COMMITTEE ON NATIONAL ECONOMY AND LABOUR MATTERS

SUBMISSION TO THE COMMITTEE ON NATIONAL ECONOMY AND LABOUR MATTERS

TITLE: MINES AND MINERALS DEVELOPMENT BILL NUMBER 31 OF 2022

DCEMBER 2022

Policy Monitoring and Research Centre (PMRC)
Corner of John Mbita & Nationalist Roads, Ridgeway, Lusaka - Zambia.
Private Bag KL 10
Tel: +260 211 269 717 | +260 979 015 660
Email: info@pmrczambia.net
www.pmrczambia.com

PMRC was requested to submit a written memorandum providing comments on the ramifications of the bill on the Mines and Minerals Development (Amendment) Bill N.A.B 31 of 2022.

BACKGROUND

The mining sector is one of the key sectors critical to driving economic growth and job creation, as espoused in the 8th National Development Plan (8NDP). The 8NDP proposes to promote the mining of traditional and non-traditional minerals through strategies such as Mineral and petroleum exploration and exploitation; Mineral tax and mining reforms; Mineral beneficiation and value addition; and Artisanal and small-scale mining development, among other strategies.

In the 2023 budget government proposed to restructure the Mineral Royalty Tax (MTR) to apply at the incremental value in each price band when the price value exceeds a certain threshold as opposed to being levied on the aggregate value. In addition, the 2023 budget has proposed to reduce the lowest marginal rate to 4.0 percent from 5.5 percent.

In order to effect the proposal of the 2023 budget, the Mines and Minerals Development Act is being amended by the deletion of subsection 2 of section 89 - **(2) The mineral royalty payable on industrial minerals shall be at six percent of the gross value of the minerals produced or recoverable under the licence.**

- The new amendment proposes to add the following to the Act as enshrined in the bill to amend the 2015 Act:
- (2) Where the base metal produced or recoverable under the licence is copper, the mineral royalty payable shall be applied at an incremental value in each price range at the rate of —

  a) Four percent of the norm value when the norm price of copper is less than four thousand United States dollars per tonne;

  b) Six point five percent of the norm value when the norm price of copper is four thousand United States dollars or higher per tonne but less than five thousand United States dollars per tonne;

  c) Eight point five percent of the norm value when the norm price of copper is five thousand United States dollars or higher per tonne but less than seven thousand United States dollars per tonne; and

  d) Ten percent of the norm value when the norm price of copper is seven thousand United States dollars or higher per tonne.

Restructure the taxation of Mineral Royalty to tax only the incremental value in each price range when the price crosses each Mineral Royalty price threshold.

Current Regime			Proposed Regime		
Price Range	Taxable Amount	Rate %	Price Range	Taxable Amount	Rate %
Less than US$4500 per tonne	Full price amount	5.5	Less than US$ 4000 per tonne	The first US$ 4000	4.0
US$4500 per tonne or more but less than US$6000 per tonne	Full price amount	6.5	US$4001 per tonne or more but less than US$5000	The next US$1000	6.5
US$ 6000 per tonnes or more but less than US$7500 per tonne	Full price amount	7.5	US$ 5001 per tonne or more but less than US$7000	The next US$ 2000	8.5
US$ 7500 per tonne or more but less than US$9000 per tonne	Full price amount	8.5	US$ 7001 per tonne or more	The balance	10
US$9000 per tonne or more	Full price amount	10			

Source: *2023 National Budget Speech*

The proposed amendments to the act are in line with the 20220 Mineral resource development policy that aims to facilitate the formulation of a consultative, competitive and sustainable mining tax regime.

PMRC COMMENTS ON THE RAMIFICATIONS

Advantages

- The proposed tax regime for MRT is placing the copper sector in line with other mining jurisdictions, such as the Congo, whose MRT has been at 2%. While the tax regime is another factor attracting investments in the sector, Congo boasts of high grades of copper ore compared to Zambia, especially on the Copperbelt, where poor grades have been a challenge for mining entities affecting production. While there is nothing Zambia can do about the poor grades, it has an opportunity to make its mining tax regime attractive for investments.

Concerns

- The proposed changes to the taxation regime do not differentiate between small- and large-scale players resulting in the large- and small-scale players still getting the same tax treatment. This situation will continue to result in over-taxation of the latter, driving the increase in the informal sector size as the proposed tax regime is complex and burdensome.
- While the proposed amendments are aimed at promoting the growth of the copper subsector, it neglects the none copper subsectors which are gaining dominance on the market, such as gold, emerald and gemstone. This proposal is against the government's aspirations of diversification of the mining sector.
- The lack of differential tax regimes between large-scale and small-scale mining players poses a big challenge regarding the formalization of businesses for small-holder mining players hence the loss of revenues.