



# **EIGHTH REPORT**

For the fiscal year ended 31  
December 2015



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## LIST OF ABBREVIATIONS

<b>DA</b>	Development Agreements
<b>EPF</b>	Environmental Protection Fund (EPF)
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>FDI</b>	Foreign Direct Investment
<b>FOB</b>	Free on Board
<b>FQM</b>	First Quantum Mining and Operations Ltd-BM M S
<b>GDP</b>	Gross Domestic Product
<b>GRZ</b>	Government of the Republic of Zambia
<b>GSD</b>	Geological Survey Department
<b>IDC</b>	Industrial Development Corporation
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>ISA</b>	International Standard on Auditing
<b>ISRS</b>	International Standard on Related Services
<b>KCM</b>	Konkola Copper Mines
<b>MCM</b>	Mopani Copper Mines
<b>MMMD</b>	Ministry of Mines and Minerals Development
<b>MoF</b>	Ministry of Finance
<b>MoL</b>	Ministry of Lands
<b>MoLGH</b>	Ministry of Local Government and Housing
<b>MSD</b>	Mines Safety Department
<b>MT</b>	Metric Tons
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NTES</b>	Non Traditional Exports
<b>OAG</b>	Office of the Auditor General
<b>PAC</b>	Public Accounts Committee
<b>PAYE</b>	Pay As You Earn
<b>PFM</b>	Public Financial Management
<b>PLC</b>	Public Limited Company
<b>TPIN</b>	Tax Payer Identification Number
<b>UMCIL</b>	Universal Mining & Chemical Industries Limited
<b>US\$</b>	United States Dollar
<b>VAT</b>	Value Added Tax
<b>WHT</b>	Withholding Tax
<b>ZCCM- IH</b>	Zambia Consolidated Copper Mines – Investment Holdings Plc
<b>ZEC</b>	Zambia EITI Council
<b>ZEITI</b>	Zambia Extractive Industries Transparency Initiative
<b>ZICA</b>	Zambia Institute of Chartered Accountants
<b>ZMW</b>	Zambian Kwacha – Rebased
<b>ZRA</b>	Zambia Revenue Authority

## 1. INTRODUCTION

### 1.1 Background

The Extractive Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society working together to enhance transparency and accountability in the management of revenues from natural resources. The International Board issued a new global standard for transparency in the oil, gas and mining industries in February 2016 (the “EITI Standard”). The EITI principles are based on the belief that prudent use of natural resources contributes to economic growth, sustainable development and reduction of poverty in resource-rich countries.

**To achieve this, the 2016 standard further develops the EITI principles of the standard as follows;**

- It encourages countries to build on their existing reporting systems and practices for EITI data collection in order to make EITI data more timely, reliable and accessible and the EITI process more cost effective and efficient.
- It seeks to develop the EITI’s growing status as a platform for progress that is bringing greater transparency and accountability to all aspects of natural resource management, including tax transparency, commodity trading and licensing. It includes ground-breaking disclosure requirements on beneficial ownership, ensuring that the identity of the real owners of the oil, gas and mining companies operating in EITI countries will from now on be public.
- It introduces a new validation system which aims to better recognise efforts to exceed the EITI requirements and sets out fairer consequences for EITI countries that have not yet achieved compliance with the EITI requirements.

Zambia has produced seven (7) annual EITI reports since joining EITI in May 2009 and becoming compliant on the 19<sup>th</sup> of September 2012. The periods covered by these reports are from 1 January 2008 until 31 December 2014.

The 2015 ZEITI reconciliation report is the 8<sup>th</sup> ZEITI report, covering the period 1 January 2015 to 31 December 2015. Zambia’s next validation process starts by 1<sup>st</sup> January 2017.

### 1.2 Objectives

The purpose of this report is to reconcile the information provided by companies in the extractive sector (hereafter referred to as “Companies”) with the information provided by relevant Government Ministries and Entities (hereafter referred to as “Government Agencies”).

The overall objectives of the reconciliation exercise are to assist the Government of Zambia in identifying the positive contribution that mineral resources are making to the economic and social development of the country and to realise their potential through improved resource governance that encompasses and fully implements the principles and criteria of the Extractive Industries Transparency Initiative.

### 1.3 Nature of our work

We have performed our work in accordance with the ISRS applicable to related services (ISRS 4400 Engagements to perform agreed upon procedures regarding financial information). The procedures performed were those set out in the terms of reference as established in the request for proposal and approved by ZEC.

The reconciliation procedures carried out were not designed to constitute an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements. As a result we do not express any assurance on the transactions beyond the explicit Governments set out in this report. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

**The report consists of six (6) chapters presented as follow:**

- Executive summary;
- Methodology and approach to the reconciliation process;
- Determination of the reconciliation scope;
- Reconciliation results of reported information;
- Description of the contextual information on the industry;
- Recommendations for improvement of future reconciliation processes.

Reported information disaggregated by individual companies, Government Entities and revenue streams, are included as appendices to the report. The amounts in this report are reported in Zambian Kwacha (ZMW), unless otherwise reported. Our report incorporates information received up to 14 December 2016. Any information received after this date is not, therefore, included in our report.

## 2. EXECUTIVE SUMMARY

This report summarises information about the reconciliation of fiscal and non-fiscal revenue from the Extractive Industry in Zambia as part of the implementation of the Extractive Industries Transparency Initiative (EITI). In this context, extractive companies and Government Entities report payments and revenue respectively. In addition; this report includes reconciliation of revenues collected by the Government Owned Company-“ZCCM-IH” and Industrial Development Corporation (IDC) from extractive companies and the cash flows contributed by ZCCM-IH to the Government budget.

### 2.1 Revenue Generated from the Extractive Sector

The receipts reported by the Government in 2015, after reconciliation, is reflected as follows:

#### Contribution to the Government budget

From the selected companies, revenue totalled ZMW 9.07 billion after reconciliation (2014; ZMW 9.95 billion).

**Table 1: Contributions by source**

Nature	Extractive sector contribution 2015 in ZMW billion	%age 2015	Extractive sector contribution 2014 in ZMW billion	%age 2014	Change in ZMW billion
Contribution by Copper, Cobalt producers	7.78	85.78%	8.10	81.49%	-0.32
Contribution by Cement producers	0.66	7.28%	0.46	4.63%	0.20
Contribution by other mining companies *	0.51	5.62%	0.18	1.81%	0.41
Total direct contribution to the government budget	8.95	98.68%	8.74	87.93%	0.29
Other receipts from extractive industry **	0.12	1.34%	1.20	12.07%	-1.16
<b>Total Government Receipts from extractive sector</b>	<b>9.07</b>	<b>100%</b>	<b>9.94</b>	<b>100.00%</b>	<b>-0.87</b>

\* Quarrying, Emerald, Lime companies

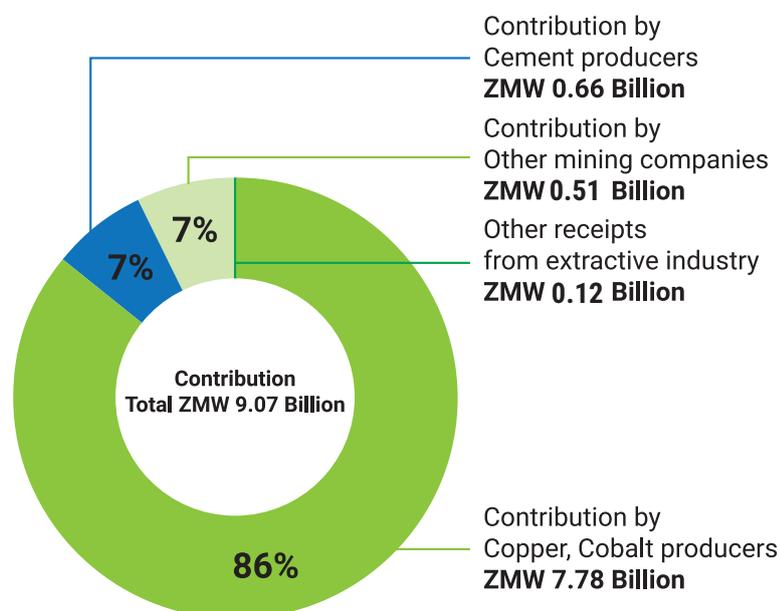
\*\* Companies unilaterally declared that did not meet the ZMW 2 Million materiality threshold

Amounts not contributed directly to Government budget of ZMW 0.02 billion (0.23% of total government receipts) was contributed through dividends and other investment income of ZMW 0.58 billion collected by ZCCM-IH and Industrial Development Corporation (IDC) from its subsidiaries which operate in the mining sector, social payments amounting to ZMW 0.386 billion paid by extractive companies.

The Government recorded payments of ZMW 8.95 billion or 98.68% of total cash flows from the extractive industry in 2015 out of which copper and cobalt producers contributed ZMW 7.78 billion (85.78%), cement producers ZMW 0.66 billion (7.28%) and other extractive companies ZMW 0.51 billion (5.62%).

The contribution of the sector that is summarised in the table above is further illustrated in the chart below.

Graph 1



### Analytical trend of extractive sector revenues

Government Revenues from the extractive sector reduced from ZMW 9.95 billion in 2014 to ZMW 9.07 billion in 2015. This reduction of ZMW 0.88 billion (9% decrease) is analysed in the table below:

The other factor that contributed to the reduction in revenue was that copper earnings in 2015 were 31.3% lower than that reported in 2014. The average realised copper price declined by 23% to US\$5,120.5 per tonne in 2015 largely reflected the slowdown in global demand particularly declining growth in China.

Table 2

Revenue Stream (in billion ZMW)	2013	2014	2015
Import VAT (i)	2.23	1.99	1.20
Company Income Tax (ii)	1.31	1.55	0.83
Mineral royalties (iii)	1.71	1.82	3.63
Other payments (iv)	1.12	1.96	1.65
<b>Total contribution to GRZ budget (excluding PAYE) (i+ii+iii+iv)</b>	<b>6.37</b>	<b>7.32</b>	<b>7.31</b>
Pay As You Earn (PAYE)	1.40	1.43	1.54
<b>Total contribution to National Treasury (a)</b>	<b>7.77</b>	<b>8.75</b>	<b>8.85</b>
Payments to the EPF (b)	0.01	0.02	0
Dividends - IDC (c)			0.02
Other investment incomes	0.08	0	0.17
Revenues received by ZCCM-IH (d)	0.42	0.5	0.03
Social payments	0.18	0.43	* 0.39
<b>Total revenue from extractive sector (a+b+c+d)</b>	<b>8.21</b>	<b>9.95</b>	<b>9.07</b>

\* Social payments not included in the total revenue from extractive sector

The reduction of 8.8% or ZMW 0.88 billion can be attributed to the reduction in the number of companies covered in the report from 40 companies in 2014 to 33 companies in 2015.

### Contribution to the Zambian Economy

Based on the information gathered and set out in Section 6 (contextual information) of this report, Zambia is still highly dependent on mining as its major productive industry.

**Table 3**

Economic indicator	%age of extractive industry contribution to the economy in 2014	%age of extractive industry contribution to the economy in 2015
Exports	78%	75%
Investments	1.6%	1.06%
Government revenue	32%	26%
GDP	6%	10%
Direct Employment	1.7%	0.8%

## 2.2 Analysis of production and exports

### Summary production information<sup>1</sup>

According to information provided by the large scale mining companies and the Ministry of Mines and Minerals Development and other government agencies, Copper and cobalt are the key commodities produced in Zambia. In 2015, the production was 710,860 (2014; 708, 258 mt) metric tons of copper. Also in 2015 103,439 (2014; 159,151) metric tons of Coal, 36,019 Kgs (2014; 6,253) of emeralds and 4,241kgs (2014; 5,417) of gold were produced by extractive companies in Zambia;

**Table 4**

Production of Major Minerals in 2015			
Mineral	2015	2014	Change
Copper (Mt)	710,860	708,259	2,601
Coal(Mt)	103,439	159,151	(55,712)
Emeralds (Kg)	36,019	6,253	29,766
Gold (kgs)	4,241	5,417	(2,012)

(Source: 2015 Ministry of Finance Annual Economic Report)

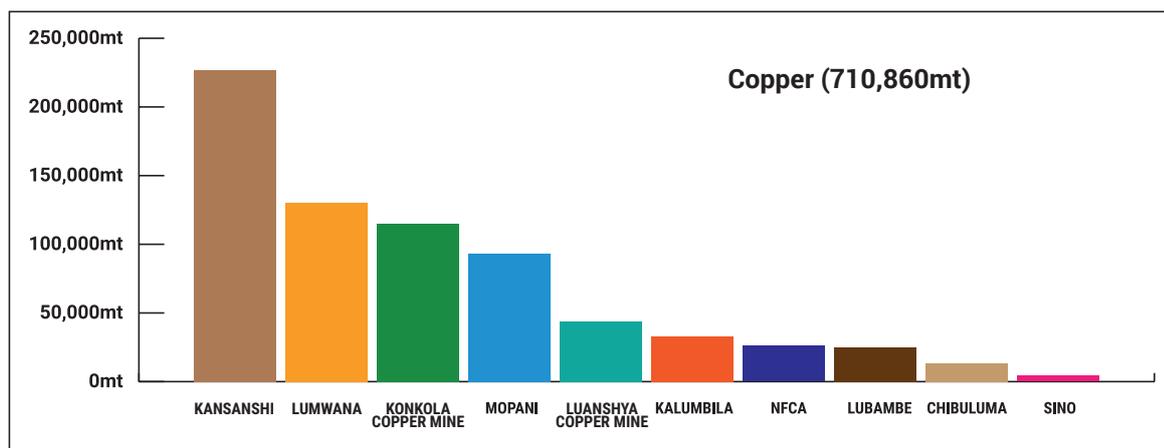
<sup>1</sup> Toll, purchased and imported production excluded

## Production of Major Mines in Zambia

In the charts below we present production of the major mines by company in 2015.

