction volumes, employee mobility and logistics costs.
- **Review mining portfolios.** Assess licence holdings and planned transfers against the proposed cadastre and area-based charges, but distinguish announced measures from liabilities that remain dependent on implementing instruments.
- **Prepare contracts and budgets.** Review cost pass-through provisions, assignment budgets and payment processes, and monitor final implementation dates and fee schedules.

The priority is to identify measures that are individually material to the business rather than react to the aggregate revenue figure.



04

Sector analysis

Agriculture, livestock and agro-processing



Our view

Record maize production shows Zambia can produce at scale; the harder test is turning output into commercially sustainable growth and, ultimately, value. The 2027 Budget supports this through finance reform, irrigation, livestock development and market infrastructure, but storage, processing, insurance, logistics and export markets must grow alongside production. The proposed shift of FISP towards agricultural lending is pivotal: well designed, it could move viable farmers to commercial finance while still supporting those not yet able to borrow.

The test for agriculture is whether production converts into commercialisation, and commercialisation into lasting value.

Sector summary

Agriculture sits at the centre of the Grow Zambia Agenda, with targets covering maize, soya beans, wheat, sugar and beef exports. 2027 PwC Budget Commentary - From stability to growth - Laying the foundations similarly identifies 5 of the 8 Grow Zambia targets as agricultural or livestock-related. The commercial opportunity is to connect increased production to irrigation, productive finance, storage, agro-processing and export markets so that growth translates into higher value retained across Zambia's agricultural supply chains.

Look back

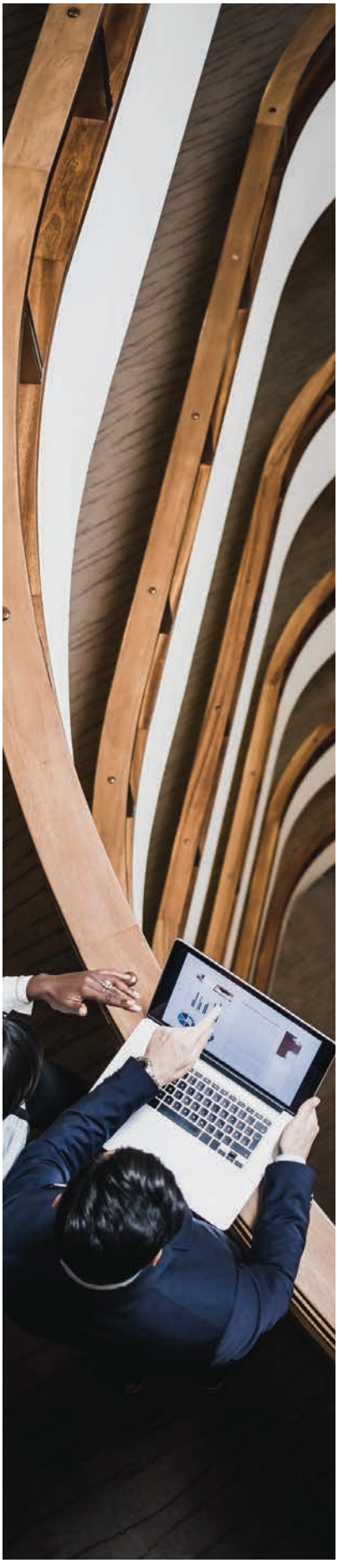
Delivery and accountability status of 2026 measures

2026 measure	2026 allocation	FY2026 Commitment	Status and accountability position
FISP e-voucher rollout	ZMW9.15 billion	Complete rollout of the e-Voucher system to the remaining 42 districts and expand farmer access to agricultural inputs	Delivered: nationwide rollout across 116 districts.
Strategic Food Reserve (FRA)	ZMW2.10 billion	Strengthen national food security and maintain strategic grain reserves.	In progress: governance reforms enacted; commencement and reserve-management effectiveness require confirmation.
Agricultural marketing reforms	Not separately disclosed	Improve agricultural market efficiency and support private sector participation.	Partly delivered: enabling legislation enacted; effective implementation depends on commencement and regulations.
Irrigation, Water Infrastructure and Climate Resilience	Not separately disclosed	Construct nine dams, complete seven dams and maintain over 300 dams nationwide.	Partly delivered: construction/completion progressed, but FY2026 maintenance delivery requires verification.
Livestock Development and Animal Health	ZMW764.7 million	Strengthen disease control, vaccination programmes and livestock productivity.	In progress: disease-free compartments established; commercial export impact remains to be demonstrated.

Building on:

The agriculture, fisheries and livestock envelope rises to ZMW22.7 billion. The more important question is whether the additional resources shift the sector from recurring support towards productive infrastructure, commercial finance and market development.

2027 measure	2027 allocation	YoY Movement	Commitment
Agriculture, fisheries and livestock envelope	ZMW22.7 billion	+50.5%	ZMW22.7 billion allocated to agriculture, fisheries and livestock, including ZMW9.0 billion for FISP.
FISP	ZMW9.036 billion	-1.3%	Shift from subsidy towards an agricultural loan scheme in 2027; see "From subsidy towards agricultural finance" below.
Livestock Development and Animal Health	ZMW822 million	+7.6%	Supports commercialisation of livestock production and the US$1 billion annual beef-export ambition; fish production target of 300,000 tonnes.



From subsidy towards agricultural finance

The proposed shift in FISP is potentially more significant than the movement in its allocation. A well-designed lending model could improve targeting, introduce repayment discipline and help commercially viable farmers establish a track record for wider agricultural finance. But the transition also creates exclusion risk: farmers without collateral, predictable cash flows or adequate insurance may struggle to borrow even where they remain economically productive.

The design therefore needs a clear distinction between farmers ready for commercial or blended finance and vulnerable farmers who still require targeted support. Credit guarantees, crop and livestock insurance and repayment structures aligned with agricultural cycles could help bridge that transition.

Opportunities

Storage and warehouse-receipt finance

Agricultural finance can extend beyond seasonal input credit. Reliable warehouse-receipt systems can enable farmers to borrow against stored produce rather than sell immediately after harvest, while insurance can reduce lender and farmer exposure to climate and production shocks.

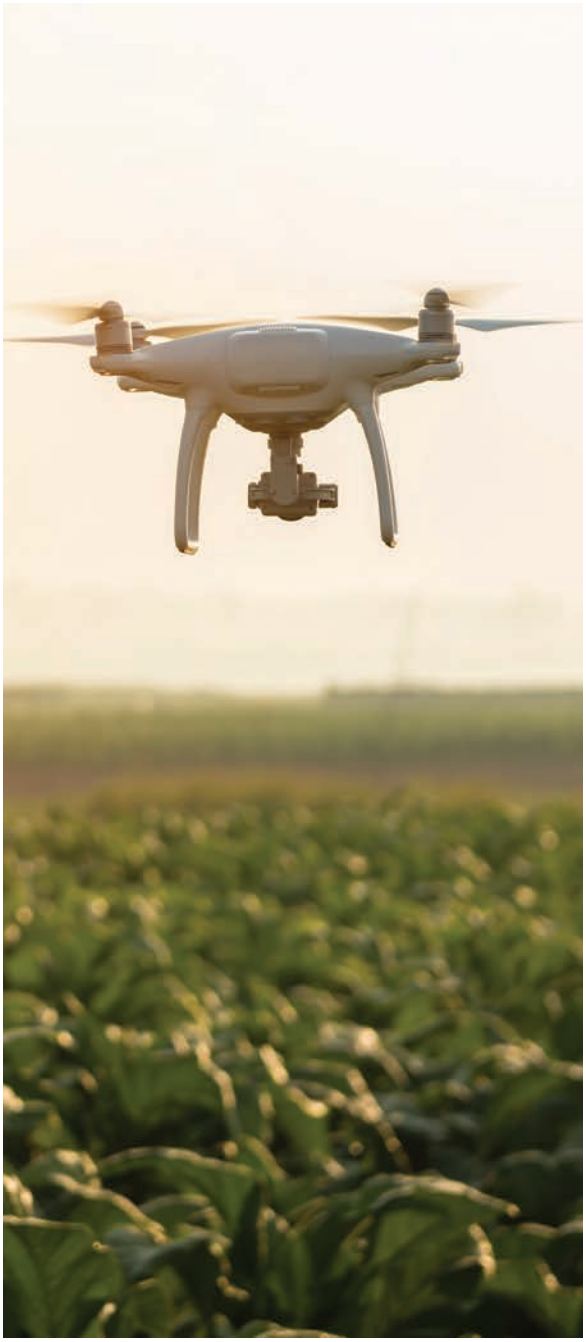
Irrigation, water infrastructure and climate resilience

Irrigation is critical to reducing Zambia's dependence on rainfall as production targets rise. Progress on the dam programme provides an important foundation, but the commercial measure of success is not the number of dams constructed. It is additional reliable irrigated hectares, usable water through the dry season and the agricultural output generated from that infrastructure.

