

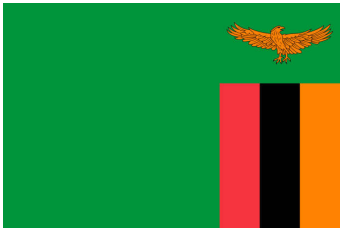
Investing in Zambia

ZAMBIA AT A GLANCE

Home to Victoria Falls, one of the seven natural wonders of the world, and situated in southern Africa, Zambia is a land locked country bordered by 7 other African countries. Zambia gained independence from the United Kingdom in 1964 and is considered as one of the most highly urbanised countries in Sub-Saharan Africa.

The country has very stable macroeconomic fundamentals with a growing GDP of about USD 21 billion and the local currency is performing very well against the United States dollar and other major world-convertible currencies. In 2021, it was ranked 154 out of 191 countries in the United Nations Development Programme (“UNDP”) Human Development Report.

Zambia is a member of the regional and continental economic communities, that is, the Common Market for Eastern and Sothern Africa (COMESA), Southern Africa Development Community (SADC) and African Continental Free Trade Area (AfCFTA).



RESOURCES AND ECONOMY (PRIORITY SECTORS FOR INVESTMENT)

In its quest to encourage investments in specific sectors, the Zambia Development Agency has set up priority sectors listed below:

MINING

Zambia is the world’s seventh largest producer of copper having produced 861,946 metric tonnes in 2018 and holding 6% of the world’s known Copper reserves. Copper and Cobalt, the country’s traditional exports, account for well over 70% of export earnings. Zambia’s copper mines are concentrated in the Copperbelt Province, though the past decade has witnessed the establishment of mines in other parts of the country such as the North-Western Province. Other mineral endowments include Gold Zinc, Lead, Iron Ore, Manganese and so on. Notably, Zambia produces over 20% of the world’s Emeralds. This extensive range of mineral resources present excellent investment opportunities, especially in extraction and processing of these minerals.

TOURISM

Zambia, aside from the Victoria Falls, has 20 national parks and 34 game management areas with a total of 23 million hectares of land set aside for wildlife conservation.

ECONOMIC FUNDAMENTALS

<p>Official Language: English</p>	<p>GDP per Capita: USD 1,137.3 (World Bank 2021)</p>
<p>Unemployment: 6.1% (World Bank 2022)</p>	<p>GDP 2021: USD 22.1B (World Bank 2021)</p>
<p>Main Languages : Bemba, Tonga, Chichewa, Lozi, Kaonde, Luvale, Lunda</p>	<p>Government: Presidential Republic Multi- Party Democracy</p>
<p>Population (2023): 20.1 million</p>	<p>Inflation: 11.0%</p>
	<p>Stable Exchange Rate: Zambian Kwacha (ZMW) ZMW 20.04/YSD1.00</p>

The tourism industry has grown over the past years, with the establishment of hotels in the major tourist centres such as Livingstone and Lusaka.

MANUFACTURING

The Manufacturing sector accounts for nearly 8% of the country's GDP and has been consistently flourishing due to growing investment in the sector. Currently, the main manufacturing activities in Zambia are the food and beverages, textile and leather industries, wood and wood products, paper and paper products, chemicals, rubber and plastic products, non-metallic mineral products, basic metal products and fabricated metal products.

ENERGY

Of the installed 2,898 MW electricity generation capacity of Zambia, hydro power is the most important energy source with 2,398 MW (83%) followed by diesel and coal. The demand for electricity has been growing at an average rate of 3% per annum. To note, the ZESCO Ltd is the only entity that generates and transmits power.

AGRICULTURE

Zambia is endowed with a large arable land resources base of 42 million hectares of which only 1.5 million hectares is cultivated every year. It has abundant water resources for irrigation, accounting for 40% of the water resources in the SADC region. The agricultural sector employs more than half of the total labour force and only 10% of the arable land is under cultivation.

POLITICAL AND LEGAL FRAMEWORK

The Presidency is currently filled by Hakainde Hichilema with Mutale Nalumango as Vice President since 2021.

The politics of Zambia takes place in a framework of a presidential representative democratic republic, whereby the president of Zambia is the head of state, the head of government and the leader of a multi-party system.

The unicameral National Assembly of Zambia is the country's legislative body. The current National Assembly has a total of 167 members. 156 members are directly elected in single-member constituencies using the simple majority system. 8 seats are filled through presidential appointment, and 3 seats are held by ex-officio members: the Vice President, the Speaker and one Deputy Speaker. All members serve five-year terms.

TAXATION REGIME & TAX INCENTIVES

Income in Zambia is taxed on the source principle or deemed source basis in some instances. The principal taxes include direct taxes (such as Company Income Tax, Personal Income Tax, Withholding Tax, Presumptive Tax and Property Transfer Tax), Mineral Royalty Tax, Value Added Tax and Turnover Tax.