### Copper production;

Graph 2



As shown in the charts above, the four largest mining companies in Zambia namely; Konkola Copper Mines and Mopani Copper Mines from the Copperbelt province and Kansanshi and Lumwana from North-Western province, account for over 80% of copper production in Zambia.

Copper production increased marginally by 0.3% from 708,254 to 710,860 Mt in 2015. The marginal increase was aided by the commencement of production at Kalumbila mine which contributed 32,951Mt.

Improved production at Lumwana and Mopani especially in the first three quarters of the year also aided growth. Notwithstanding the increase in production, the copper industry faced challenges of low ore grade, low copper prices on the international market and constrained electricity supply in the first quarter of 2015. This resulted in most companies scaling down on production while Baluba and Nchanga underground mines were put on care and maintenance.

### Gold production;





Coal production;

### Analysis of Exports Information<sup>2</sup>

#### EXPORTS

**Table 5: Balance of Payments (US \$'million), 2013-2015**

Trend analysis of export information					
	2013	2014	2015	Change	Percentage movement between 2014 and 2015
Copper	6,911.4	7,618.5	5,233.6	-2,384.9	-31%
Cobalt	137.9	123.9	70.7	-53.2	-43%
Gold	185.6	152.2	151.8	-0.4	0%
Non-traditional exports	3,558.4	2,272	1,848.6	-423.4	-19%
<b>Mineral Exports</b>	<b>10,793.3</b>	<b>10,166.6</b>	<b>7,304.7</b>	<b>-2,861.9</b>	

Source ; (Bank of Zambia report 2015)

<sup>2</sup> Including imported and purchased production



## Copper

Copper export earnings, at US \$5,233.6 million in 2015, were 31.3% lower than the US \$7,618.5 million realised in 2014 due to lower realised prices and export volumes. The average realised copper price declined by 23.0% to US \$5,120.5 per tonne in 2015, largely reflecting the slowdown in global demand, particularly declining growth in China. Copper export volumes dropped by 10.8% to 1,022,096.5 metric tons (mt) from 1,146,315.4 mt in 2014.

## Cobalt

Cobalt export earnings also declined by 42.9% to US \$70.7 million in 2015. This was attributed to lower export volumes and average realised prices. Cobalt export volumes fell by 34.7% to 2,978.8 mt from 4,562.2 mt in 2014. The temporary suspension of operations at Chambishi Metals Plc (Zambia's major Cobalt producer) in June and July 2015 due to challenges in procuring cobalt concentrate from the Democratic Republic of Congo (DRC) contributed to the decline in Cobalt export volumes. The average realised price of Cobalt declined by 12.6% to US dollars 23,736.3 per tonne from US dollar 27,155.4 per tonne in 2014.

## Gold

Gold export earnings marginally declined by 0.3% to US \$151.8 million in 2015 on account of the drop in volumes. Gold export volumes declined by 1.4% to 140,244.0 ounces from 142,607.0 ounces in export 2014. Average realised gold prices, at US \$1,082.20 per ounce, were 1.4% higher than US \$1,067.30 per ounce recorded in 2014. Democratic Republic of Congo (DRC) contributed to the decline in cobalt export volumes. The average realised price of cobalt declined by 12.6% to US \$23,736.3 per tonne from US \$27,155.4 per tonne recorded in 2014.

## 2.3 Scope of the reconciliation

### Payment flows and information reported

The report covers payments made by extractive companies and revenues received by Government entities and other material payments and benefits to Government Entities as detailed in Section 4 of this report.

The report also covers mining production, export sales, social payments and loans provided to mining companies.

### Reporting entities

All companies operating under an exploration license in oil and gas or a mining license and which make payments to government entities in excess of ZMW 2 million (approx. US\$ 231,481 at an average rate of 8.64 ) were required to report their payments to us in accordance with the EITI Standard. As a result, cash flows reconciled for the extractive sector represent 99.62% of revenue flows from the mining sector by government entities. The initial selection resulted in 37 mining companies operating in Zambia. These companies are listed in Section 4 of this report.

**Chantente Mining Services Limited** that was selected among the 37 companies was later dropped from the reconciliation scope as we later established that this entity did not possess mineral rights in Zambia as of 2015. We have confirmed from management that the company sold its mineral rights to Grizzly Mining Limited in 2009/2010. Grizzly Mining Limited was already selected and is included in this report.

**China Copper Mines Limited** was later dropped from the reconciliation because of the case that is in court.

Management communicated in writing.

**Uniturtle Industries (Zambia) Limited** was also later dropped from the reconciliation scope even though they do have an active mining licence as the payments to ZRA relate to manufacturing activities.

**Sable transport** was later dropped after it was established that the payments made to ZRA relating to the mining activities were below the K2 million threshold and that the majority of the payments made to ZRA are from non-mining activities.

A formal letter was received from the company to this effect.

**Zambezi Portland** did not report because of the ongoing case in the courts of Law.

The final number of companies considered for the 2015 report is therefore **33 (Thirty three)** companies (2014: 40 companies)

For mining entities, including those operating in the artisanal mining sector, which have made payments below the ZMW 2 million threshold to the Government, cash flows are included in this report through unilateral disclosure by Government Entities and ZCCM-IH. The revenues collected from these companies which were submitted by government entities during the scoping phase are detailed in Section 2.6.4 of this report.

Based on the list of mining companies and payment streams included in the scope, all Government Entities involved in revenue collection were required to report under the EITI standard. These entities are listed in Section 4 of this report.

## 2.4 Completeness and Accuracy of Information

### Reporting Template Submission

All companies included in the reconciliation scope have returned their reporting templates, except the following:

**Table 6**

Company	Government Receipts (In ZMW)
Zambezi Portland Cement Limited	87,043,141

The receipts reported by Government Entities in respect of these companies amounting to ZMW 108 million account for only 1% (not material for the purpose of this report) of the total extractive sector revenue declared and received by the Government.

The independent administrator and the ZEITI secretariat applied all efforts to obtain reporting information from the companies listed above without success. The following efforts were made to try and obtain information from these companies.

1. Request for information as well as letters were sent through email contact details on file in the Mining Cadastre. Phone calls were made to confirm receipt of these emails.
2. The ZEITI Secretariat issued a public notice in the press (newspapers) urging these companies to submit information.
3. Staff from the Independent Administrators' office physically followed up on the reporting templates as

well as template completion instructions in addition to the introduction letters from the government inviting the companies to submit reporting templates. All these efforts did not yield any positive response from the companies above.

All Government Entities included in the reconciliation scope have returned their reporting templates. Details of submission of the reporting templates by reporting entity are set out in Annex 2 of this report.

### Payments and Receipts Certification

All the thirty three (33) companies included in the reconciliation scope and who returned the reporting templates, submitted their reporting templates signed by management, of which only six (6) companies have submitted a certified reporting template signed by external auditor.

These companies are listed in the table below:

**Table 7**

No	Company	Government receipts (ZMW)
1	Mopan Copper Mines Plc	1,214,579,777
2	Lumwana Mining Company Limited	1,049,421,659
3	Lafarge Cement Zambia Limited	575,771,492
4	Chambeshi Metals Plc	163,955,276
	<b>Total</b>	<b>3,003,728,204</b>

- i. The receipts reported by the government entities in respect to the above companies were ZMW 3.003 billion accounting for 34% of total extractive revenue declared by the Government. Despite the low number of companies submitting audit certification for their reporting templates, all thirty four(34) companies that reported and whose templates were signed off by management provided supporting documents in form of receipts and other payment supporting documents in addition to providing detailed payment information with receipt numbers, payment dates, payment types and the currency of payment; These supporting documents and detailed breakdown of the transactions increased our confidence in the reliability of the information that was reported and reconciled. The ZEC has continued to rely on management sign offs as mitigation.
- ii. With regards to Government Entities, we have received a letter from the Auditor General confirming that the accounts of the Government Entities for 2015 were audited under International Standards.
- iii. All government entities that were included in the reconciliation scope have submitted reporting templates signed by authorised officers for these entities.
- iv. Details of submission of the certified reporting templates by reporting entity are set out in Annex 2 of this report.
- v. Mainly due to the challenges faced in external auditors providing audit certificates over the years, the Zambia EITI Council (ZEC) made a decision to obtain audit certificates for some of the companies and where these are not available ZEC will rely on management sign off to ascertain validity of the information report.

## 2.5 Reconciliation of Financial Flows

BDO has been engaged to reconcile the taxes and payments reported by the extractive companies and the Government Entities in order to identify and clarify any potential discrepancies in the reporting. Section 5.1 of this report presents the reconciliation results at aggregated level. Individual templates by company showing all the reconciliation details are presented in Section 5.2 of this report. The table below presents a summary of the financial flows reconciliation.

### Summary of Financial Flows Reconciliation

By the date of this report, financial flows were reconciled to 99.81% of total financial flows reported by the Government. The net unreconciled amount was ZMW 15,863,206 or 0.17% of the total reported financial flows declared by the Government. The table below shows the summary of the reconciliation results.

**Table 8: Summary of Financial Flows Reconciliation**

Aggregated receipts	Initial reporting	Adjustment	Final Adjusted Amount
<b>Allocated to the Government budget (in ZMW billion)</b>			
<b>Mining companies</b>			
Extractive companies	8.88	0.09	8.97
Government (i)	9.06	(0.16)	8.90
Difference	(0.18)	(0.07)	0.07
ZCCM-IH (II)			
ZCCM-IH and IDC (ii)	0.05	0.00	0.07
Government	0.05	0.00	0.07
Difference	(0.00)	0.00	(0.00)
<b>Reconciled figures allocated to the Government budget</b>			
Extractive companies and ZCCM-IH	8.93	0.09	8.84
Government	9.11	0.16	8.95
Difference	(0.18)	0.07	0.24
Revenue from other companies (iii) (*)	0.12	-	0.12
<b>Contribution to the Government budget (i+ii)</b>	<b>9.23</b>	<b>0.16</b>	<b>9.07</b>

(\*) Unilateral disclosure from extractive companies.

## 2.6 Analysis of Government Revenues

### 2.6.1 Analysis of receipts by companies

The analysis of Government revenues by companies' contribution indicates that 10 companies contributed approximately 88% of the total Government revenues in 2015 and that Kansanshi Mining Plc accounts for almost 23.60% of the total extractive revenues for the year.