Reaching the production targets under increasing climate variability will also require continued improvement in seed technology. Government, research institutions and private seed companies will need clarity on their respective roles in developing, financing and scaling drought-tolerant and climate-resilient varieties.

Livestock and beef exports

The beef-export ambition illustrates the scale challenge. Beef compartmentalisation is funded within broader animal-health programmes (Animal Health Services, ZMW822 million) against a target of US$1 billion in annual beef exports. The allocation is a useful first step, but export-scale delivery will depend on disease control, traceability, processing capacity, veterinary services and access to compliant external markets.



Investment signals

The commercialisation agenda also needs consistent investment signals. Proposed increases in preferential tax rates for farming, agro-processing and selected export activities increase the importance of ensuring that infrastructure, finance and market access improve sufficiently to sustain private investment. Detailed analysis is covered in the Tax chapter. The preferential corporate income tax (CIT) rate for farming and agro-processing is proposed to rise from 10% to 15%, with other export-related rates also proposed to increase.

Opportunities

- **Commercial agricultural finance:** transition appropriate farmers towards sustainable credit, backed where necessary by insurance and risk sharing.
- **Irrigation and resilience:** translate water infrastructure into measurable irrigated production.
- **Market and storage infrastructure:** improve aggregation, grading, storage and warehouse-receipt finance.
- **Livestock exports:** connect disease control, traceability and processing capacity to export-market access.

Risks

- **Climate risk:** production targets remain exposed to rainfall variability, water availability and energy reliability.
- **Finance transition risk:** moving too quickly from subsidy to credit could exclude productive but financially vulnerable smallholders.
- **Market absorption risk:** rapid production growth without enough storage, processing or export-market capacity can depress farm-gate prices and weaken farmer economics. Higher preferential CIT rates could also weaken private investment appetite in storage and processing.
- **Execution fragmentation:** irrigation, FISP reform, livestock programmes, storage, finance and export development will not deliver the intended result if implemented as separate policy initiatives.

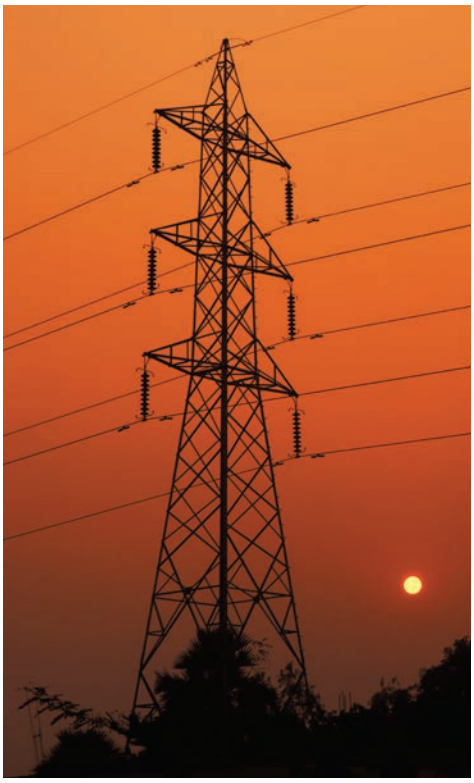
Call to action for businesses and investors

Agribusinesses and investors should prepare for a sector moving gradually from public support towards more commercial models.

- **Build the finance case.** Test input finance, warehouse-receipt lending, insurance and out-grower models against crop cycles, repayment capacity and climate risk.
- **Invest around productive infrastructure.** Align processing, storage and market investments with demonstrated irrigation, livestock-health and logistics delivery rather than announced production targets alone.
- **Position for value addition and exports.** Identify products where increased domestic output can support processing and export growth, while modelling the effect of proposed tax changes and market-access requirements.

The opportunity lies not simply in producing more, but in building the financing, processing and market systems that allow higher production to create sustainable value.

Energy



Our view

Zambia needs to add about 5,278MW by 2031 to reach 10,000MW from 4,722MW installed, or roughly 1,056MW a year, almost 4 times the pace achieved over the previous 5 years. The 2027 Budget sets a credible direction through a 1,400MW generation pipeline, transmission investment and sector reform, but it does not yet show a fully costed pathway to 10,000MW. Delivery will depend on private capital, bankable power purchase agreements, a financially sustainable ZESCO and transmission capacity keeping pace with new generation. The first test is whether the planned 1,400MW reaches commercial operation in 2027.

Sector summary

Reliable, affordable power underpins Zambia's growth ambitions in mining, agriculture and manufacturing. The 2027 Budget speaks to three constraints: the pace of new generation, transmission capacity to evacuate new supply, and cost-reflective tariffs supported by a financially sustainable ZESCO.

Look back

Supply improved materially in 2026 after the load-shedding that began in March 2024, and by June 2026 ZESCO did not expect nationwide load management to return. Recovery remains partly hydrology-driven: Lake Kariba's usable storage was 33.07% on 2 November 2026, against 9.12% a year earlier. The 2026 Budget targeted 1,500MW of new solar within 12 months; about 1,027MW was in place by October 2026, roughly 32% short. According to the Hon. Minister, installed capacity rose 42%, from 3,318MW to 4,722MW, over five years (about 281MW a year), largely through private investment.

Opportunities

The Budget points to about 1,400MW of new generation in 2027, which would lift installed capacity to about 6,122MW if delivered. It also seeks to accelerate investment under the Mission 300 Energy Compact through cost-reflective tariffs, stronger ZESCO finances, open access, expanded transmission, non-hydro diversification and the ZMW391.3 million Grid Resilience Programme. Reform extends to petroleum, including TAZAMA open access.

Transmission is becoming as important as generation. Planned domestic and regional interconnectors should increase Zambia's ability to evacuate new generation and trade power, but the benefits depend on financing, construction and cross-border completion keeping pace with generation. The Zambia–Tanzania link is further advanced than several other projects, leaving timing and counterparty risk on parts of the wider network.

Risks

The main risk is delivery. The Budget gives no project-level breakdown of the 1,400MW expected in 2027, including financing sources or PPA, financial close or construction status. The Energy Regulation Board's 1,315MW under construction across eight projects (September 2026)
should not be equated with it. If all 1,400MW is delivered, about 3,878MW would still remain for 2028 to 2031, so announced capacity must move through financing, construction and grid connection. Until new non-hydro capacity arrives, supply also remains partly hydrology-dependent.

The proposed withdrawal of customs duty and VAT relief on energy-saving appliances, together with the proposed increase in VAT to 16.5%, could raise the cost of some solar investment and therefore work against the diversification objective. The measures remain subject to legislation.

Investor appetite depends on a predictable regulatory environment, cost-reflective tariffs and a stronger ZESCO. The tariff framework provides for adjustments through October 2027, subject to ERB approval of a true-up report; reform must balance sustainability against affordability for households and mines. Investors will also need bankable PPAs, a credible off-taker, manageable currency risk and timely grid access. Regional trade could broaden the market, but competitiveness rests on reliable supply, sustainable costs and grid capacity.

