



## **THE ECONOMICS ASSOCIATION OF ZAMBIA**

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### **ECONOMICS ASSOCIATION OF ZAMBIA REGRETS PLANS BY MINING COMPANIES TO CUT DOWN LABOUR AND CAPITAL INJECTIONS**

The Economics Association of Zambia - EAZ wishes to express deep concern over the statement issued by the Chamber of Mines warning that the new mine tax regime proposed by Government could lead to more than 21,000 job losses and operators cutting \$500 million in capital spending over the next three years.

The mining industry remains the most important industry in Zambia and a significant contributor to Zambia's foreign exchange. The mining industry unlike other industries in Zambia is very strategic and produces goods that are non-renewable. Against this backdrop, it is very important that the sector contributes significantly to Zambia's economic development through job creation and linkages with other sectors.

Zambia has one of the most favourable investment conditions for the mining sector in the world. The number of incentives such as electricity and fuel subsidies, tax and non-tax incentives have come at a great cost to the nation. It is therefore unfortunate that the mines remain uncooperative and opposing every time a new tax regime is proposed to enhance revenue collection from the sector which is expected to benefit the citizens.

We would like to express as a concern that employees should not be used as a tool for arm twisting government. The current mine tax regime is archaic and only allows exploitation Zambia's mineral resources. It is also unfair to reduce mining activities and capital injections into the sector at a time metal prices are favourable. Halting mining operations in Zambia is equivalent to economic sabotage and no other country can tolerate such especially that over 70% of foreign exchange inflows come from the mining industry.

Zambia is not the only country in Africa to tighten its mine tax regime so as to close down any leakages and also enhance mine contribution to economic development. Botswana, Tanzania and recently Congo (DRC) have enhanced their tax regimes with Congo DR increasing mineral royals by 300%.

As an Association, we are preparing an advisory note to government to ensure that marketing and sales of mineral resources is done locally so that all foreign exchange flows through Zambian commercial banks.

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**Lusaka, Zambia**