**Table 9: The list of payments by company is shown in the table below:**

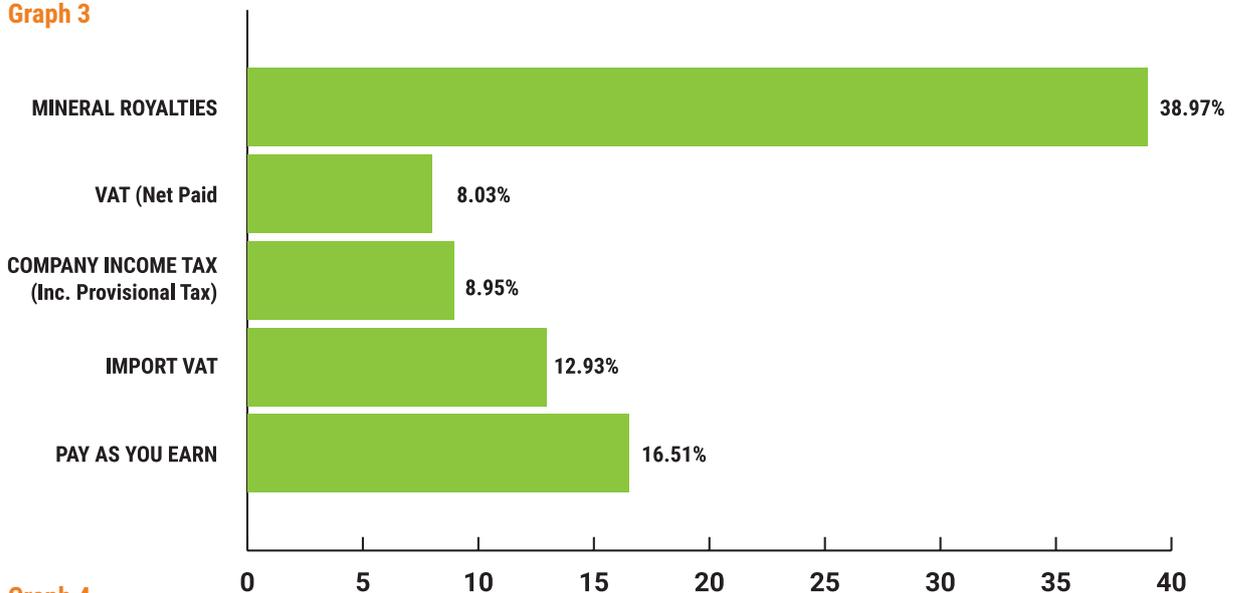
No	Company	Government receipts (ZMW)	% of total payment
1	KANSANSHI MINING PLC	2,141,400,450	23.60%
2	MOPANI COPPER MINES PLC	1,214,579,777	13.39%
3	KONKOLA COPPER MINES PLC	1,175,956,386	12.96%
4	LUMWANA MINING COMPANY LIMITED	1,049,421,659	11.57%
5	FIRST QUANTUM MINING AND OPERATIONS LTD-BM M S	760,726,369	8.38%
6	LAFARGE CEMENT ZAMBIA PLC	575,771,492	6.35%
7	KALUMBILA MINERALS LIMITED	414,122,349	4.56%
8	LUBAMBE COPPER MINE LIMITED	191,588,718	2.11%
9	KAGEM MINING LIMITED	261,081,780	2.88%
10	CNMC LUANSHYA COPPER MINES PLC	191,800,703	2.11%
11	CHAMBISHI COPPER SMELTER LIMITED	184,977,451	2.04%
12	CHAMBISHI METALS PLC	163,955,276	1.81%
13	NFC AFRICA MINING PLC	161,220,667	1.78%
14	MAAMBA COLLIERIES LIMITED	141,778,228	1.56%
15	CHIBULUMA MINES PLC	108,126,099	1.19%
16	ZCCM INVESTMENTS HOLDINGS PLC	71,423,057	0.79%
17	NDOLA LIME COMPANY LIMITED	8,838,224	0.10%
18	SINO-METALS LEACH ZAMBIA LTD	23,343,899	0.26%
19	GRIZZLY MINING LIMITED	21,324,860	0.24%
20	UNIVERSAL MINING INDUSTRIES LIMITED	17,306,656	0.19%
21	BLACKTHORN RESOURCES ZAMBIA LIMITED(INTREPID MINES)	8,749,680	0.10%
22	LIONS GROUP QUARRIES LIMITED	8,581,704	0.09%
23	NEELKANTH LIME LIMITED	6,361,564	0.07%
24	KARIBA MINERALS LIMITED	13,608,537	0.15%
25	SYNITE QUARRIES ZAMBIA	5,294,628	0.06%
26	MABIZA RESOURCES(ALBIDON MINE)	3,897,685	0.04%
27	KALULUSHI CLAY BRICKS LIMITED	3,742,261	0.04%
28	VALE ZAMBIA LIMITED	4,493,312	0.05%
29	CALCITE LIMITED	2,803,380	0.03%
30	RIO TINTO EXPLORATION ZAMBIA LIMITED	2,586,480	0.03%

31	ANGLO EXPLORATION ZAMBIA LIMITED	2,417,440	0.03%
32	SCIROCCO ENTERPRISES LIMITED	6,327,168	0.07%
33	SABLE ZINC KABWE LIMITED	4,012,457	0.04%
	Payments from other companies not reconciled	121,572,928	1.34%
	<b>TOTAL</b>	<b>9,073,193,324</b>	<b>100.00%</b>

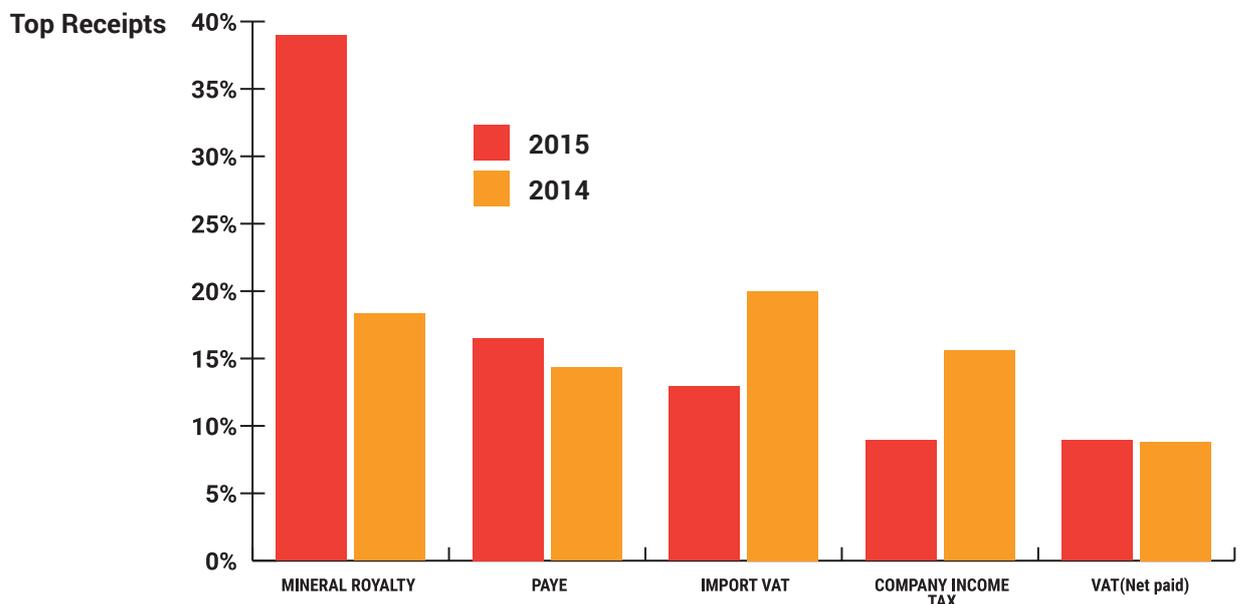
### Analysis of receipts by financial flows

The analysis of the receipts by financial flows contribution show that the top 5 taxes contributed 85.39% of the total Government extractive revenues collected by Government. Mineral Royalties accounts for the highest proportion of total Government revenue (38.97%).

Graph 3



Graph 4



**Table 10: The list of payments by contribution flow is shown in the table below;**

No	Revenue streams	Government receipts (ZMW)	% of total payment
1	Mineral Royalty	3,656,372,513	40.85%
2	Pay- As-You-Earn	1,580,630,477	17.66%
3	Import VAT	1,193,286,804	13.33%
4	Company Income Tax (Inc. Provisional Tax)	847,859,171	9.47%
5	VAT (Net paid)	794,182,681	8.87%
6	Import/Customs Duty	363,687,433	4.06%
7	Withholding Taxes	341,605,691	3.82%
8	Property Rates	81,776,722	0.91%
9	Dividends from IDC-Shares	30,275,000	0.34%
10	Dividends from ZCCM-IH Shares	27,648,000	0.31%
11	Excise Duty	11,104,149	0.12%
12	Other fees & charges	5,939,470	0.07%
13	Export Levy	5,726,950	0.06%
14	Area Charges	5,387,006	0.06%
15	Other taxes (ZRA)	2,125,730	0.02%
16	Valuation Fees	1,711,309	0.02%
19	Ground Rent	984,986	0.01%
20	Property Transfer Tax	555,725	0.01%
21	Licence Fees	402,642	0.00%
23	Annual Business Fees	292,162	0.00%
24	Application Fees	40,900	0.00%
25	Annual Operating permit	22,050	0.00%
23	Advance Income Tax	2,445	0.00%
<b>Total reconciled revenue from extractive industries</b>		<b>8,951,620,016</b>	<b>100.00%</b>

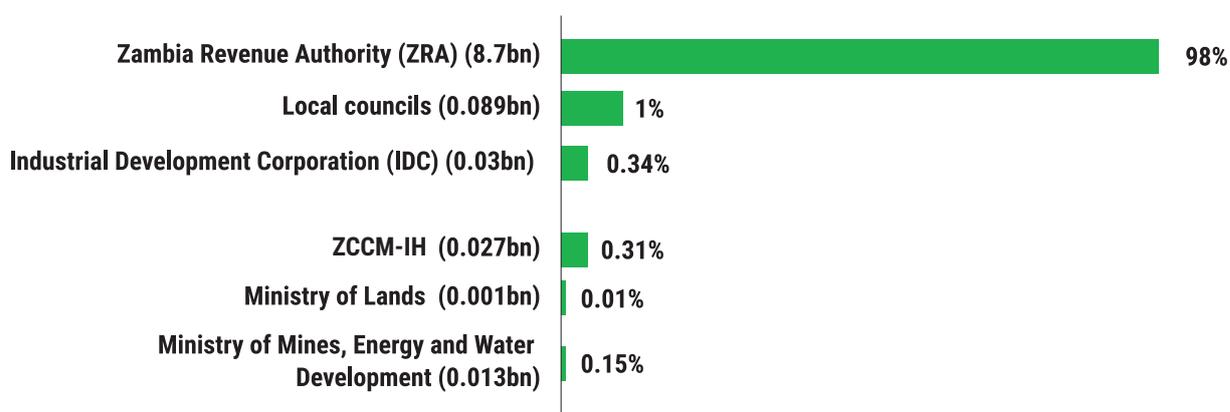
## Analysis of revenues by Government Agencies

During 2015, ZRA collected the largest amount of government revenue representing (98%) included in the reconciliation followed by Local Councils representing (1.02%) as shown in the chart and table below:

**Table 11**

No	Government Entities	Government receipts (ZMW)	% of total payment
1	Zambia Revenue Authority (ZRA)	8,797,139,769	98.27%
2	Local Councils	82,068,884	0.92%
3	IDC	30,275,000	0.34%
4	ZCCM-IH	27,648,000	1.31%
5	Ministry of Mines, Energy and Water Development	13,503,377	0.15%
6	Ministry of Lands	984,986	0.01%
	<b>Total extractive sector</b>	<b>8,951,620,016</b>	<b>100.00%</b>

## Receipts per government Agency



## Analysis of ZCCM-IH receipts

Below we present the details of dividends received by ZCCM-IH and IDC in 2015 from state owned enterprises; See other sections in this report for more details.

No	Company	Revenue stream	Amounts received in (ZMW)	Amounts received in US\$	Amounts received in USD converted to (ZMW)	Total (ZMW)
1	KANSANSHI MINING PLC	Dividends		1,600,000	13,824,000	13,824,000
2	KAGEM	Dividends		3,500,000	43,980,900	43,980,900
	<b>Total</b>			<b>5,100,000</b>	<b>57,804,900</b>	<b>57,804,900</b>

### Analysis of local council receipts

We present below an analysis of local council receipts by local council, receipts type and by company after the reconciliation; all amounts in ZMW.