Call to action for businesses and investors

Energy users and investors should test investment decisions against actual generation, grid and tariff delivery.

1. **Stress-test energy costs.** Model the proposed tax changes and alternative tariff scenarios against operating costs, capital expenditure and investment returns.
2. **Test bankability and grid access.** Validate power purchase agreements, ZESCO exposure, foreign-exchange assumptions and available evacuation capacity before committing capital.
3. **Track delivery milestones.** Monitor whether the planned 1,400MW reaches commercial operation in 2027, transmission projects progress towards energisation and tariff reform proceeds as expected.

Investment plans should respond to delivered capacity and bankable infrastructure, not generation announcements alone.

Tourism

Our view

Tourism has recovered strongly, but reaching 5 million annual international arrivals from 2.3 million in 2025 requires growth of approximately 16.8% a year, against about 4.5% achieved in 2025. The 2027 Budget sets the direction through provincial airports and proposed customs duty relief, but the Ministry of Tourism allocation is falling and no funded delivery path is shown. The larger prize is visitor value rather than visitor numbers, and delivery will depend on utilities, licensing, destination marketing and private capital as much as on the tourism allocation.

Sector summary

Tourism provides Zambia with an important route to foreign exchange earnings, investment and job creation, while diversifying the export base. Increased international arrivals are a key objective under the Grow Zambia Agenda.

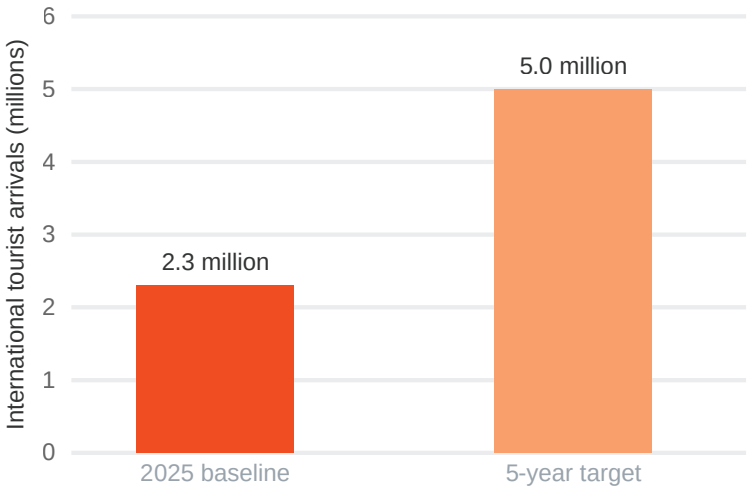
The 2027 Budget seeks to address key constraints, including infrastructure gaps, multiple licensing requirements, insufficient destination marketing and limited diversification, through improved connectivity, multi-destination tourism, increased destination marketing and stronger local supply linkages.

It allocates approximately ZMW1.36 billion to the Ministry of Tourism and ZMW2.35 billion to provincial airport infrastructure to improve access to destinations, alongside proposed customs duty relief on safari vehicles, hospitality equipment and communications infrastructure to lower selected investment costs.

Look back

International tourist arrivals recovered from approximately 554,000 in 2021 to a record 2.2 million in 2024, which the Ministry of Tourism (15 September 2025) attributed to visa waivers, increased destination marketing and major international conferences. Domestic visits to national parks, museums and heritage sites reached 530,110 in 2024, 9% growth on 2023 (Ministry of Tourism, 14 February 2025). Livingstone hotel occupancy was reported at 70%, compared with 40% pre-2023, and average length of stay rose to five days from three pre-2024. Arrivals increased to 2.3 million in 2025, growth of approximately 4.5% (reported by Zambia News and Information Services on 13 February 2026). Reaching 5 million over the next five years requires approximately 16.8% annual growth, as shown below.

Fig 8. International tourist arrivals: baseline and 5-year target



Source: 2027 Budget Speech; CAGR calculated from 2.3 million baseline and 5.0 million target.

The Ministry of Tourism allocation declines by approximately 12.1%, from ZMW1.546 billion in 2026 to ZMW1.359 billion in 2027 (approximately 0.48% of the ZMW284.8 billion national Budget), even as Government increases investment in enabling infrastructure, notably provincial airports. This puts greater weight on effective coordination between tourism policy, transport investment and private-sector delivery.

Opportunities

The Budget commits to strengthening Zambia's ability to bid for meetings, conferences and exhibitions, packaging multiple tourism sites, increasing destination marketing and strengthening local sourcing of food, furniture, linen and crafts. These could create opportunities for accommodation providers, conference venues, tour operators, farmers, manufacturers and artisans. However, no separate costings or implementation milestones are provided.

On costs, the Budget proposes customs duty relief on selected safari vehicles, hospitality equipment and communications infrastructure from 1 January 2027, subject to legislation. The qualifying goods and conditions will need to be confirmed against the implementing legislation before investment decisions are made.

Air connectivity receives a material boost, with ZMW2.35 billion allocated to provincial airport infrastructure, more than double the 2026 allocation. Mfuwe and Mansa Airports are expected to be completed in 2027, with Mfuwe the gateway to the South Luangwa circuit, which should improve access to key destinations.

The opportunity is therefore larger than increasing arrival numbers. Better connectivity, longer stays, multi-destination itineraries and stronger local sourcing could increase visitor spend retained in Zambia, strengthening the link between tourism growth, jobs and domestic supply chains. Tourism's broad local supply chain means the quality of growth will depend on local participation.

Risks

The proposed increase in the standard VAT rate from 16% to 16.5% may affect pricing and cash flows from 1 January 2027, subject to legislation. The impact will depend on operators' VAT position and ability to pass additional costs through to customers.

Cash flows may also be affected by VAT refund delays: outstanding claims were ZMW60.3 billion at the end of September 2026, compared with ZMW61.1 billion at the end of December 2025. This is an economy-wide figure, but tourism operators with valid refund positions may be exposed to delayed recovery.

Higher excise duties on plastics may also increase some hospitality and packaging costs where these are passed through by suppliers.

Risks to the 5 million arrivals ambition extend beyond taxation. Aviation capacity, reliable power and utilities, timely infrastructure delivery and competition from established regional destinations could constrain growth, alongside the infrastructure, licensing, marketing and diversification gaps noted above.

Call to action for businesses and investors

Businesses and investors should treat the 2027 Budget as a direction of travel, not a delivery plan, and:

1. **Reassess investment economics:** model VAT and other cost changes, and identify capital expenditure potentially eligible for customs duty relief, confirming eligibility before committing to imports.
2. **Tie expansion to delivered connectivity:** prioritise airport-linked and multi-destination investment against actual infrastructure completion, airline capacity and utilities.
3. **Track implementation:** monitor the legislation and the delivery of destination marketing, licensing reform and multi-destination initiatives before committing capital.

Those who align capital with delivered infrastructure and local supply chains will be best placed to benefit as tourism moves from recovering arrivals to building higher-value growth.



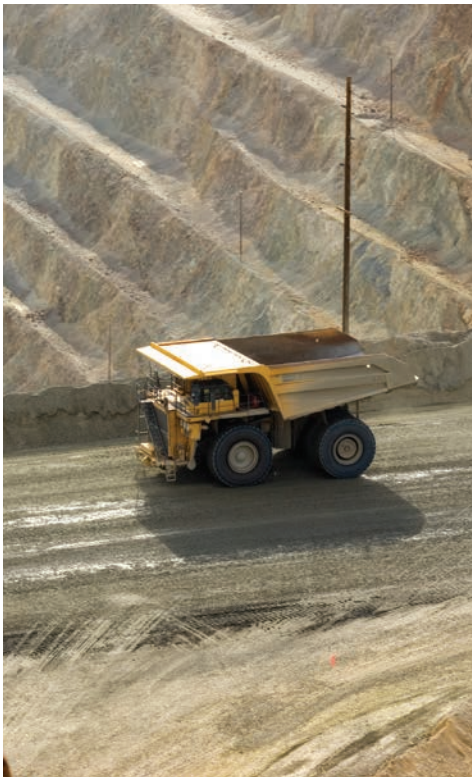
Mining and minerals

Our view

New exploration is the critical test of Zambia's 3 million tonne copper ambition. Copper production is projected at 930,000 tonnes in 2026. Existing mine expansions strengthen the production pipeline, but substantial additional mine development will still be required to close the gap to 3 million tonnes, so new discoveries must move rapidly from exploration to development. Strong copper prices also create room for additional revenue measures, including the proposed 15% dividend withholding tax, without necessarily undermining investor appetite.