There are two tax rates for companies/investors wishing to set base in Zambia:

- Companies not listed are taxed at 30%;
- Companies listed on the stock exchange are entitled to a 2 percentage point reduction in the corporate tax rate during their initial year of listing. Moreover, if at least one-third of the listed company is owned by Zambian nationals, the discount is further increased to 7 percentage points solely for the first year;
- Electronic communications network or service licensees are subject to a tax rate of 35%;
- Public benefit organisations are taxed at 15%.

The Investment, Trade and Business Development No. 18 of 2022 offers the following incentives for companies investing in any of the priority sectors:

- 0% import duty rate on capital equipment and machinery for five years;
- Accelerated depreciation on capital equipment and machinery.

In addition to the above stated incentives, investors that set up in a Multi Facility Economic Zone (MFEZ) or Industrial Park are eligible for additional tax incentives:

- 0% corporate tax for the first 10 years on exports;
- Zero tax on dividends for the first 10 years;
- 0% corporate tax for the first 10 years on profits;
- For years 11 to 13, only 50% of profits to be taxed and;
- For years 14 and 15, only 75% of profits to be taxed.

Other Notable Tax Incentives:

- 10% corporate tax on Agriculture and Agro-Processing ;
- 0% corporate income tax for ceramic products manufacturing for the tax years 2022 and 2023;
- For the first five years, profits generated by special purpose vehicles undertaking Public-Private Partnership projects are taxed at a favorable rate of 15%;

- The agro-processing of corn starch in a Multi-Facility Economic Zone or Industrial Park is subject to the following tax rates: 0% (2023 to 2032), 5% (2033 to 2035), 2.5% (2036 to 2037), and 10% (2037 onwards);
- 10-year period carry forward of tax losses and disallowed interest for mining operations;
- Duties paid on inputs which go into production of exports are refunded ;
- 15% Tax rate on Income from Non-Traditional Product Exports ;
- 10% Tax rate on Income from Non-Traditional Products from farming or agro processing exports;
- 15% income tax on income received by a company from the manufacture of organic fertilizers, chemical fertilisers and copper cathodes.

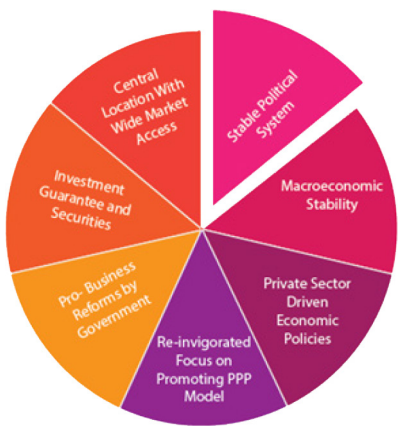
The main incentive is the tax holidays for income tax, mainly 10 years. Companies do pay corporate income tax until their tax holiday is over.

Additional features also derived from the Double Taxation Treaty (DTT) signed is that the treaty prohibits taxation of incomes (in general) from a docile (resident) source but allows the source country to tax it. Zambia can only tax the difference.

Zambia DTA with Seychelles

	Non- Treaty	Seychelles/Zambia Double Taxation Treaty
General Corporate Tax	30%	0%
Capital Gain	0%	0%
Dividends	15% residents / 20% Non-residents	5% - if the beneficial owner holds at least 25% of the capital of company paying the dividends 10% - in all other cases
Interest	15% residents / 20% Non-residents	5% - if the beneficial owner is a resident of the other contracting state
Royalties	15% residents / 20% Non-residents	10% - if beneficial owner is the recipient
PE if building site lasts more than	183 days	183 days

Why Invest in Zambia?



NON- FISCAL INCENTIVES

Foreign and local investors who invest an amount of not less than USD 250,000 and USD 50,000 respectively, in any sector or product under the Act are entitled to non-fiscal incentives as follows:

- Investment guarantees and protection against state naturalisation
- Free facilitation for application of immigration permits, secondary licenses and land acquisition
- Facilitation of business and partnership linkages and
- Investment advisory on Zambia’s investment climate, regulatory regime, and investment opportunities

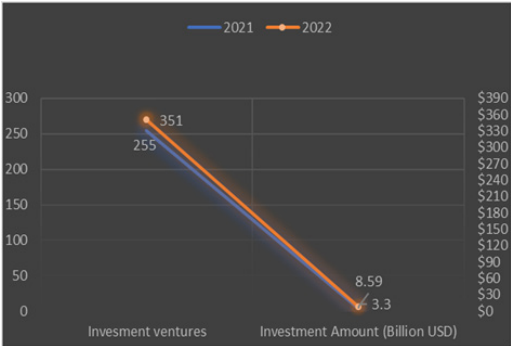
BANKING AND EXCHANGE CONTROLS

The Bank of Zambia (BoZ) is the Central Bank of the Republic of Zambia and derives its functions and powers from the Bank of Zambia Act, no.43 of 1996 and the Banking and Financial Services Act, Chapter 387 of the Laws of Zambia.