No	Identification	Property rates (ZMW)	Annual Business Fees (ZMW)	Total (ZMW)
<b>1</b>	<b>Mufulira Municipal Council</b>			
	MOPANI COPPER MINES PLC	5,434,338	68,205	<b>5,502,543</b>
<b>2</b>	<b>Kalulushi Municipal Council</b>			
	CHAMBISHI COPPER SMELTER LIMITED	4,850,000	-	<b>4,850,000</b>
	CHAMBISHI METALS PLC	2,500,000	-	<b>2,500,000</b>
	SINO-METALS LEACH ZAMBIA LTD	664,978	-	<b>664,978</b>
	CHIBULUMA MINES	45,296	-	<b>45,296</b>
	GRIZZILY	11,872	-	<b>11,872</b>
	NFCA	1,400,000	-	<b>1,400,000</b>
	<b>Total</b>	<b>9,472,146</b>		<b>9,472,146</b>
<b>3</b>	<b>Kitwe City Council</b>			
	GRIZZLY MINING LIMITED	102,884	-	<b>102,884</b>
	KAGEM MINING LIMITED	41,617	-	<b>41,617</b>
	MOPANI COPPER MINES PLC	3,921,552	-	<b>3,921,552</b>
	NFC AFRICA MINING PLC	7,443	-	<b>7,443</b>
	ZCCM INVESTMENTS HOLDINGS PLC	27,167	-	<b>27,167</b>
	KONKOLA COPPER MINES PLC	1,378,965	-	<b>1,378,965</b>
	HETRO MINING	20,412	-	<b>20,412</b>
	<b>Total</b>	<b>5,500,400</b>		<b>5,500,400</b>
<b>4</b>	<b>Chililabombwe Municipal Council</b>			
	KONKOLA COPPER MINES PLC	6,014,250	34,521	<b>6,048,771</b>
	LUBAMBE COPPER MINES	2,860	-	<b>2,860</b>
	<b>Total</b>	<b>6,017,110</b>	<b>34,521</b>	<b>6,017,110</b>
<b>5</b>	<b>Chingola Municipal Council</b>			
	KONKOLA COPPER MINES PLC	9,720,000	127,036	<b>9,847,036</b>
<b>7</b>	<b>Mazabuka Municipal Council</b>			
	ALBIDON ZAMBIA LIMITED(MABIZA RESOURCES)	498,280	5,890	<b>504,170</b>
<b>8</b>	<b>Ndola City Council</b>			
	NDOLA LIME COMPANY LIMITED	940,098		<b>940,098</b>
<b>9</b>	<b>Lufwanyama District Council</b>			
	CHIBULUMA MINES	890,600	-	<b>890,600</b>

No	Identification	Property rates (ZMW)	Annual Business Fees (ZMW)	Total (ZMW)
	GRIZZILY	29,000	-	<b>29,000</b>
<b>10</b>	<b>Mumbwa District Council</b>			
	KONKOLA COPPER MINES PLC	1,011,600	-	<b>1,011,600</b>
<b>11</b>	<b>Sinazongwe District Council</b>			
	MAAMBA COLLIERIES LIMITED	22,571	71,100	<b>93,851</b>
<b>12</b>	<b>Solwezi Municipal Council</b>			
	KANSANSHI MINE PLC	14,936,900	-	<b>14,936,900</b>
	LUMWANA MINING COMPANY LIMITED	11,049,000	-	<b>11,049,000</b>
	<b>Total</b>	<b>25,985,900</b>	<b>-</b>	<b>25,985,900</b>
<b>13</b>	<b>Kafue District Council</b>			
	UNIVERSAL MINING	122,334	7,403	<b>129,737</b>
<b>14</b>	<b>Chilanga District Council</b>			
	LAFARGE CEMENT ZAMBIA PLC	1,728,180	8,100	<b>1,736,280</b>
	DOLOMITE		6,000	<b>6,000</b>
	LIONS GROUP QUARRIES LIMITED		2,500	<b>2,500</b>
	SCIROCCO ENTERPRISES LIMITED		3,000	<b>3,000</b>
	<b>Total</b>	<b>1,728,180</b>	<b>19,600</b>	<b>1,747,780</b>
<b>15</b>	<b>Luanshya Municipal Council</b>			
	CNMC LUANSHYA COPPER MINES PLC	10,853,286		<b>10,853,286</b>
<b>16</b>	<b>Kabwe District Council</b>			
	SABLE ZINC (ZAMBIA) LIMITED	57,603		<b>57,603</b>

### Unilateral disclosure of revenues by Government Entities

Government Entities were requested to disclose unilaterally revenue streams collected from companies not included within the reconciliation scope in accordance with EITI Requirement 4.1.d. Zambia Revenue Authority (ZRA) provided a comprehensive account of the total government revenue received from all the mining companies registered under the extractive industry. Details of payments by Company are set out in the table below: All amounts in ZMW.

No	Taxpayer name	Total amounts paid to ZRA- Large Tax Payers and Domestic Revenue Department (ZMW)	Total amounts paid to ZRA-Customs and Excise Department (ZMW)	Total reported receipts by government (ZMW)
1	MMG (ZAMBIA) EXPLORATION LIMITED	1,700,279	138,825	1,839,104
2	TRIPLE S RANCH LIMITED	1,747,590	6 2,159	1,809,749
3	JONAH MINING ZAMBIA LIMITED	1,740,529	-	1,740,529
4	PLR PROJECTS ZAMBIA LIMITED	2 71,942	1,459,940	1,731,882
5	METMIN LIMITED	1,510,895	-	1,510,895
6	DENISON MINES ZAMBIA LIMITED	1,162,049	714	1,162,763
7	JEWEL OF AFRICA LIMITED	1,035,321	93,798	1,129,119
8	GENESIS PROCUREMENT LIMITED	1,012,254	44,588	1,056,842
9	T-THREE DRILLING ZAMBIA LIMITED	414,738	550,348	965,086
10	FERRO ALLOYS CORPORATION LIMITED	5 08,376	451,641	960,017
11	DOLOMITE AGGREGATES LIMITED	849,172	83,543	932,715
12	MEP INDUSTRIAL DEVELOPMENT LTD	854,954	1,943	856,897
13	UNIRATE INVESTMENTS LIMITED	717,000	23,962	740,962
14	KATIMA STONES LIMITED	666,772	20,357	687,129
15	CALEDONIA NAMA LTD	683,847	454	684,301
16	FIVEWOOD INTERNATIONAL MINING LIMITED	5 14,887	8 9,115	604,002
17	AFRICA DRILLING AND EXPLORATION LIMITED	173,540	423,745	597,285
18	CHINA NONFERROUS METAL (Z) GEOLOG. EXPLOR. CO. LTD	590,198	5,279	595,477
19	DANGOTE QUARRIES ZAMBIA LIMITED	586,243	-	586,243
20	COLLUM COAL MINING INDUSTRIES LIMITED	571,213	-	571,213
21	V-PLUS DEVELOPERS AND TRADERS LIMITED	37,989	527,300	565,289
22	ASTRO QUARRIES LIMITED	5 23,325	-	523,325
23	UNITED QUARRIES LIMITED	478,783	27,909	506,692
24	CAPITAL DRILLING ZAMBIA LIMITED	486,159	18,129	504,288
25	GRASSROOTS COPPER LIMITED	502,578	-	502,578
26	JOINT MINING LIMITED	282,851	211,982	494,833
27	AGGREGATES LIMITED	352,348	83,543	435,891
28	INTREPID MINES ZAMBIA LIMITED	389,364	44,136	433,500

29	LIANGYUN LTD	2 21,976	201,068	423,044
30	BIG MOUNTAIN MINING ZAMBIA LIMITED	3 16,553	9 6,509	413,062
31	HANDYMANS LIME LIMITED	348,414	62,402	410,816
32	ZAMBIAN GOLD TIGER CONSTRUCTION MATERIAL LIMITED	297,426	71,029	368,455
33	IMME ZAMBIA LIMITED	314,716	26,158	340,874
34	ZUMRAN MINING AND EXPLORATION LIMITED	219,117	116,931	336,048
35	ZAMASTONE LIMITED	3 10,584	2,558	313,142
36	DATONG INDUSTRY CORPORATION LIMIT	63,744	241,232	304,976
37	TAURIAN MANGANESE LIMITED	264,807	2,347	267,154
38	SAI DRILLING & EXPLORATIONS LIMITED	62,966	195,478	258,444
39	ZAMBIA-ZHENGYUAN MINING COMPANY	258,086	-	258,086
40	REDDY LOGISTICS ZAMBIA LIMITED	3,391	250,478	253,869
41	CRUSHTEK HUMESTONES ZAMBIA LIMITE	253,704	-	253,704
42	SEDGWICK RESOURCES LIMITED	243,320	-	243,320
43	ROYAL SESHEKE QUARRY LIMITED	196,360	46,478	242,838
44	TRANTER RESOURCES ZAMBIA LIMITED	224,658	-	224,658
45	MAOSHENG MINERAL RESOURCES ZAMBIA	197,418	24,543	221,961
46	BLUE OCEAN VENTURES ZAMBIA LIMITED	214,299	6,488	220,787
47	COPA INVESTMENT ZAMBIA LIMITED	141,960	66,825	208,785
48	ADVANCE - TECH RESOURCES LIMITED	178,109	-	178,109
49	CLASSIC LIME LIMITED	97,476	69,055	166,531
50	LUIRI GOLD MINES LIMITED	157,539	-	157,539
51	HANDYMANS LIME QUARRIES LIMITED	155,108	-	155,108
52	MPELEMBE DRILLING COMPANY LIMITED	155,043	-	155,043
53	SITONIA LIMITED	150,000	-	150,000
54	YUZAN MINING COMPANY LIMITED	147,086	-	147,086
55	SUHAILS INTERNATIONAL LIMITED	140,926	-	140,926
56	CHANGFA RESOURCES LIMITED	139,979	-	139,979
57	CHILIBWE MINING LIMITED	135,508	1,734	137,242
58	LUSAKA DRILLING COMPANY LIMITED	87,437	48,376	135,813
59	ENVIRO PROCESSING LIMITED	120,594	-	120,594
60	TAWAKKAL GEMS INVESTMENTS COMPA	89,734	28,529	118,263
61	AC AND G NJANJI MINING & GENERAL CO	112,950	-	112,950
62	G T J MINING LIMITED	111,000	-	111,000
63	KROUP MINING AND PROCESSING LIMITE	104,170	-	104,170

64	ALBIDON ZAMBIA LIMITED	102,187	1,788	103,975
65	CHARIZMA ENTERPRISES LIMITED	100,142	-	100,142
66	METEX MINING LIMITED	9,7017	-	97,017
67	BAUDOT CEMENT ZAMBIA LIMITED	47,280	49,354	96,634
68	BEST MINING COMPANY LIMITED	2,000	85,443	87,443
69	HANDYMANS PARADISE LIME MANUFACTURER	86,839	-	86,839
70	EMCO ENERGY ZAMBIA LIMITED	82,119	-	82,119
71	STE DRILLING & EXPLORATION LIMITED	79,965	-	79,965
72	TUNTA MINING LIMITED	6,9040	-	69,040
73	PAK ZAMBIA LIMITED	62,555	5,724	68,279
74	BALAJI DRILLING & EXPLORATION LIMITED	35,026	22,812	57,838
75	SOUTHERN QUARRIES LIMITED	51,460	-	51,460
76	SEW TRIDENT (ZAMBIA) PRIVATE LIMITED	47,533	-	47,533
77	DIA-STAR GEMSTONES LIMITED	45,511	-	45,511
78	ZAWAR NATURAL RESOURCES LIMITED	15,335	29,938	45,273
79	SANMU COMPANY LIMITED	8,880	3,4526	43,406
80	HI-QWALIME MINING LIMITED	43,359	-	43,359
81	ZAMBARA SUPPLIES LIMITED	42,488	-	42,488
82	PRECISION MINING ZAMBIA LIMITED	37,075	-	37,075
83	LUNGA MINERALS AND EXPLORATION LIMITED	35,714	-	35,714
84	ABAR INTERNATIONAL INVESTMENTS LIMITED	35,674	-	35,674
85	ZAMBIAN GOLDEN SUN RESOURCES HOLDINGS LIMITED	35,544	-	35,544
86	AURIEL MINING LIMITED	30,934	-	30,934
87	ZAMBIAN GOLD REFINERS LIMITED	28,047	-	28,047
88	LUAPULA BASEMETALS LTD	26,873	-	26,873
89	KUANGZHJIE MINING COMPANY LIMITED	26,486	-	26,486
90	SPECTRA MINING VENTURES LIMITED	26,275	-	26,275
91	PHELPS DODGE MINING (ZAMBIA) LIMITED	23,399	1,131	24,530
92	ROYAL MUKUNGA LIMITED	2,2565	-	22,565
93	TRESMMOS GENERAL SUPPLIERS LIMITED	2,2483	-	22,483
94	WISE FOCUS MINING LIMITED	2,1706	-	21,706
95	SINOZONCHA RESOURCES INVESTMENT COMPANY ZAMBIA	2,1702	-	21,702
96	FINE GEMSTONE PROCESSING LIMITED	2,0177	-	20,177
97	PRANGO INVESTMENT LTD	1,9201	-	19,201
98	CHISTYA INTERNATIONAL COMPANY LIMITED	1,9017	-	19,017