Sector summary

Mining remains central to Zambia's growth and export ambitions. Existing mine expansions, rehabilitation of dormant assets and greenfield projects strengthen the production pipeline, but the 3 million tonne copper target requires significantly more exploration and mine development. Government's focus on geological information, licensing reform, sector regulation and formalising the gold market therefore matters as much as the expansion of existing operations.



Look back

Copper production continued to recover in 2026 as major assets ramped up or returned towards higher production. Kansanshi's S3 expansion moved into commercial operation, while mine development and recapitalisation supported improved output at several operations. However, national production growth remained modest in the first half of 2026, reinforcing the scale of the challenge in moving from recovery towards the 3 million tonne target.

Progress on enabling infrastructure was uneven. The aerial geophysical survey reached 88.9% completion by August 2026, but licensing and marketing-centre delivery moved more slowly. The Minerals Regulation Commission began addressing the licensing backlog after its Board was constituted in May, while the Mumbwa marketing centre was awaiting commissioning in April and Rufunsa was approximately 70% complete. The next test is therefore conversion: geological information into exploration, licences into investable projects and announced facilities into operating infrastructure.

Opportunities

Exploration is the largest opportunity. Completing the aerial geophysical survey, undertaking follow-up geological work and making high-quality data accessible can reduce early-stage exploration risk. The commercial benefit will only be realised, however, if licence processing becomes faster and predictable.

Gold formalisation provides a second opportunity. The proposed 3% royalty for qualifying sales through approved aggregators, combined with the proposed Gold Trading Agency and improved marketing infrastructure, could shift more artisanal production into formal channels. The benefit will depend on accessible aggregators and transparent purchasing terms.

Fiscal measures

Strong copper prices provide Government with an opportunity to increase mining revenue through the proposed 15% dividend withholding tax . While the measure reduces shareholder returns, we do not expect it, in isolation, to materially change investor appetite in the current price environment. The more important investment test is whether Zambia maintains overall fiscal stability and predictability.

Broader corporate tax reforms may also affect mining businesses.

Risks

Exploration conversion risk. Geological information does not itself produce mines. Zambia needs capital, licence certainty and sufficiently attractive exploration economics to convert identified prospects into commercially viable projects.

Infrastructure risk. New production depends on sufficient power generation and transmission capacity and reliable transport corridors.

Fiscal stability risk. Cumulative fiscal changes can weaken investor confidence if the regime is perceived as unpredictable, even where individual measures are absorbable at current copper prices.

Call to action for businesses and investors

Mining businesses and investors should focus on converting Zambia's production ambition into bankable projects.

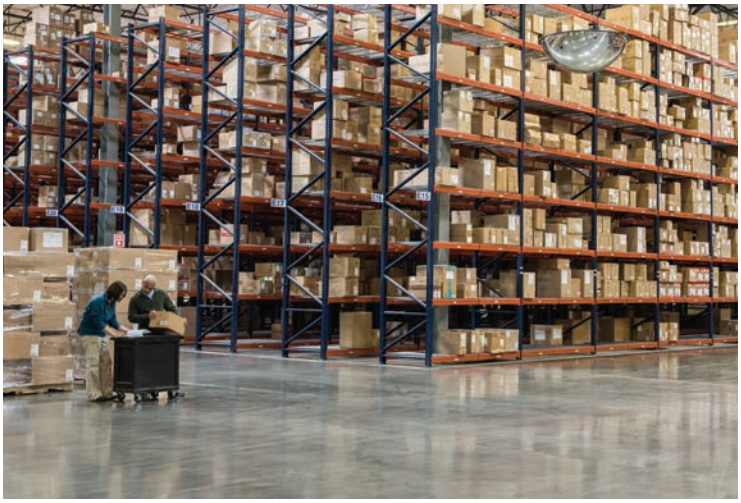
Prioritise exploration economics. Reassess exploration programmes against data availability, licence timing, power access and the cumulative fiscal environment.

Protect project optionality. Review licence portfolios, development schedules and capital allocation so viable discoveries and dormant assets can move rapidly when regulatory and infrastructure conditions permit.

Plan for formalisation and fiscal change. Assess gold value chains and proposed aggregator arrangements, and model the commercial impact of announced mining tax changes while awaiting implementing legislation.

The route to 3 million tonnes runs through new discoveries becoming operating mines, not existing mine expansions alone.

Manufacturing and value addition



Our view

Ultimately, the 2027 Budget positions manufacturing as the value-addition link between the commodity targets set out in the Grow Zambia Agenda (maize, soya beans, wheat, sugar, beef and copper) and the jobs and export earnings they are meant to deliver. The gap to watch is that the Agenda's targets are set in raw commodity volumes while the sector is focused on processing and value addition. Unless processing capacity grows alongside production, a greater share of the additional output may leave Zambia with limited domestic value addition.

Overall, we view the Budget as supportive of manufacturing in direction. The bigger test is execution: reliable power, efficient logistics, access to long-term finance, clearance of arrears and a predictable tax environment will matter more to sustained competitiveness than tariff protection alone.

Sector summary

Zambia's manufacturing sector continues to play an important role in the country's economic diversification and industrialisation efforts, supported by growing emphasis on domestic value addition and stronger linkages with agriculture and mining. Against this backdrop, the 2027 National Budget seeks to deepen industrial activity through measures aimed at stimulating local production, agro-processing and mineral beneficiation, while improving access to finance, infrastructure and markets. The analysis below considers the key developments shaping the sector and the implications of the 2027 Budget measures for manufacturing activity.

Looking ahead, manufacturing is expected to play an important role in delivering the Grow Zambia Agenda, through accelerated growth, particularly by converting increased output in agriculture and mining into higher-value products for domestic and export markets. The 2027 Budget aims to lift manufacturing above 8.5% of GDP and beyond 320,000 jobs. Below is our analysis of the proposed measures to attain this growth.

2027 Key budget measures

- Commitment to reducing regulatory costs and red tape, and support for expanding Multi-Facility Economic Zones, industrial parks and export trade zones.
- Promotion of local content, domestic sourcing, aggregation of raw materials and Zambian supplier development.
- Proposed higher customs duties or surtaxes on selected ceramic tiles, aluminium products, processed meat, edible oils, packaging bags and float glass, alongside customs-duty and VAT relief on specified raw materials for sanitary products.
- ZMW400 million to establish a development finance institution, the anticipated ZMW5 billion Small Business Growth Initiative, and technical and vocational training realigned toward manufacturing, with capacity for an additional 100,000 trainees from 2027.
- Additional non-hydro generation, transmission investment and rehabilitation of TAZARA, Zambia Railways and the Lobito Corridor.

While last year's Budget focused on attracting investment, this year there is a clear shift towards expanding production capacity and delivering key projects. This is illustrated by the key measures put in place towards achieving the headline targets of 10 million tonnes of maize, three million tonnes each of copper and soya beans, one million tonnes each of wheat and sugar, and US$1 billion in annual beef export earnings.

We see the focus areas underpinned in the ZMW17.089 billion road-infrastructure sub-programme allocated to constructing, upgrading and rehabilitating roads as well as the intent to rehabilitate the railway system. The focus on TAZARA, Zambia Railways and the Lobito Corridor could ease the movement of commodities and strengthen export infrastructure as the projects are delivered.