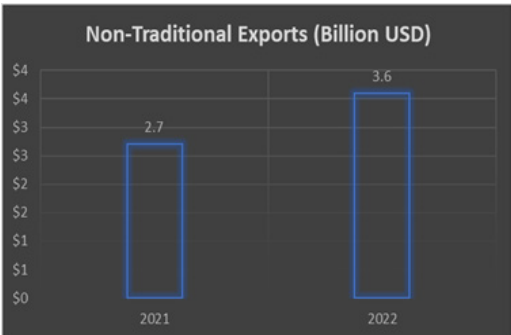
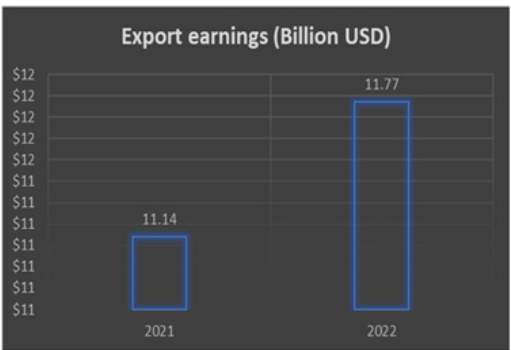
The Exchange Control Act was scrapped in 1994, resulting in no controls on the conversion and transfer of currency from Zambia, with investors being free to repatriate any funds, whether generated from a source in Zambia, provided they are derived from legitimate sources and provided the necessary taxes and duties have been paid.

2022 PERFORMANCE HIGHLIGHTS OF THE ZAMBIA DEVELOPMENT AGENCY

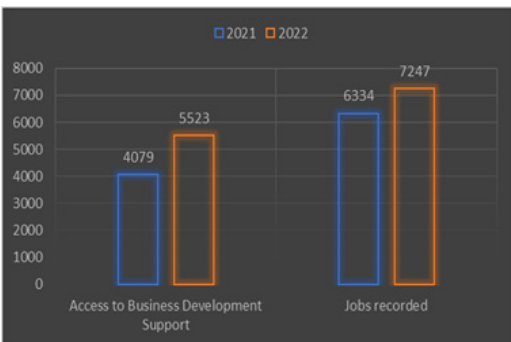
1. Investment Promotion and Business Facilitation



2. Export Promotion and Export Development



3. Business Development



OPERATIONAL MFEZS AND INDUSTRIAL PARKS

The following Multi Facility Economic Zone (MFEZ) and Industrial Parks are currently operational in Zambia:

- Lusaka South Multi-Facility Economic Zone
- ZCCZ Chambishi Multi-Facility Economic Zone
- ZCCZ Lusaka East Multi-Facility Economic Zone
- Jiangxi Multi-Facility Economic Zone
- Kalumbila Multi-Facility Economic Zone
- Roma Industrial Park and
- Sub-Sahara Gemstone Exchange Industrial Park



WHY USE SEYCHELLES FOR INVESTMENTS IN ZAMBIA?

Seychelles provides a unique advantage due to its positioning in Africa. This signifies a gateway for investment opportunities in the region and market access to one of the least developed continents in the world. As one of the most economically and politically stable countries in Africa, Seychelles is well placed to assist in facilitating regional economic integration.

It is signatory to numerous international organisations, thus connecting this small Island State to the world. Through a wide network, Seychelles offers a trusted and well-regulated platform for doing business.

Seychelles has been ranked as per below in Africa in the stated indices:

Rank	Index
1 st in Africa	Hensley Passport Index 2022
1 st in Africa	Highest GDP per capita in Africa 2022
1 st in Africa & 23 rd in the world	The Corruptions Index 2021
1 st in Africa	Africa Infrastructure Development Index 2020
3 rd in Africa	Mo Ibrahim Index of African Governance 2020
2 nd in Africa	The Human Development Index 2020
4 th	Global Competitive Index 2019
1 st in Africa	Environmental Performance Index 2018

To date, 28 Double Taxation Avoidance Agreements (DTAAs) have been signed with other jurisdictions and are currently in force. The DTAA with Zambia came into force on 4th June 2012. The agreement between the two jurisdictions is for the avoidance of Double Taxation and the Prevention of fiscal evasion with respect to taxes on income.