99	SANDY KAMZIMBI	1 7,767	-	17,767
100	DAHENG GROUP ZAMBIA LIMITED	1 7,600	-	17,600
101	SUMMERSKY ZAMBIA LIMITED	1 4,342	-	14,342
102	KAFUNY INVESTMENTS LIMITED	1 4,182	-	14,182
103	WINTER LIBOHOLE LIMITED	1 3,879	-	13,879
104	DAKSH INTERNATIONAL LIMITED	1 3,071	-	13,071
105	JADD MINING LIMITED	1 2,888	-	12,888
106	PENIEL MINES LIMITED	1 2,242	-	12,242
107	CHILIBWE MINING LIMITED	1 2,218	-	12,218
108	MUSATI NGWENYA	1 1,200	-	11,200
109	BETAMIN INVESTMENT LIMITED	1 0,868	-	10,868
110	EBENEZER EMERALD MINES LIMITED	8,250	2,356	10,606
111	KUSHYA MINING VENTURES LIMITED	9,931	-	9,931
112	GORDONS NYASULU	7,871	-	7,871
113	K.P.R INVESTMENTS LIMITED	7,600	-	7,600
114	SHARMA BROTHERS INTERNATIONAL LIMITED	7,397	-	7,397
115	EVARISTO MUTAMBO	7,115	-	7,115
116	KHADELA MINE LIMITED	6,000	-	6,000
117	KAZUWA RESOURCES LIMITED	5,900	-	5,900
118	KRONOS MINING LIMITED	5,710	-	5,710
119	IQUBAL ISSA	5,600	-	5,600
120	AWAN ZAMBIA LIMITED	5,460	-	5,460
121	JOSEPH MWANSA	5,343	-	5,343
122	KUNYUAN NONFERROUS ZAMBIA MINING LIMITED	4,758	-	4,758
123	JAZZMAN CHIKWAKWA	4,702	-	4,702
124	ZAMWAY MINING LIMITED	3,040	920	3,960
125	KALAMBO MINING AND EXPLORATION LIMITED	3,820	-	3,820
126	EQUINOX ZAMBIA LIMITED	3,804	-	3,804
127	ZAMBIAN GOLDCOMMON RESOURCES HOLDINGS LIMITED	3,644	-	3,644
128	MERCY MAYANI	3,600	-	3,600
129	D AND B GEM-ORES LIMITED	3,060	-	3,060
130	SACKO MINING LIMITED	3,000	-	3,000
131	MATHEWS KATWAI	2,823	-	2,823
132	SHAHEEN INTERNATIONAL CO. LIMITED	2,793	-	2,793
133	BANGWEULU BATTERIES LIMITED	2,290	-	2,290
134	JOSHEAL ENTERPRISES LIMITED	2,282	-	2,282
135	MACROLINK INTERNATIONAL MINING ZAMBIA LIMITED	2,129	-	2,129
136	GEMFIELDS HOLDINGS ZAMBIA LIMITED	1,962	-	1,962

137	TONGYI LEAD AND ZINC MINING ZAMBIA LIMITED	1,800	-	1,800
138	MAMADOU MINING LIMITED	1,776	-	1,776
139	CHINA NON-FERROUS KABWE MINING COMPANY LIMITED	1,611	-	1,611
140	JILIN NONFERROUS MINING ZAMBIA LIMITED	1,488	-	1,488
141	SUNDAY SINYANGWE	1,200	-	1,200
142	MUSIBA MINING LIMITED	1,125	-	1,125
143	JIN DING MINING LIMITED	1,059	-	1,059
144	JAN CHRISTIAAN SWART	960	-	960
145	AFRICAN ENERGY RESOURCES LIMITED	945	-	945
146	AFRO METALS ZAMBIA LIMITED	800	-	800
147	MWANA LUBABA MINING COMPANY LIMITED	800	-	800
148	TWALIKATANA MINING LIMITED	800	-	800
149	GRAMIRAJ INVESTMENTS LIMITED	796	-	796
150	BETELE SMALL MINERS LIMITED	700	-	700
151	D M SAND SALES	610	-	610
152	ZMMZ SWARTZ COPPER SMELTER LIMITED	600	-	600
153	SULOCHA MINES LIMITED	591	-	591
154	LONG JIANG NON-FERROUS MINING ZAMBIA LIMITED	588	-	588
155	BHP BILLITON WORLD EXPLORATION INC	400	-	400
156	EQUITORIAL MINING LIMITED	400	-	400
157	QUANTUM LEAP MINING LIMITED	400	-	400
158	XINXING MINERAL RESOURCES ZAMBIA LIMITED	400	-	400
159	KOMBE MUYEBA	346	-	346
160	LWAMABWE MINING LIMITED	300	-	300
161	BLUE TAPE VENTURES LIMITED	250	-	250
162	ZAMGEM INTERNATIONAL LIMITED	150	-	150
163	TABITA PHIRI	96	-	96
164	JACE ENTERPRISES LIMITED	73	-	73
	<b>TOTAL</b>	<b>28,374,167</b>	<b>6,155,620</b>	<b>34,529,787</b>

## 3.CONTEXTUAL INFORMATION ON THE EXTRACTIVE INDUSTRY

### 3.1 Oil and Gas Sector

#### Oil and gas sector review

Zambia is richly endowed with mineral resources and is one the largest producer and exporter of copper in Africa. However it has also been increasingly engaged in a quest for its petroleum reserves. Zambia started embracing this vision in the early 1970's as a result of the rise in price of crude oil on the international markets, the dwindling revenue from the country's copper exports.

Historically, the country has had two exploration programmes led by the Mobil and Placid Oil undertaken between 1986 and 1991 within the Luangwa and Zambezi Rift Valley systems. Two wild cat drill holes were drilled during the exploration programmes by Placid in the Lunagwa rift valley but no oil was intercepted.

The oil and gas potential is too high because the exploration programme was not conclusive, therefore, the Ministry of Mines through the Geological Survey Department recently conducted exploration work for petroleum covering the whole country into petroleum blocks. In 2011, 2013 and 2016 the government through the Ministry of Mines and Minerals Development granted petroleum exploration licences to various companies through bidding process.

The Zambian government issued an international tender for oil exploration in 40 blocs in the country's 10 provinces, inviting tenders for explorations of oil and gas.

The Minister of Mines and Minerals Development Christopher Yaluma confirmed that the issued samples collected in 2007 confirmed traces of oil hence the government's decision to issue international tenders for companies to explore for oil in the 40 blocs.

The minister confirmed that proposals from investors in Uganda, Kenya, Ghana and other countries have been received.

The invitation of international bids for the exploration of oil and gas was in accordance with the country's Petroleum Act of 2008.

(Source: Xinhua2016-03-31)

#### Legal Framework

The fundamental law governing upstream activities is the Petroleum (exploration and production) Act of 2008. The key regulators include the Minister for Mines, the Petroleum Committee, the Petroleum Technical Committee and the Hydrocarbon Unit / Geological Survey Department. The main regulator is the Minister of Mines and Mineral Development, who is also the issuing authority of all petroleum rights under the Act. Despite wielding considerable power, the Minister of Mines and Mineral Development cannot act without coordinated input from other regulators. For instance, the Minister may not approve the grant or renewal of petroleum rights without first referring the matter to the Technical Committee for scrutiny. Similarly, the Technical Committee is tasked with making recommendations to the Petroleum Committee. Without the approval of the Petroleum Committee, the Minister may not act.

#### Fiscal Regime

The Zambian government obtains revenue from exploration companies operating in the gas and oil industry through annual area charges and petroleum exploration licence fees.

Taxation in Zambia is governed by the Income Tax Act, Customs and Excise Act<sup>11</sup>, the Property Transfer Tax Act and the Value Added Tax Act and other related legislation. Under the Income Tax Act, corporate tax on companies holding petroleum development and production licences is charged at 35% per annum. In addition, 15% withholding tax is charged on rentals, bank interest, dividends, and management and consultancy fees.

**Other fees which exploration licence holders remit to the government are;**

1. Application fees for the petroleum exploration licence and its renewal;
2. Fees for inspection of register
3. Fee for data package
4. Fee for bidding document

The Zambian petroleum regime is structured as a royalty tax or 'concession' system rather than as a production sharing regime, with the rights and obligations of licenses governed principally by the terms and conditions of the licence, and the legislation listed above.

After implementation of the 2008 Act, it was realised that the Act had inadequacies which needed to be addressed before any commercial discovery is made. Therefore an effort to strengthen the regulatory and institutional frameworks, the government in 2013 engaged a consultant to assist with the review of the Act and regulations.

The review indicated that there were some gaps in the Act which include among others the unclear mode for Government participation in the sector, lack of clarity of the fiscal regime, and clear licensing system for blocks reserved for Government.

**Field Developing Extraction Activities - Licensing Rounds**

In May 2013, the Government of the Republic of Zambia through the Ministry of Mines and Minerals Development in accordance with Section 9 of the Petroleum (Exploration and Production) Act No.10 of 2008, invited bids for the Petroleum (Oil and Gas) Exploration Licences in thirty-one (31) blocks, in Luapula, Northern, North Western, Western, Eastern and Southern Provinces of Zambia.

The tendering process was formulated by the Petroleum Technical Committee with guidance from the Ministry of Justice and Zambia Public Procurement Authority. This Committee was constituted under section 91(1) of the Petroleum (Exploration and Production) Act 2008 of the laws of Zambia.

<sup>11</sup> Customs and Excise Act of 2015

### 3.1.1 Overview of Licensees in the Oil and Gas Sector

In 2015 after reviewing the licences, basing on performance, 10 licences were retained.

Petroleum Companies	Blocks Awarded
ZCCM Investment Holding Plc	1
Barotse Petroleum Company Ltd	20-21
Mfula Energy Limited	32
Rift Petroleum	40-41
Troisade Energy	8
Metoprosol / Frontier	34
Swala Energy	44
Surestream	42
Tullow Zambia BV Limited	31
Sargas oil Limited	54

## 3.2 Mining Sector

### 3.2.1 Mining Sector Overview Performance of mining companies

In the case of Zambia, real GDP growth slowed down to 3.2% in 2015 from 5.0% in 2014. Growth was mainly constrained by the electricity supply deficit, weak international copper prices, and high production costs associated with the increase in fuel prices and the sharp depreciation of the Kwacha. The average price of copper fell to US \$5,510.5 per metric tons in 2015 from US \$6,883.4 per metric tons in 2014. Declining demand particularly for metals, strengthening of the US dollar and higher US interest rates contributed to the fall in commodity prices. In Zambia, annual average inflation rose to 10.1% in 2015 from 7.8% in 2014. The end-period inflation accelerated to 21.1% in December 2015 from 7.9% in December 2014.

### Sub-Saharan Africa Economies

The SSA region grew by 3.5% in 2015, down from 5.0% in 2014, mainly due to a continued fall in commodity prices. In addition, a strong US dollar and the slowdown in the Chinese economy continued to depress foreign direct investment flow to SSA. Weak economic performance in South Africa, the region's second largest economy and one of Zambia's major trading partners, also contributed to weaker growth in the region.

### 3.1 Analysis of GDP within the SAHARA REGION

Countries	2013	2014	2015
Angola	6.8	4.8	3.5
Kenya	5.7	5.3	6.5
Nigeria	5.4	6.3	4.0
South Africa	2.2	1.5	1.4
Tanzania	7.3	7.0	6.9
Uganda	3.9	4.8	5.2
<b>Zambia</b>	<b>6.7</b>	<b>4.9</b>	<b>3.2</b>
Sub-Saharan Africa	5.2	5.0	3.5

### Analysis of movement in percentage mining and quarrying (Zambia)

2013	2014	2015
3.6	-2.2	0.3

Almost all commodity prices trended downwards in 2015. Declining demand particularly for metals, strengthening of the US dollar and higher US interest rates were the major drivers. The price of copper decreased to US \$5,510.50 per metric ton from US \$6,883.40 per metric ton (mt.).

### Foreign Exchange Market

The foreign exchange market was characterised by high volatility in 2015 due to both international and domestic factors. These factors included lower copper prices attributed to the slowdown in China, uncertainty over the performance of the mining sector (with Glencore scaling down its operations at Mopani).

Copper and cobalt are the key minerals produced in Zambia. The mining industry engages in the production of gold, emerald and lime. The Copperbelt and North-Western provinces have abundant copper and cobalt deposits and are the main focus of mining activities.

Since 1900, when world copper production was less than 500 thousand tons, world copper mine production has grown by 3.2% per year to 18.7 million tons in 2014. Preliminary figures indicate that global copper mine production in 2014 reached 18.7 million tons. The largest producer of mined copper was Chile (almost 5.8 million tons). Zambia was ranked 2nd in Africa (D.R Congo taking 1st position) and 8th largest world copper producer in 2014. Kansanshi Mining Plc, the biggest copper producer in Zambia is ranked 13th among the world top 20 copper producers by capacity in 2015. In 2015 Zambia's copper production as reported by the major mines was 710,860 metric tons. Zambia is also a significant producer of semiprecious gemstones (The largest mine being Kagem Mining Limited). With several expected expansion plans forthcoming, Zambia is viewed as a key growth area for copper production which is likely to rank the country within the top 5 copper producers globally going forward.<sup>2</sup>

### 3.2 (a) ONGOING PROJECTS BY MINING COMPANIES

PROJECT	COMPANY	RESOURCE ESTIMATE (TON)	ANNUAL PRODUCTION (TONS)	COMMENCEMENT DATE: 2010	ESTIMATED INVESTMENT (US Dollar)
Chambishi South East Ore body	NFCA	247,000,000	100,000	Commenced commencement slated for July, 2018	832 million (actual investment to date 93 million)
Kitumba Copper Project	Intrepid Mines Zambia/ Blackthorne Resources Ltd	21,900,000	40,000	2016	433 Million
Nkana Synclinorium	Mopani	115,000,000	Ore production increase from 3.4 to 5.1 million tons per year (this project will contribute 4 million to the 5.1 million)	2011 Commenced and Commissioned 5 <sup>th</sup> May, 2016	323 million

Source (Ministry of mines)

### 3.2.2 Main Exploration and Prospecting activities

#### (i) Copper and Cobalt Mining Prospects

The joint venture of Seringa Mining Ltd and Katanga Resources Ltd. began with the construction of a small heap-leach facility at the Mkushi copper project. In 2012, copper ore was loaded on a small heap-leach pad at the Mkushi copper project and a sulfuric acid leach was started. (RTG Mining Inc., 2013, p. 2–3).