A further measure is the allocation of ZMW391.3 million to the Grid Resilience Programme to modernise electricity distribution and improve power reliability. This is a pivotal step in supporting manufacturing activity, as manufacturing relies heavily on reliable energy sources.

Additionally, the Budget proposes higher customs duties and surtaxes on selected imports that compete with local production. For example, the ZRA Highlights show customs duty on ceramic tiles rising from 25% to 40%. The policy intent is to support local production, although the commercial effect will depend on domestic producers being able to compete on cost, quality and volume. The tariff measures are consistent with this target, and the surtaxes on processed meats and edible oils support the beef and soya bean targets highlighted in the Grow Zambia Agenda.



Look back

The 2026 Budget set out to protect and grow domestic manufacturing. It raised import duties on processed meat, powdered milk, cheese, yoghurt, PVC hoses and polyester fibre, removed duties on milk pasteurisation machinery and vehicle assembly components, and provided indirect support through ZMW851.7 million for the Zambia Credit Guarantee Scheme and ZMW500 million for an Electricity Fund.

Delivery has been mixed. Manufacturing grew by 5.4% year on year in Q1 2026 (Zambia Statistics Agency), and the Zambia Development Agency (ZDA) recorded US$1.69 billion in actualised investment in the quarter, with manufacturing and energy accounting for more than 70%. However, this fell short of the US$2.4 billion target and only 9,576 of the 28,050 targeted jobs materialised. Since 2021, ZDA has recorded US$16.4 billion in actualised investment against US$92 billion committed in Q1 2026. Power deficits and VAT refund arrears of ZMW60.3 billion (September 2026) remain the main constraints on manufacturers.

Opportunities

The current growth targets create potential opportunities for agro-processing, mineral value addition and associated manufacturing supply chains, such as edible oils, animal feed, meat processing, copper cables and packaging.

Risks

On the other hand, tax measures pull in a slightly different direction. The proposed five percentage point increase in corporate income tax on income taxed at 20% and below could dilute the reduced rates for agro-processing, fertiliser and non-traditional exports. The proposed 16.5% VAT rate and new or higher excise duties on sugar and plastics could increase costs for manufacturers where those taxes are not recoverable or are embedded in inputs and packaging. Taken together, these measures could weaken the economics of some new manufacturing investments, particularly where margins are tight or imported inputs remain material.

However, sustained manufacturing growth will depend on reliable electricity, affordable long-term financing, efficient logistics and resolution of VAT refund arrears.

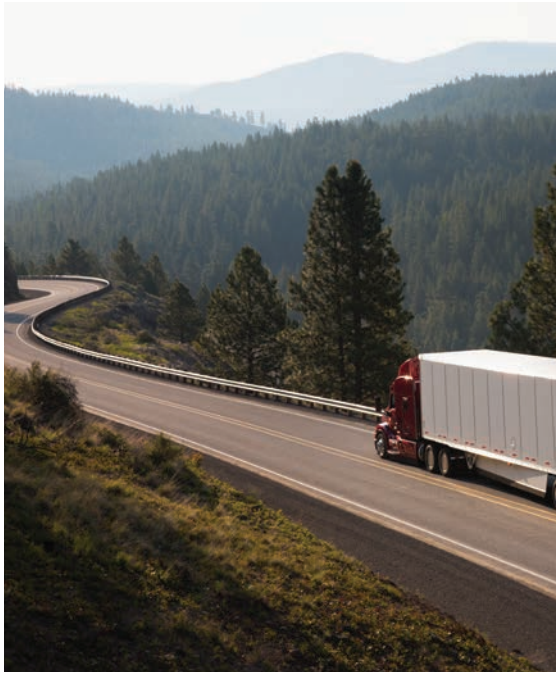
Call to action for businesses and investors

Manufacturers and investors should link decisions to delivered enablers and the final tax legislation.

- **Test the tax stack.** Model the proposed customs duty and surtax changes, the 16.5% VAT rate and the new excise duties on sugar and plastics against input costs, packaging and margins, including where VAT is not recoverable.
- **Position for value addition.** Identify agro-processing and mineral value-addition opportunities, such as edible oils, animal feed, meat processing, copper cables and packaging, where local supply can compete on cost, quality and volume.
- **Plan around the enablers.** Test investment decisions against delivery of reliable power, logistics, long-term finance and clearance of VAT refund arrears, rather than tariff protection alone.

The test for manufacturing is whether processing capacity grows alongside commodity output.

Transport



Our view

The 2027 Budget sets a clear direction of travel for Zambia as a regional trade and logistics hub, but it is not yet a costed delivery path. Only 5 of the 28 transport commitments in the 2026 Budget were delivered, even as the 2027 Budget raises road funding by 25%. Whether that spending lowers logistics costs will depend on project delivery, a financing architecture that brings PPPs to bankability, and integration across road, rail, air and border systems.

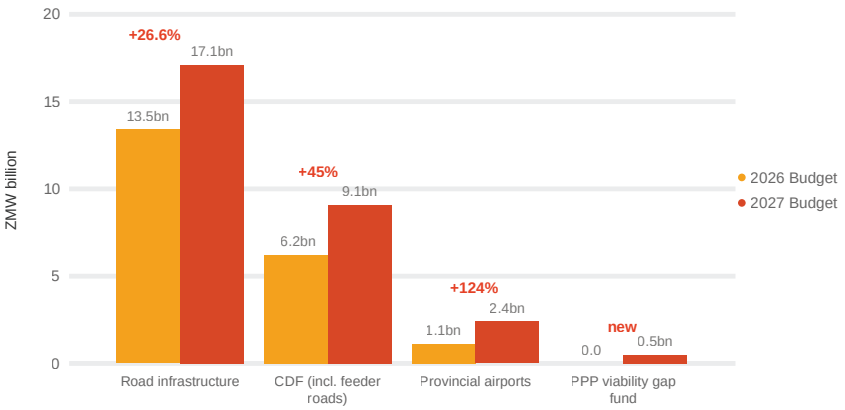
Sector summary

Transport and logistics accounted for 12.3% of GDP in 2025 and is an important enabler of Zambia's trade competitiveness and export-led growth. The 2027 Budget places the sector under Pillar Two, "Connecting the Nation", and treats transport routes as economic corridors that link mining, agriculture and tourism to regional and global markets.

Road funding rises to ZMW17.089 billion (from ZMW13.498 billion in 2026, or 26.6%), and the Budget cites 787 km of construction, upgrading and rehabilitation, although the Yellow Book output table itemises 717 km (to be confirmed with the Ministry). Other roads are to be delivered through PPPs. Feeder roads are supported through the Constituency Development Fund.

Provincial airport funding more than doubles to ZMW2.35 billion, which improves domestic access for businesses and visitors.

2026 Budget and 2027 Budget by Category



Source: 2026 and 2027 Budget (Yellow Book expenditure by function tables).

Beyond allocations, the Budget proposes a new ZMW507.3 million viability gap fund. It is intended to improve the bankability of qualifying PPP projects by providing public funding where a project is economically justified but not commercially viable on private finance alone. The Budget does not specify which projects will receive support.

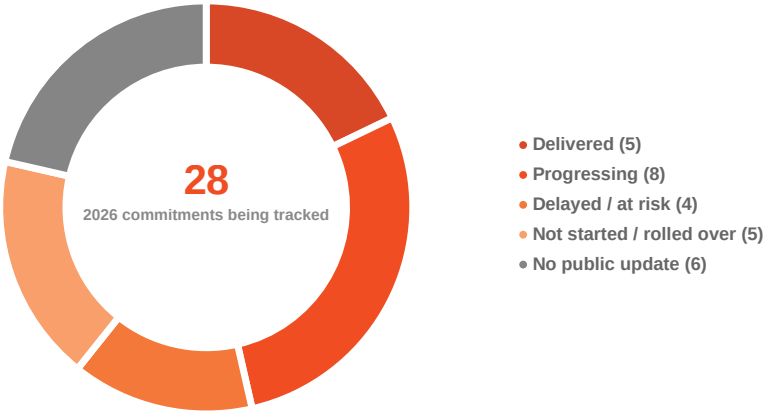
Rail and border reform is proposed rather than separately funded. The Government plans to replace the Railways Act, introduce vertical separation and open freight and passenger services to private operators, alongside TAZARA rehabilitation and progress on the Lobito railway. Digital border clearance, including AI-enabled scanners and smart gates, is planned to begin at Kazungula in 2027.