VARIOUS OTHER RELATIONSHIPS BETWEEN SEYCHELLES AND ZAMBIA

- On 6th June 2023, at the 18th meeting of Ministers for Foreign Affairs held in Lusaka, the two jurisdictions signed a General Cooperation Agreement. The agreement paves the way for bilateral collaboration across various sectors, including education, health, agriculture and more.
- MoU signed between the Ministry of Education and Human Resources of Seychelles and the Zambian Counterpart in 2017 to address acute shortage of teachers on the Island. To date, 84 Zambian teachers are deployed in various schools across the country.
- Two MoUs were signed in 2015 to cover two institutions: National Arts Council and The Seychelles Tourism Academy for exchanges of students and teachers between the Tourism Academy and the Hotel Tourism Training Institution in Lusaka.
- Negotiations are currently being conducted for the recruitment of 14 healthcare professionals in diverse fields.

SPECIFIC REASONS FOR INVESTMENTS INTO AFRICA THROUGH SEYCHELLES

Investing directly	Investing through Seychelles
High withholding/capital gains taxes in African countries	Double Taxation Treaties (DTA) network No/Low withholding taxes No capital gains taxes
No or limited preferential access to markets	Preferential access to markets through membership in major African regional blocs
Possible exchange controls	No exchange controls

Seychelles is a member of the below international organisations:

- African Continental Free Trade Area (AfCFTA)
- Common Market for Eastern and Southern Africa (COMESA)
- South African Development Community (SADC)
- African Caribbean and Pacific Group of States

- African Development Bank
- Interpol
- Africa Union
- United Nations
- Indian Ocean RIM Association
- Commission de L’Ocean Indien
- Commonwealth
- Inter-Parliamentary Union
- International Monetary Fund
- International Organisation for Migration (IOM)
- Organisation Internationale de La Francophonie
- World Trade Organisation
- World Bank Groups

FINANCIAL SERVICES IN SEYCHELLES

Seychelles is an established and reputable international financial jurisdiction, proposing global businesses and investors a range of sophisticated products that meet the increasingly demanding criteria of flexibility, adaptability, and security.

The country offers one of the fastest International Business Companies (IBC) incorporation in the world, whilst remaining compliant with international standards and maintaining good regulatory practices.

SOME OF THE STRUCTURES AVAILABLE

- International Business Company (IBC)
- Company Special License
- Trust and Foundation
- Protected Cell Company
- Mutual Fund and Hedge Fund
- Securities Dealer

CONTINUATION OF COMPANIES IN SEYCHELLES AS INTERNATIONAL BUSINESS COMPANIES

- Step 1 - Name Reservation:**
Check availability of the name of the company in Seychelles
- Step 2 - Application for incorporation with the Financial Services Authority (“FSA”)**

- Part 1**
The following documents are required for us to process, part of which will be sent to the FSA:

- a. Certificate of Incorporation/Registration (Certified True Copy) from the foreign registry
- b. Company's foreign Memorandum and Articles or equivalent constitutional document (Certified True Copy) registered by the foreign registry
- c. Certificate of Good standing/ Certificate of Current standing (Not older than 3 months) issued by the foreign registry
- d. Directors' Certificate certifying that:
 - i. The Company is solvent
 - ii. The Company is not in process of being wound up, dissolved, or struck off the register in its current jurisdiction
 - iii. The Company is not in receivership or under administration
 - iv. There is no outstanding arrangement between the company and its creditors that has not been concluded
 - v. The law of the foreign jurisdiction does not prohibit its continuation as a company in Seychelles
- e. Resolution authorising continuation to Seychelles

Part 2

Upon completion of Part 1, the FSA issues a unique registration number for the continued company.

The following documents are required to complete the continuation application to the FSA:

1. Articles of continuation
2. Extract of Directors' Certificate
3. New Seychelles Memorandum & Articles of Association

Step 3 – Issue of Certificate of Continuation

Upon receipt of the above, the FSA registers the company's Articles of Continuation as well as the Memorandum and Articles, and then issues the Certificate of Continuation.

For any additional information please contact us.

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If you do not wish to receive further information from Intercontinental Trust (Seychelles) Limited, please send an email to seychelles@intercontinentaltrust.sc.

Sources:

Zambia Development Agency

- Zambia-Trade-and-Investment-Opportunities
- Director-Generals-Media-Briefing-Documents-Review-of-the-2022-performance-of-the-Agency
- ZDA-Doing-Business-in-Zambia
- An investor guide to Zambia

Opportunities in Seychelles Booklet 2021

[Opportunities-in-Seychelles-booklet-2021.pdf \(invest-in-africa.co\)](https://invest-in-africa.co/opportunities-in-seychelles-booklet-2021.pdf)

Zambia and Seychelles Double Taxation Avoidance Agreement