A number of cobalt and copper development and exploration projects in Zambia were ongoing. In 2012, Blackthorn Resources Ltd. of Australia completed a scoping study of the development of the Kitumba prospect as an open pit mine. Blackthorn also completed a drill programme of about 14,000 m at the Mumbwa project, which included 19 holes at the Kitumba prospect and 3 holes at the Kakozhi prospect (Blackthorn Resources Ltd., 2013a, p. 5; 2013b, p. 6).

Caledonia Mining Corporation of Canada completed a 20-hole 10,903-m diamond drill programme on the Nama cobalt and copper prospect in the Chililabombwe/Solwezi District in the north of Zambia. In 2012, Caledonia announced that it had reached an agreement with the Ministry of Mines and Minerals Development to start cobalt mining at Nama, to submit a feasibility study and programme of operations for copper production, and to submit an updated estimate of the Nama project's copper-sulphide mineral reserves and resources by 30 June 2013. Caledonia planned to mine and mill about 30,000 metric tons per month of ore initially, and to produce cobalt oxide concentrate. Caledonia also agreed to begin copper production in early 2015 (Caledonia Mining Corp., 2013, p. 18–19).

#### (ii) Manganese Prospects

Manganese ore is produced primarily by small-scale operations near Mansa in Luapula Province and Mkushi in Central Province. Kaboko Mining Ltd. continued exploration at the Emmanuel project, which included the Brunelli prospect, the Chowa Mine prospect, and the Kapumba prospect; the Kanona project; and the Northern Manganese project (formerly the Peco project) near Mansa. The Zamanco Minerals Ltd. of Australia (formerly Atticus Resources Ltd.) completed the acquisition of Zamanco Holdings Ltd. of Mauritius, which held interest in two Zambian companies—Zamanco Minerals Ltd. (100% equity interest) and Zamanone Mining Ltd. (75% interest). In 2013, Zamanco continued work on the Serenje manganese project.

#### (iii) Uranium Mining Prospects

In Zambia, uranium deposits are available in various geological environments. Uraniumoxide (UO) production in Zambia has been limited to only 120,000 kilogram's, from the Nkana mine from 1957–59. Since then, many companies have carried out explorations, focusing on potential mineralisation in Karoo Age sediments, the Copperbelt and the Domes region of the North Western Province<sup>3</sup>.

In 2011, Denison Mines Zambia Ltd., which is a subsidiary of Denison Mines Corp. of Canada, completed a 9,600-m drill program on the Dimbwe East prospect of the Mutanga project. Mutanga mineral resource estimates as of 12 September 2013 are about 41.4 Mlb U3 O8 in measured, indicated and inferred<sup>4</sup>.

#### (iv) Coal Mining Prospects

Sinazongwe coal project African Energy Resources Ltd. of Australia reported the occurrence of coal in water wells in the Kariba Valley. In January 2012, African Energy completed a 9-hole 1,691-m diamond drill programme to evaluate the coal occurrence (African Energy Resources Ltd., 2012, p. 6)<sup>5</sup>.

Re-commissioning of Maamba mine in 2009, Singapore's Nava Bharat Pte acquired a 65% share in Maamba Collieries – Zambia's largest coal producer. In 2011, Nava Bharat established a plan to start the construction

of a 300MW coal-fired power plant in Zambia, to be completed by 2014. The investment for the first phase of the project – a new coal mine and the power plant – was projected to be around US\$750 million. The new mine is expected to produce 360,000 metric tons of coal in its first year of operation, and is expected to reach a maximum output capacity of 2 million metric tons of coal per year.

#### (v) Gold Prospects

Luir Hill gold project, Luir Gold Ltd. of Australia completed a scoping study for the development of the Dunrobin prospect and started a scoping study for the development of the Matala prospect. Luir Gold also announced an initial measured resource estimate for the Dunrobin prospect of 978,000 mt of ore at a grade of 2.6 grams per metric ton (g/t) gold and indicated and inferred resources of 1.8 Mt of ore at a grade of 1.9 g/t gold (1 g/t cut-off grade) (Luir Gold Ltd., 2012a, b).

### 5.2.3 Legal Framework

The Ministry of Mines and Mineral Development responsible for enacting legislations for the mining sector in Zambia. The Mines and Minerals Act (1995) enacted by the Zambian government simplified licensing procedures significantly, placed minimum reasonable constraints on prospecting and mining activities and created a favourable investment environment. At the same time, the act allowed international arbitration to be written into development agreements, if deemed necessary.

In 2008, this Act was replaced by the Mines and Minerals Development Act 2008, which ruled that no special agreements should be entered into by the government for the development of large-scale mining licenses and annulled the development agreements concluded under the previous Act.

Mining companies now operate under a common legislative framework regulated primarily by Act No. 7 of 2008 (the Mines and Mineral Development Act of 2008). Uranium exploration and mining are regulated by the Mines and Minerals Development (Prospecting, Mining and Milling of Uranium Ores and Other Radioactive Mineral Ores) Regulations of 2008.

On 22 December 2014, the Act was amended on Mines and Minerals Development (Amendment) Act [No. 11 of 2015] and became effective 14<sup>th</sup> August 2015<sup>2</sup>. A new act was further amended on Mines and Minerals Development (Amendment) Act [No. 14 of 2016 419] introduced and became effective on 1<sup>st</sup> June 2016.

3 Metals in Zambia, Zambia Mining, accessed on 29 May 2012 4 USGS, 2011 Minerals **Year Book -Zambia**

13Correction From Source: Denison Files New Technical Report On Mutanga Uranium Project, September 2013

Investment in most types of mineral operations are covered by the Zambia Development Agency Act of 2006, although minerals produced for the construction industry, such as clay, sand, and most types of stone, are excluded. The government policy does not participate in exploration or other mining activities, or in any shareholding activity other than in a regulatory and promotional role. The right to explore or produce minerals is authorized by a license granted under the Mines and Minerals Act.

<sup>2</sup> See <http://www.zamlii.org/zm/legislation/act/2014/11>

### 3.2.4 Mining Sector Contribution in the Economy

During 2015, the mining sector remained the country's major productive industry with very high contribution in exports and government revenue but progressively lower contribution in investment, GDP and employments as described below.

#### (i) Foreign Direct Investment (FDI)

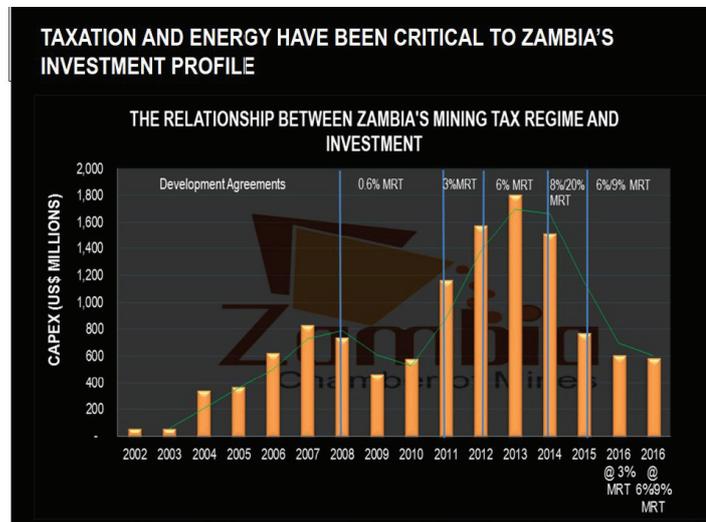
According to information from the Zambia Chamber of Mines since the early 2000s to date, the mining sector has attracted investment in excess of USD 13.13 billion. Below are the amounts spent on major investment projects from 2000 to date according to information received from the Zambia Chamber of Mines.

Company	Kalumbila	Kansanshi	Konkola	Lumwana	Lubambe	Mopani	Total investment
<b>Amount Invested</b>	US\$2.23bn	US\$ 2.51 bn	US \$ 2.93 bn	US \$2.10 bn	US \$0.71 bn	US\$ 2.62 bn	<b>US\$ 13.1 bn</b>

(Source; Zambia Chamber of Mines)

Zambia has an estimated known copper reserve in excess of 1.02 Billion metric ton of ore.

#### 6(a) THE RELATIONSHIP BETWEEN ZAMBIA'S MINING TAX REGIME AND INVESTMENT



Source: (Chamber of mines)

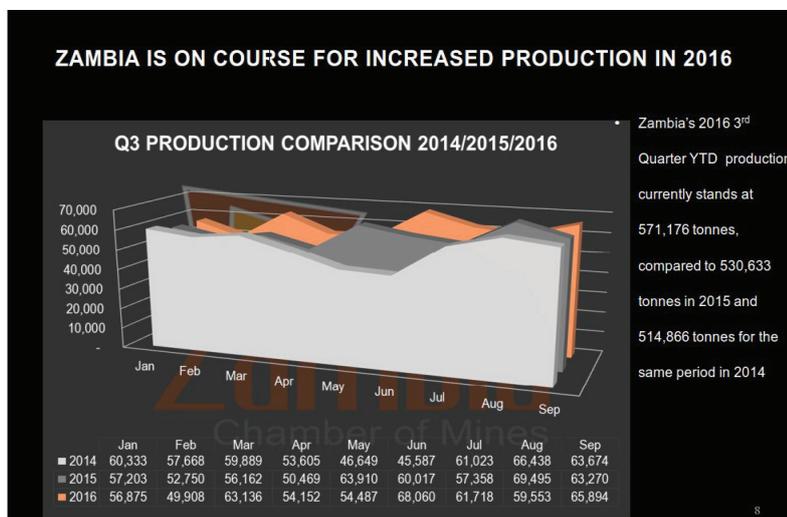
Zambia still has an exceptionally high level of macro-economic dependence on mining by international standards. Compared to other countries, mining which makes an unusually large contribution to total national investment and to total foreign direct investment-declined further to 1.05% in 2015.

The mining sector investments pledges over the past three years are detailed as follow:

	2013 (US \$billion)	2014 (US \$billion)	2015 (US \$billion)
<i>Investment pledges from mining sector</i>	0.123	0.078	0.035
<b>Total of Sectors</b>	3.588	4.864	3.307
<b>% contribution of mining sector to investment</b>	<b>3.4%</b>	<b>1.6%</b>	<b>1.05%</b>

(Source: Bank of Zambia, 2015 Annual Report)

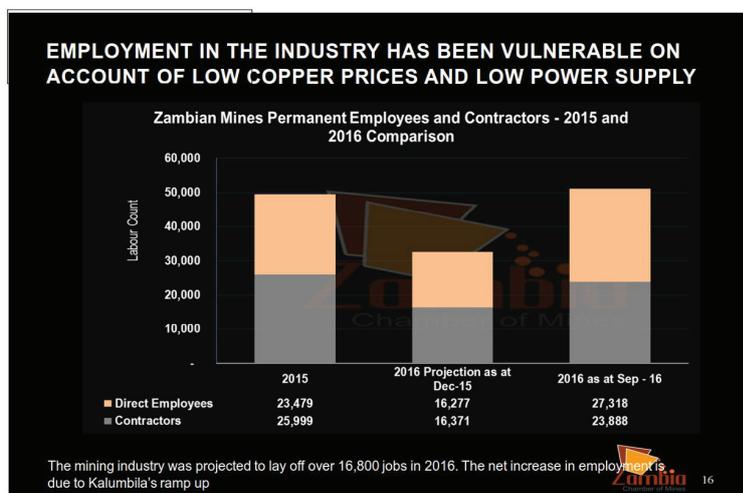
### 6(b) GRAPHICAL PRESENTATION OF THE TREND IN PRODUCTION FOR THE NINE (9) MONTHS PERIOD FROM 2014 TO 2016



Source: (Chamber of mines)

### (i) Employment

### 6(C) EMPLOYMENT ANALYSIS 2015 AND 2016



Source: (Chamber of mines)

The information from the Bank of Zambia annual report regarding pledged investments and jobs in mining is also summarised below and show a very low contribution of the mining sector towards direct employment;

Below are the employment statistics for the large mining and cement companies.