Look back: what was promised in the 2026 Budget and what was delivered

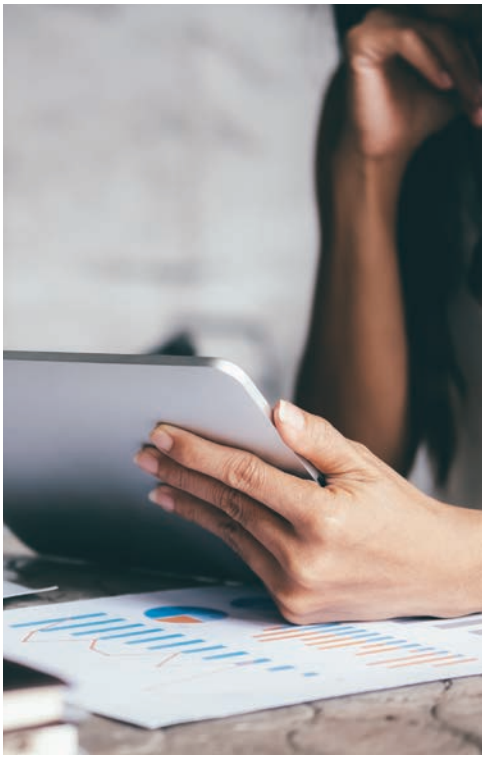
Delivery in 2026 is the best guide to 2027. The 2026 Budget allocated ZMW13.5 billion to road infrastructure, up 12.5% from ZMW12 billion in 2025, and ZMW1.05 billion to provincial airports. It also raised tolls for medium, heavy and abnormal-load vehicles, introduced income tax concessions for the TAZARA concessionaire and promised to complete or start more than 25 named road, rail, air, border and harbour projects.

Our assessment of 28 commitments indicates that PPP, concession and development-partner-backed projects generally progressed further than projects dependent on Treasury or Road Fund financing. Beyond the 5 delivered, 8 are progressing, 4 are delayed or at risk, 5 have not started or have rolled over and 6 have no public update.

2026 Budget transport commitments: delivery scorecard



What the look back tells us



- **Financing model mattered.** PPP, concession and externally financed projects generally advanced further, while Road Fund projects such as Lusaka–Mongu and Batoka–Maamba recorded more modest progress.
- **Project rollover remains a challenge.** Several road projects have moved into the 2027 programme, which points to the need for realistic timelines and for completing existing commitments before adding new ones.
- **Rail and borders delivered the clearest structural progress.** Rail moved from proposals towards contracted and financed projects through TAZARA and Lobito, while border improvements show that targeted operational changes deliver quicker gains in trade facilitation.
- **Better reporting is still needed.** Consolidated progress reporting is incomplete, particularly for urban and feeder roads, so it is difficult to assess whether allocated funding is translating into delivery.

Opportunities and risks

The table below sets out the opportunity and the main risk in each area, each of which turns on the delivery conditions noted above.

Area	Opportunity	Key risks
Rail and logistics	TAZARA, Lobito and open-access rail arrangements could shift more bulk freight from road to rail, reducing logistics costs and creating opportunities for dry ports, warehousing and logistics hubs.	Delays in rail reform, implementation of open-access arrangements or major corridor projects could slow the shift from road to rail and delay investment in associated logistics infrastructure, including dry ports and warehousing.
Roads and PPPs	The road programme and the new viability gap fund could accelerate delivery and unlock projects beyond conventional public funding.	Fiscal constraints, weak project preparation or poorly structured PPP risk allocation could delay delivery, reduce private-sector appetite and increase Government exposure to contingent liabilities.
Borders and trade	Digital borders and 24-hour operations could reduce clearance times and strengthen Zambia's position as a regional transit hub.	Weak cross-border coordination, system downtime or poor integration of digital platforms could limit reductions in clearance times and undermine Zambia's competitiveness as a regional transit hub.
Provincial airports	Provincial airport investment could improve domestic connectivity and support growth in tourism.	Project delays, cost overruns or insufficient passenger and airline demand could weaken airport viability and limit the expected connectivity and tourism benefits.

Call to action for businesses and investors

Businesses and investors should position for delivery rather than announcements:

1. **Prioritise financed corridors.** Focus on projects with committed PPP, concession or development-partner financing, which progressed furthest in the 2026 look back.
2. **Engage early on the PPP pipeline.** Engage Government on bankable project structures and risk allocation as the beneficiaries of the viability gap fund are identified.
3. **Plan for rail and border change.** Assess where open-access rail and digital border clearance could change freight routes, warehousing and dry-port needs before committing capital.

Timing depends on the passage of rail legislation and on project delivery.



05

Tax data card

Corporate tax rates (1/2)

	2027	2026
Standard rate	30%	30%
Banks	30%	30%
Telecommunication companies	35%	35%
Farming/agro-processing or export of non-traditional products from farming/agro-processing	15%	10%
Income earned by producers of organic and chemical fertilizers	20%	15%
Export of other non-traditional products (1)	25%	20%
Income earned from value addition to gemstones through lapidary and jewellery facilities (2)	25%	25%
Income from the cotton value chain (tax holiday) (3)	0%	0%
Companies that add value to copper cathode	25%	20%
New listings on LuSE (4)	2% discount	2% discount
New listings on LuSE> 33% shares taken up by Zambians (5)	5% discount	5% discount
Listings on LuSE>33% shares taken up by Zambians (6)	5% discount	5% discount
Advance 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%
Annual turnover not exceeding ZMW30,000	0%	0%
Annual turnover above ZMW30,000 but not exceeding ZMW5,000,000	5%	5%
Presumptive tax on artisanal and small-scale mining businesses with annual turnover not exceeding ZMW5,000,000 (7)	4%	4%
Rental income of ZMW30,000 or less p.a.	0%	0%
Rental income from ZMW30,001 to ZMW800,000 p.a.	4%	4%
Rental income above ZMW800,000	16%	16%
Minimum Alternative Tax (MAT) on Turnover (8)	1%	1%

1. Excludes income from export of minerals, electricity, services and cotton lint exported without an export permit from Minister of Commerce
2. The scope of the proposed 5-percentage-point CIT increase is subject to confirmation in the implementing legislation. The ZRA Highlights refer broadly to income currently taxed below 30%, while the Budget Speech refers to income taxed at 20% or below.
3. Applicable for the first 5 years for which the business of producing cotton seed or ginning cotton is carried on
4. Discount applicable in the first year of a company's listing on LuSE
5. Additional discount in the first year of LuSE listing, where Zambians hold at least 1/3 of the company’s shares.
6. The discount applicable for as long as Zambian investors maintain at least a 1/3 stake in the company
7. The 4% rate applies to gross turnover less mineral royalty paid.
8. Proposed from 1 January 2027: MAT will apply only to businesses that incur losses for three consecutive years.