	2013		2014		2015	
Sector	Investment pledges US\$ billion	Jobs	Investment pledges US\$ billion	Jobs	Investment pledges US billion	Jobs
Mining sector	0.123	684	0.078	1,670	0.035	1,030
<b>Total all sectors</b>	<b>3.588</b>	<b>18,546</b>	<b>4.864</b>	<b>42,602</b>	<b>3.307</b>	<b>19,203</b>
<b>Mining percentage of total sector</b>	<b>3.4%</b>	<b>3.7%</b>	<b>1.6%</b>	<b>3.9%</b>	<b>1.05%</b>	<b>5.4%</b>

(Source; 2015 Bank of Zambia Annual Report)

### Monitoring Mining and Mineral Value Chain from exploration to exportation

The Mineral Value Monitoring Project (MVCMP) is a project aimed at monitoring of the mining and mineral value chain from extraction to exportation. Its primary task is to design and implement a multi-purpose and multi-stakeholder scheme for the purpose of monitoring Zambia's mineral resources throughout the value chain. The Ministry of Finance and the Norwegian Government signed a financing agreement for the project in October 2014.

The MVCMP was necessitated as a result of low rate in the revenue collections.

One of the reasons for low rate in the revenue collections is that the current mining production reporting system is highly manual and mining companies have been on self-reporting system and mode.

The Government of the Republic of Zambia, through the Ministry of Finance, therefore, tasked the Zambia Revenue Authority (ZRA) to spearhead the implementation of the Mineral Value Chain Monitoring Project (MVCMP) whose objectives include:

- Review the mechanisms for the monitoring of the mining and mineral value chain from exploration to exportation;
- Develop and implement the mechanisms for monitoring and facilitating the movement of the minerals with and out of Zambia; and
- Institutionalize the framework in other Government institutions and agencies through effective change management.

The other leading institution in the implementation of the MVCMP is the Ministry of Mines and Minerals Development (MMMD) as owner and user of the mineral production monitoring system. Other key implementing institutions include the Zambia Bureau of Standards (ZABS), Central Statistical Office (CSO), Road Development Agency (RDA), Road Transport and Safety Agency (RTSA), Patents and Companies Registration Authority (PACRA). The MVCMP's primary task is to design and implement a multi-purpose and multi-stakeholder scheme for the purpose of monitoring Zambia's mineral resources throughout the value chain.

**Below are the highlights of the project progress to date;**

- Baseline survey of the mining sector.
- Memorandum of understanding signed among the key implementing institutions and agencies.
- Preliminary User Requirements and Technical Specifications documents developed by the Project team.
- A team of local system developers has been established, as part of the ICT workgroup, to develop the framework with technical assistance from the United Nations Conference on Trade and Development (UNCTAD).
- First prototype of the mines electronic reporting system developed, piloting on three (3) mining houses.
- Development of the export permit issuance module and other modules in progress.
- ICT equipment for the servers to host the system procured, installation is in progress.
- Roll-out of the main parts of the system targeted for early Q4 2016.
- Handheld mobile mineral analysers (XRF Mineral Analysers) procured and distributed to various border stations for mineral content verifications.
- Procurement of laboratory equipment for the stationery laboratories in progress.

**Forecast of key next milestones are:**

Development of MOSES	November 2016	
Delivery and installation of ICT hardware	April 2016	MVCMP
System development finalised	September 2016	MVCMP
Piloting and User Acceptance Testing of the developed System	October 2016	MVCMP
Roll out of the major components of the framework	November 2016	MVCMP
Post Implementation Support	Throughout life- Cycle of System	MVCMP
Procurement and Installation of Laboratory equipment, XRF Analysers	November 2016	
Implementation of Mobile Hand Held XRF Analysers	June 2016	MVCMP
Delivery of Laboratory equipment	March 2016	MVCMP
Implementation of the Laboratories	June 2016	MVCMP
Change Management & Stakeholder Engagements	Throughout project life cycle	
Workshops; Training; Media Publicity	Throughout project life cycle	MVCMP
Benchmarking visits	Throughout project life cycle	MVCMP

(Source: Zambia revenue authority, 2016)

### 3.2.5 Fiscal Regime

Since the privatisation of Zambia's mining sector, five Tax regimes have been applied:

Tax regimes	Key contributions
<b>The Development Agreements (DA) negotiated with individual mines during privatisation (1997 to March 2008)</b>	Agreements were made between the Zambian government and each company that bought the assets of the former national company ZCCM.
<b>The "2008 regime" (April 2008 to March 2009)</b>	Each Development Agreement contained a fiscal stability clause. The 2008 reforms ruled that no special agreements should be entered into by the government for the development of large-scale mining licenses and annulled the development agreements concluded. A new tax regime with a higher tax burden was introduced by this reform.
<b>The "2009 regime" (April 2009 to March 2012)</b>	In response to the mining companies concerns about the revocation of the Development Agreements, some of the 2008 tax measures were reversed in the 2009 Budget. Details are shown in the table below.
<b>The "2012 regime" (since April 2012)</b>	Further reforms were made to the mining tax regime in the 2012 Budget. The two main changes for the mining industry were the increase of the mineral royalty rates for copper and cobalt and hedging and operating income were again to be treated separately for income tax purposes.
<b>The "2015 regime" (since January 2015)</b>	The Honourable Alexander B. Chikwanda: Minister of Finance presented the 2015 National Budget on Friday, 10 October 2014 and introduced significant changes to the Mining Fiscal regime in 2015; See details of these changes below.

The Honourable Alexander B. Chikwanda: Minister of Finance presented the 2015 National Budget on Friday, 9 October 2015 and proposed to introduce significant changes in the Mining Fiscal regime as detailed below; Note that these changes are effective in 2015 and did not have an impact on the taxes paid and reported in this report which is for the year ended 31 December 2014. They will have an impact on the 2015 ZEITI report.

#### MINERAL PRODUCTION MONITORING SUPPORT TO THE MINISTRY OF MINES AND MINERALS DEVELOPMENT

The Mineral Production Monitoring Support project is being carried out under the supervision of the Ministry of Mines and Mineral Development (MMMD) and is funded by the European Union.

The objective of this project is to strengthen the ability of the MMMD to fulfil the mandate as mining authority to effectively monitor mining activities and mineral production in Zambia, and to share the information with other relevant GRZ agencies in order to facilitate the mobilisation of the appropriate levels of domestic revenue.

A consortium was formed to support the MMMD in the execution of the project under the leadership of Adam Smith International. Other consortium members are Ecorys UK, PMTC (Zambia) and the Revenue Development Foundation, each of which bring complementing strengths and experiences to the project.

The kick off date was in mid-January 2015 and the project will extend into January 2018.

**With an overall budget of approximately 4.7 million euros, the project will address the following areas:**

- Capacity building within the MMMD including the Mines Development Department, the Geological Survey Department and the Regional Mining Bureaus .
- Improving the ability of the MMMD to receive mineral production data from producing companies and to verify the completeness and accuracy ,prior to sharing the information with other government departments and agencies.
- Enhancing the capacity of the MMMD to monitor production appropriately ,including the conduct of various types of inspections.
- Enhancing the organisational , budgeting and planning capacity of the MMMD , so that the Ministry can play its rightful role as the backbone of effective governance over the sector.

**With these overall objectives in mind, a number of different interventions are planned , including;**

- Procurement of selected sampling and analytical equipment for the Geological Survey and the regional Mining Bureaus;
- Procurement of vehicles to assist with monitoring activities :
- Capacity building within the MMMD, including the training MMMD officers;
- Assisting with the integration of production data captured and verified within MMMD, into ZRA and other government systems.
- Elaborating a plan for sustainable staffing of the MMMD.
- Assessment of the overall legislative framework of the mining industry in Zambia and suggesting improvements or additions that would facilitate improved governance by the MMMD for the benefit of Zambia.

## RESULTS TO DATE

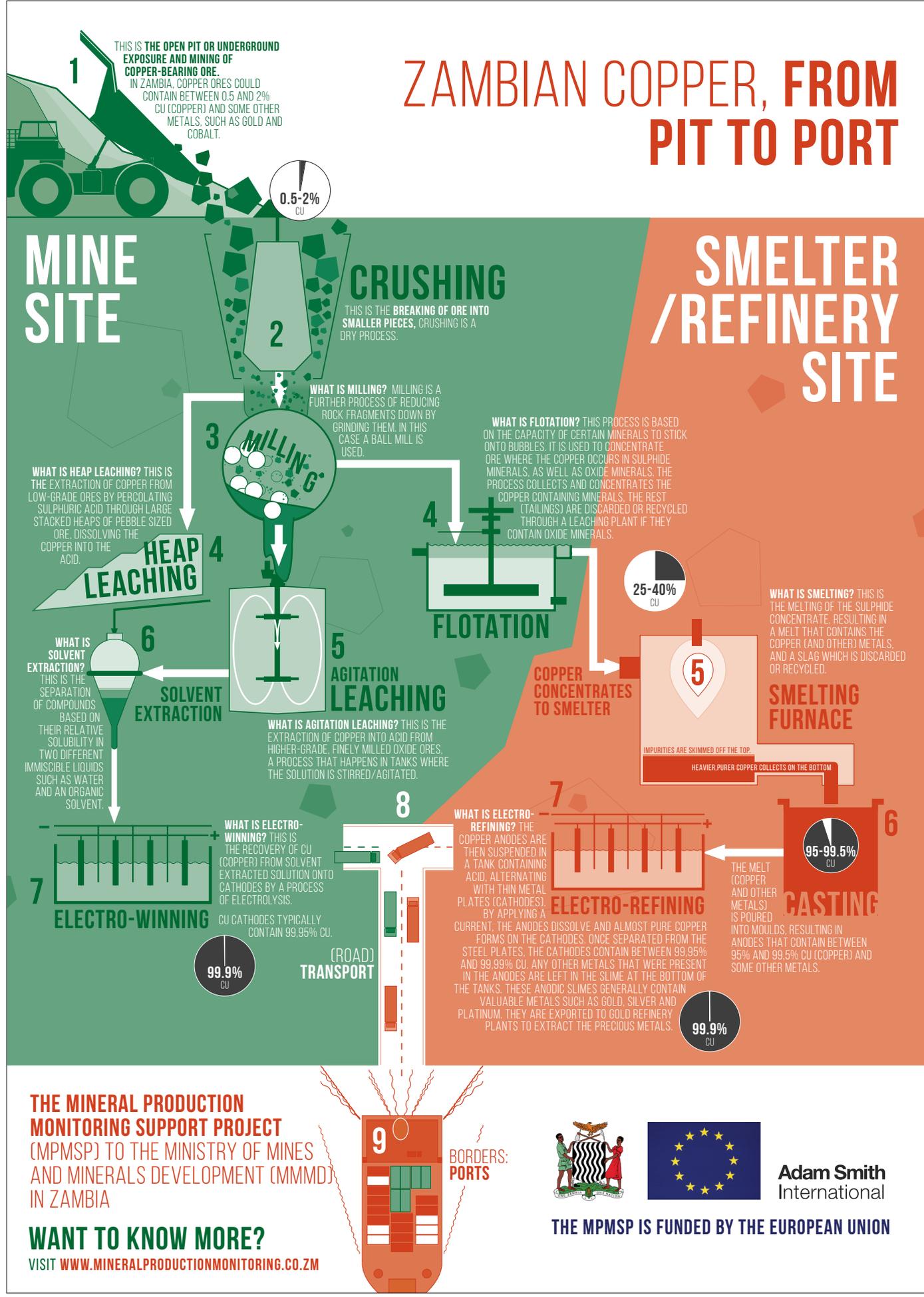
**Result 1:** The capacity of Ministry of Mines and Minerals Development (MMMD) to monitor mineral production and related activities is enhanced

- Full electronic system for issuing mineral import, export and trading purposes introduced
- Capacity building and training for Ministry staff undertaken, with more being planned
- Equipment worth approximately EUR271 000 (approximately K2.85 million) delivered to the Geological Survey Department (GSD), with more being budgeted for 2017

**Result 2:** An appropriate information management system for mineral production data is in place

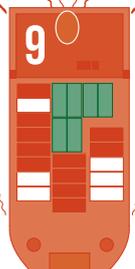
- Introduction of “Form 34” designed to accurately capture production reporting from the mines on a monthly basis, in more detail than was possible with the previous format (“Form 39”)
- Form 34” has been included as an integral part of Zambia’s new Mining Regulations, and reporting with that form is obligatory from 1 January, 2017

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**THE MINERAL PRODUCTION MONITORING SUPPORT PROJECT (MPMSP) TO THE MINISTRY OF MINES AND MINERALS DEVELOPMENT (MMD) IN ZAMBIA**

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**Adam Smith International**

**THE MPMSP IS FUNDED BY THE EUROPEAN UNION**

**Result 3:** The Ministry of Mines and Minerals Development’s organisational, policy, planning and budgeting capacity is enhanced

- An Institutional Capacity Assessment is being completed, to determine priority areas for technical assistance and capacity building

**Result 4:** Systems and structures to collect and share production information are improved

Assistance has been provided to the Mineral Value Chain Monitoring Project (‘MVCMP’), towards the design and piloting of the MOSES production reporting module

The improved reporting format (“Form 34”) provides the new obligatory format for mineral production reporting by mining and processing companies, MMMD officers are now receiving production reports in this format, facilitating a standardised assessment approach

Coaching and on-the-job training of officers in the Ministry, to interrogate production reports, is ongoing

The introduction of the digital import, trade and export permit application systems in MMMD, facilitates easier comparisons between production data, import and export data

Source: Ministry of Mines and Adam Smith International

## **Changes in corporate income tax in the Mining Sector in 2015**

### **DEFINITION OF MINING TERMS**

Mining Operations” means an operation carried out under a mining right, excluding an operation carried out under a mineral processing licence only or an exploration licence.