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 or basis	2027	2026
CIT	Year 1 to 5	0%	0%
CIT	Year 6 to 15	10%	10%
CIT	Year 16 to 25	12%	12%
CIT	Year 26 to 28	Lower of 30% or the applicable CIT rate	Lower of 30% or the applicable CIT rate
Utilisation of carried-forward losses	Against income from the same source	70%	70%
Loss carry-forward period	Subsequent charge years	12 years	12 years
Gross interest deduction limit	Railway-sector SPV tax EBITDA	70%	70%
Minimum Alternative Tax	First 12 years of PPP project operations	Exempt	Exempt

Mobile money levy

Mobile money levy	Proposed 2027 Levy (ZMW)	2026 Levy (ZMW)
Transaction value (ZMW)		
Up to ZMW150	0.64	0.32
Above ZMW150 to ZMW300	0.80	0.40
Above ZMW300 to ZMW500	1.60	0.80
Above ZMW500 to ZMW1,000	4.00	2.00
Above ZMW1,000 to ZMW3,000	8.00	4.00
Above ZMW3,000 to ZMW5,000	15.00	7.50
Above ZMW5,000 to ZMW10,000	16.00	8.00

Capital deductions, losses and interest expenses

Capital deductions (1)	2027	2026
Investment allowance on industrial buildings (one off) (2)	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%
Motor vehicles		
Commercial motor vehicles	25%	25%
Non-commercial motor vehicles	20%	20%
Farm improvement/ Farm works allowance	100%	100%
Tax concession (percentage of reduction of taxable income tax) for businesses in a rural areas – for the first 5 years.	20%	20%
Local content allowance	2%	2%
Deductibility of losses incurred in a charge year		
Mining companies	50%	50%
Other companies	50%	50%
Carry forward of trading losses		
Electricity generation and mining operation	10 years	10 years
Other companies	5 years	5 years
Carry forward of disallowed interest expenses		
Electricity generation and mining operation	Indefinite	Indefinite
Other companies	Indefinite	Indefinite

1. Capital allowances are computed on a straight-line basis.
2. 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.

Mining taxes (1/2)

Corporate income tax rate	2027	2026
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%
Gold sold by artisanal and small-scale mining operators to approved aggregators	3% (proposed)	6%
(if sold to unapproved aggregators the 6% will apply)		
On gross value of gemstones/energy minerals under licence:	5%	5%
Energy/Industrial Minerals	6%	6%
Gemstones		

Withholding Tax	2027		2026	
	Resident	Non-resident	Resident	Non-resident
Dividends paid by mining companies	15%	15%	0%	0%

Mineral Royalties on Copper (Unchanged)				
MRT bands - price per tonne				
Band	**Norm price per tonne**	**Tax rate %**	**Tax on band (maximum) US$**	**Cumulative tax US$**
First	Up to US$4,000	4	160	160
Next	Above US$4,000 to US$5,000	6.5	65	225
Next	Above US$5,000 to US$7,000	8.5	170	395
Balance	Above US$7,000	10	X = (Price - US$7,000)*10%	X + US$396

Income tax individuals

Income Tax Individuals					
2027 Monthly income bands (proposed, subject to enactment)					
	Income from ZMW	**Income to ZMW**	**Tax rate %**	**Tax on band (maximum) ZMW**	**Cumulative tax on income (maximum) ZMW**
First	0	5,100	0	0	0
Next	5,101	7,100	20	400	400
Next	7,101	9,200	30	630	1,030
Next	9,201	37,000	37	10,286	11,316
Above	37,001		39.5		

Income Tax Individuals					
2026 Monthly income bands					
	Income from ZMW	**Income to ZMW**	**Tax rate %**	**Tax on band (maximum) ZMW**	**Cumulative tax on income (maximum) ZMW**
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	9,201		37		

Non-cash benefits

Housing benefit:

a. Where an employer provides free housing to the employee in a house that an employer owns, then the proposed 40% (37% for 2026) 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:		
	2027 (proposed)	**2026**
Engine size < 1,000 cc:	ZMW27,720	ZMW25,200
Engine size ≥ 1,000 cc and < 2,800 cc	ZMW47,520	ZMW43,200
Engine size ≥ 2,800 cc	ZMW63,360	ZMW57,600

Withholding Tax	**2027**		**2026**	
	Resident	**Non-resident**	**Resident**	**Non-resident**
Dividends	15% (1)	20% (1)	15%	20%
Dividends by mining companies	15%	15% (2)	0%	0%
Branch profits	n/a	20%	n/a	20%
Interest	15% (3)	20%	15%	20%
Coupon Income (Interest) on Government Bonds	20%	20%	20%	20%
Management or consultancy fee	15%	20%	15%	20%
Royalties	15%	20%	15%	20%
Commodity royalty	15%	15%	15%	15%
Commissions	15%	20%	15%	20%
Non-resident construction and haulage contractor	n/a	20%	n/a	20%
Non-resident entertainers/sports persons fees	n/a	20%	n/a	20%
Reinsurance placed with non-resident reinsurers	n/a	0%	n/a	0%

1. 0% for dividends paid by LuSE listed companies to individuals.
2. Pending confirmation of whether the rate also applies to dividends paid by mining companies to non-residents
3. 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.

Tax Treaties

a. Zambia has tax treaties with the following countries:
b. Botswana, Canada, China, Denmark, Finland, France, Germany, India, Ireland, Italy, Japan, Kenya, Netherlands, Norway, Seychelles, South Africa, Sweden, Switzerland, Tanzania, UAE, Uganda, United Kingdom.

VAT and property transfer tax

Taxable supplies – VAT rate	2027	2026
Supply of goods & services in Zambia	16.5%	16%
Import of goods & services into Zambia	16.5%	16%
Export of goods & services from Zambia (1)	0%	0%
Energy-saving appliances	16.5%	0%
Approved supplies to contractors implementing PPP projects	0%	16%
Import of sanitary-product manufacturing inputs	Exempt	16%
Registration		
Threshold	ZMW800,000 p.a.	ZMW800,000 p.a.
Payment and return - due date		
Supply of taxable goods & services	18 days following the end of the VAT accounting period (2)	

Property Transfer Tax (PTT)	2027	2026
Land (including buildings)	8%	8%
Shares (3)	8%	8%
Transfer or sale of mining right for a mining licence	10%	10%
Transfer of mineral processing licences	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%

1. Services are deemed to be exports only when physically rendered outside Zambia
2. Accounting period typically means the month following the month of registration and each succeeding calendar month
3. 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.

Note: 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 Zambian company.

Carbon tax and presumptive tax

Carbon Tax	2027	2026
An annual carbon tax is payable on all motor vehicles as follows:		
Motorcycles	ZMW168 p.a.	ZMW168 p.a.
Engine size up to 1,500 cc	ZMW168 p.a.	ZMW168 p.a.
Engine size above 1,500 cc to 2,000 cc	ZMW336 p.a.	ZMW336 p.a.
Engine size above 2,000 cc to 3,000 cc	ZMW480 p.a.	ZMW480 p.a.
Above 3,000cc	ZMW660 p.a.	ZMW660 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 (2027)	Tax per Vehicle per annum (2026)
64 Seater and above	Nil (1)	Nil (1)
50-63 Seater	Nil (1)	Nil (1)
36-49 Seater	ZMW10,368	ZMW10,368
22-35 Seater	ZMW7,776	ZMW7,776
18-21 Seater	ZMW5,184	ZMW5,184
12-17 Seater	ZMW2,592	ZMW2,592
Below 12 Seater	ZMW1,296	ZMW1,296

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

Selected customs and excise rates and other measures

Customs and excise measures	2027	2026
Customs duty on ceramic tiles (HS heading 69.07)	40%	25%
Selected Goods Surtax on selected aluminium bars, rods and profiles (HS heading 76.04)	20%	N/A
Customs duty on selected aluminium bars, rods and profiles (HS Heading 76.04.)	25%	0% or 5%
Selected Goods Surtax on selected processed meat products (HS Heading 02.02	30%	20%
Customs duty on crude soya bean (HS Heading 15.07), palm (15.11) and sunflower oil (15.12)	15%	0%
Selected Goods Surtax on crude soya bean and sunflower oil	10%	N/A
Customs duty on float glass (HS Heading 70.05)	25%	15%
Excise duty on single-use plastics (separate product scope from the plastic bottle and plastic article lines below; HS headings to be confirmed)	200%	100%
Specific excise duty on plastic bottles (HS Heading 39.18, 39.19, 39.23 and 39.26)	ZMW0.80 per bottle	N/A
Excise duty on selected plastic articles (HS Heading 3923.30)	30%	15% / varied
Export duty on zinc concentrates (HS Heading 26.08)	5%	N/A
Excise duty on sugar	ZMW1 per kg	N/A
Excise duty on chocolate (HS heading 18.06) and sugar confectionery (HS heading 17.04)	20%	N/A
Selected Goods Surtax on cement packaging bags (HS code 6305.33.00) and woven bags (HS code 3923.29.99)	30%	N/A
Customs on sanitary-product manufacturing inputs	0%	Per HS code
Customs duty on Hatchbacks (Code 8703.50.19) (1)	ZMW16,129.30	ZMW6,129.30
Customs duty on Hatchbacks (Code 8703.50.39) (1)	ZMW23,794.24	ZMW22,094.65
Excise duty on Hatchbacks (Code 8703.50.39) (1)	ZMW30,932.51	ZMW28,723.05
Customs duty suspension on qualifying safari vehicles, hospitality equipment and communications infrastructure used in tourism operations	Suspended	Applicable tariff rate
Customs duty and VAT exemption on sanitary-product manufacturing inputs	0%	Per HS code
Customs duty relief on second-hand clothing and handbags imported by approved public benefit organisations	Relief withdrawn	Relief available
Customs duty exemption on energy-saving appliances	Exemption withdrawn	Exempt
Other measures		
Drawback claim period for imported goods subsequently exported unused	6 months	2 years
Betting levy	5% extended to qualifying non-brick-and-mortar betting and gaming activities that do not involve customer gaming accounts.	5% on deposits into and withdrawals from customer gaming accounts.

1. The amendments correct tariff-book amounts and do not represent new tax-policy measures.

Deadlines and penalties (1/3)

2027 Deadlines	Penalty	Interest
2027 Income Tax - Companies		
Provisional tax Return deadlines: First Provisional Tax Return: 5 March 2027 (manual submission) 31 March 2027 (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: ZMW800 per month or part month	N/A
Revision of Provisional Tax Return 30 June 2027, 30 September 2027 & 31 December 2027 (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: 4 June 2027 (manual submissions) 21 June 2027 (electronic submissions)	Late filing of return: ZMW800 per month or part month	N/A
	Late payment of tax: 5% per month or part month	Late payment: 2% + DR



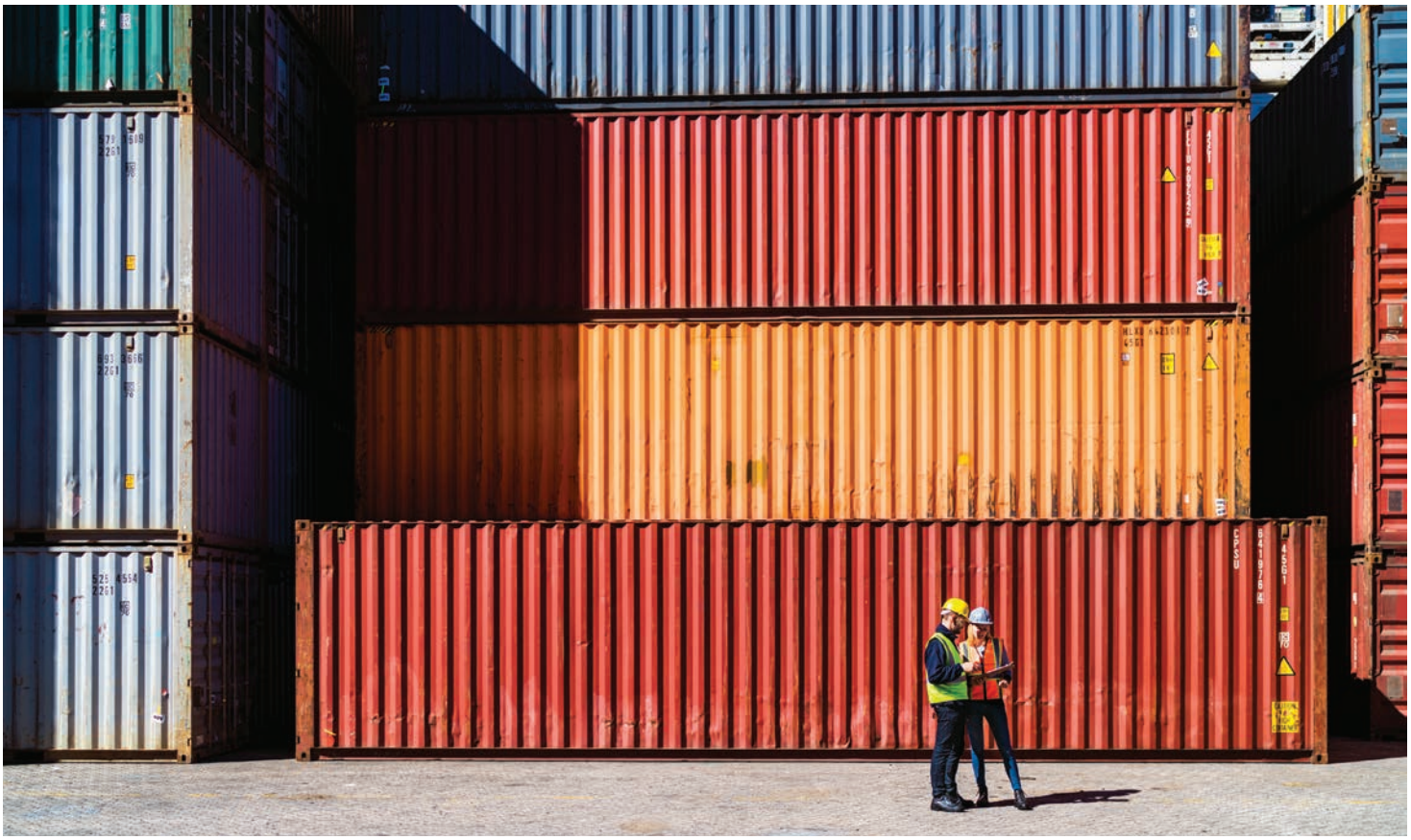
Deadlines and penalties (2/3)

2027 Deadlines	Penalty	Interest
Income Tax – Individuals		
Final tax return & payment	Late payment of tax: 5% per month or part month	Late payment: 2% + DR (1)
Deadline: 5 June 2027 (manual submissions; falls on a Saturday) 21 June 2027 (electronic submissions)	Late filing of return: ZMW400 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: ZMW170 per month or part month (for companies) ZMW68 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 after the end of the month	Late filing of PAYE return: ZMW800 per month or part month	N/A
Hydrocarbons		
Proposed from 1 January 2027: returns and payment relating to hydrocarbons and other oil products removed from bonded warehouses will be due by the fifth day following the end of the accounting period.		

1. DR = the discount rate published from time to time by the Bank of Zambia

Deadlines and penalties (3/3)

2027 Deadlines	Penalty	Interest
VAT		
Filing & payment deadlines: 18 days (1) after the end of the accounting period	VAT late filing of return: Daily penalty – higher of ZMW400 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 Turnover Tax: 0.5% of the unpaid tax for each month or part of a month during which the tax remains unpaid.	Late payment: 2% + DR
	late filing of return: ZMW100 per month or part month	N/A
Transfer pricing The penalties for non-compliance with transfer pricing regulation is 80 million penalty units (ZMW32,000,000)		
Tax Evasion The penalties for tax evasion on conviction is 300 thousand penalty units (ZMW120,000).		
Betting Failure by an appointed Betting Levy agent to remit the levy within the prescribed period: 10,000 penalty units for each day or part of a day during which the failure continues. Proposed from 1 January 2027		



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