This amendment excludes from the definition of mining operations, any operations carried out under a mineral processing or exploration licence. However, where a person is carrying on both mining and mineral processing, the income earned from the two activities shall qualify to be taxed as income arising from mining operations.

Mineral Processing “Mineral Processing” has the meaning assigned to it in the Mines and Minerals Development Act, 2015, and is defined in that Act as follows: “Mineral Processing” means the practice of beneficiating or liberating valuable minerals from their ores which may combine a number of unit operations such as crushing, grinding, sizing, screening, classification, washing, froth floatation, gravity concentration, electrostatic separation, magnetic separation, leaching, smelting, refining, calcining and gasification or other processes incidental thereto. The amendment therefore aligns the definition in the Income Tax Act with the Mines and Minerals Development Act No. 11 of 2015.

### **MINERAL ROYALTY**

The Mines and Minerals Development Act No. 7 of 2008 was repealed and replaced with the Mines and Minerals Development Act No. 11 of 2015. Part VII (headed “Mineral Royalty and Charges”) of this Act is to be administered by the Commissioner-General. While this is a new Act replacing the old one, the only notable change relates to the rates provided under Section 89 as follows:

- (i) 9% for open cast mining operations and six percent for underground mining operations of the normal value of the base metals or precious metals produced or the gross value of the gemstones or energy minerals produced or recoverable under the mining licence;
- (ii) 6% of the gross value of industrial minerals produced under the mining licence;
- (iii) 9% of the norm value for base and precious metals where the person in possession of the minerals that were extracted in Zambia, has not paid mineral royalty for the minerals;
- (iv) 9% of the gross value of gemstones and energy minerals where the person in possession of the minerals that were extracted in Zambia, has not paid mineral royalty for the minerals; and
- (v) 6% of the gross value for industrial minerals where the person in possession of the minerals that were extracted in Zambia, has not paid mineral royalty for the minerals. Prior to this amendment, the rates were 20% for open cast mining, 8% for underground mining and 6% for the mining of industrial minerals.

#### **Corporate tax on income from tolling**

##### **Mining operations excluding tolling**

- (i) Where a company's operations did not involve any tolling or third party purchases of concentrates and ores, the computed total taxable income for the whole charge year will first be apportioned into two equal parts and the resulting income taxed as follows the first half of the year taxable income will be taxed at 0%; and in the second half of the year taxable income will be taxed at the variable profit tax rate.
- (ii) Integrated Mining Operations:

Where a company's operations involved both mining operations and mineral processing including tolling, the income attributable to the two periods will be determined by splitting the results into two equal amounts. To determine income attributable to each source namely; mining operations and mineral processing, income may be apportioned using the output or input volume ratios.

#### **LOSSES**

A mining operation, shall be deducted from fifty percent of the income of the person from the mining operation. Where a loss exceeds fifty percent of the income from a mining operation for a charge year, the excess shall, as far as possible, be deducted from fifty percent of that person's income from the mining operation in the following charge year carrying on a mining operation or hydro and thermo power generation, shall not be carried forward beyond ten subsequent charge years after the charge year in which the loss is incurred; and in any other case shall not be carried forward beyond five subsequent years after the charge year in which the loss was incurred.

The amendment limits the use of losses to a maximum of fifty percent of the taxable income in a charge year for a person carrying on mining operations. The remainder of the losses will be carried forward for a maximum period of ten years.

#### **Charging Schedule**

The Charging Schedule to the principal Act is amended as following:

- (a) On income from mineral processing, at the rate of thirty-five percent;
- (b) Where the income from a mining operation does not exceed eight percent of the gross sales, at the rate

of thirty percent; and

- (c) Where the income from a mining operation exceeds eight percent of the gross sales, at the rate determined in accordance with the following formula:

$$Y = 30\% + [a - (ab/c)]$$

Y = the tax rate to be applied per annum a = 15%

b = 8%; and

c = the percentage ratio of the assessable income to gross sales.

Prior to this amendment, only income from the mining of industrial minerals was subjected to the variable profits tax.

**The table below shows the various year-on-year tax rates and the changes introduced in 2015**

Category	Change year			
	2016	2015	2014	2013
<b>Corporate tax rate (% of the profit base)</b>				
Mining – Base Metals/Gemstones/Precious Metals	30%	30%	30%	30%
Other Mining operations	30%	30%	30%	30%
<b>Mineral royalty rates</b>				
Mineral royalty on base metals, precious metals and gemstones - underground mining	6%	6%	6%	6%
Mineral royalty on base metals, precious metals and gemstones - open cast mining	9%	9%	6%	6%
<b>Capital allowances deductions</b>				
Mining equipment & related capital expenditure (*claim when asset is brought into use))	50%	Not applicable	25%*	100%
Commercial motor vehicles & Other plant and machinery	50%	Not applicable	25%	25%
Non commercial motor vehicles	20%	Not applicable	20%	20%
<b>Carry forward of tax losses</b>				
Mining operations	10%	Not applicable	10 years	10 years
Prospecting & exploration	5 years	Not applicable	5 years	5 years
<b>Other special incentives</b>				
Import duty on certain mining equipment	Rebate	Rebate	Rebate	Rebate
VAT deferment scheme	No	No	No	No
<b>Other rates</b>				
Withholding tax on dividends	0%	0%	0%	0%
Withholding tax on management fees to non- residents	20%	20%	20%	15%
Export duty on Copper & Cobalt concentrates	10%	10%	10%	10%

Export duty on all other unprocessed or semi processed mineral ores	10%	10%	10%	10%
Thin capitalisation threshold	3:1'	3:1'	3:1'	3:1'
Taxation of hedging income	35%	35%	35%	35%
Property transfer tax on sale or transfer of mining right	10%	10%	10%	0%
Transfer pricing rules on interest payments made by mining companies to apply	Yes	Yes	Yes	No

## EFFECTS OF CHANGES IN THE TAX REGIME

The 2015 budget introduced major changes to the mining fiscal regime. It moved away from a system comprising a uniform royalty rate (6%), corporate income tax and a variable income tax, to a royalty only system with differentiated rates for underground mines (8%) and open cast mines (20%). While the corporate income tax was abolished on mining operations, it was retained for income earned from tolling and from processing of purchased ores, concentrates and other semi-processed minerals. The authorities estimated that the change would boost budget revenues from the mining sector by about 1% of GDP, based on an assumption that the change would have no adverse impact on production.

A comparison of prevailing royalty rates in 2014 shows that, at 6%, Zambia's royalty rate was among the highest fixed rate among copper producing countries. Governments are attracted by royalties because they generate an immediate stream of revenue once mining production starts. However, royalties discourage investment because they do not respond to changes in costs.

- i. The move to a royalty-based regime with higher rates increases production costs.

Mines that were marginally profitable under the previous regime may become unprofitable. In general, companies are likely to react to lower profitability by curtailing some planned activities and investments.

- ii. The new fiscal regime has not boosted government revenues.

Reflecting on the negative impact on the sector's profitability, some mining companies announced plans to reduce operations and postpone new investments. For example, Barrick Gold announced plans to shut down operations at its Lumwana mine, and Konkola Copper Mines (KCM) announced a sharp cut in operations at the Konkola mine. The Zambia Chamber of Mines (ZCM) estimated that annual production lost could reach 150,000 tons and about 12,000 jobs could be lost in 2015. Preliminary information through the first quarter of 2015 showed mineral royalties was 41 percent below the government's target. This underperformance is associated to both the new fiscal regime and lower copper prices.

- iii. The new regime introduced complexities to revenue administration.

There is a risk that companies operating both open cast and underground mines would re-organize production to avoid the higher royalty rate, thus hurting government revenue. The ZRA will need to intensively monitor mines.

Amid concerns over its negative economic and social impact, President Lungu asked for changes to the 2015 fiscal regime. The President tasked a technical committee to review the new regime and propose alternative options including:

- a. Maintaining status quo with case-by-case relief,
- b. Modification of the regime, and

- c. Temporarily reinstate the 2014 regime. Staff advised the government to avoid mine-by-mine agreements that would likely entail the government foregoing substantial revenues to keep individual mines in operation.

### **Changes announced on 20th April 2015**

Cabinet announced changes to the 2015 fiscal regime on April 20. The changes implied going back to the dual system that combines a royalty with a CIT. The main changes included:

- i. Single royalty rate set at 9% for both open cast and underground mining operations.
- ii. 30% Corporate Income Tax on mining operations.
- iii. 35% Corporate Income Tax on income earned from processing.
- iv. Variable profit tax on income earned from mining activity at 15% when the taxable income exceeds 8% of the gross sales.
- v. Deduction of tax losses carried forward limited to 50% of taxable profits. Additionally, the government indicated that it will stiffen penalties for tax offenders and introduce stringent mechanisms to effectively monitor mining activities and ensure greater transparency among mining companies when reporting revenue and expenditure.

The changes were expected to take effect from 1st July 2015. Parliamentary approval is required before these changes are implemented. Additionally, the ZRA also needed some time to put in place the internal mechanisms for tax filing and payment by mining companies under the revised mining fiscal regime. The Chamber of Mines has welcomed the return to the two-tier system. However, mining companies were assessing how the new royalty rate and reintroduction of the CIT will impact their operations. In this context, it is clear whether the new regime approved by Cabinet was a permanent fix or whether more changes are to be expected.

The amendments approved by Cabinet to the 2015 are changes in the right direction.

The return to a dual system (i.e., royalty rate and corporate income tax-CIT) supplemented by the variable income tax component will allow for flexibility to fluctuating economic/financial conditions helping raise government revenues when copper prices are rising while enhancing the prospects for low profit projects when there is a downturn in prices.

(Source: IMF Country report No.15/153, June 2015)

### **3.2.6 Mining Rights Allocation**

#### **(i) Mining Rights Process**

There is a strict requirement that a person shall not prospect for minerals or carry on mining operations or mineral processing operations without the authority of a mining right or mineral processing licence granted under the Mines Act (2015).

The Director of Mines Development Department (MDD) is responsible for granting mineral rights. The act set up two cadastre offices – one at the central level (to process applications for mining rights) and one at the provincial level (to forward applications to the central office).

Normally prospecting licences for mineral resources are granted by the Geological Survey Department, but auctioning may be undertaken in areas where known mineral resources exist. In the latter case the following procedure is followed:

Stages	Procedure
<b>1. Bids Invitation Notice</b>	The notice is issued by the Minister of Mines and shall include: <ul style="list-style-type: none"> <li>- a description of the areas in which the bids are to be solicited</li> <li>- the procedures and rules relating to the submission of the bids;</li> <li>- the period within the bids shall be submitted</li> </ul>
<b>2. Notice publication</b>	The notice is published in a newspaper of general circulation in Zambia
<b>3. Bids submission for evaluation</b>	The bids are submitted by the Minister of Mines to the Mining Advisory Committee for evaluation within 5 days of the bid submission deadline
<b>4. Bids Evaluation</b>	The evaluation is performed by the Mining Advisory Committee shall consider the following criteria: <ul style="list-style-type: none"> <li>- the investment and financial flows;</li> <li>- the environmental management plan;</li> <li>- in the case of a holder of a mining right, whether the holder has been compliant with regulations and provisions of the Act; and</li> <li>- any other matter relevant for the purpose of the Mines Act.</li> </ul> The Mining Advisory Committee evaluates the bids in accordance with stipulated requirements and advises the Minister on the successful bid.
<b>5. Granting of Licences</b>	The licence is granted by the Minister of Mines to the holder with the best proposed programme, taking into account the recommendations of the Mining Advisory Committee.

According to the information collected during the scoping study, there were no bid processes launched during 2015.

#### (ii) Types of Licenses

A number of mining rights can be granted under the Mines Act in Zambia.

Three types of licences are available to the large-scale operators (ownership is not restricted to international companies – they can be held by companies and individuals registered in Zambia).

- **Large Scale Prospecting Licence:** this confers the right to prospect for any mineral over any size of area for a period of two years and is renewable up to a maximum of 7 years;
- **Large Scale Mining Licence:** this confers exclusive rights to carry out mining operations and other acts incidental thereto in the area for a maximum of 25 years. An approved Environmental Impact Assessment is required to support the application; and
- **Large Scale Gemstone Licence:** this confers exclusive rights to carry on prospecting and mining operations and other acts incidental thereto in the area for a maximum of 10 years. An approved Environmental Impact Assessment is required to support the application.

Similar rights are available to smaller operators, but on a reduced scale (restricted to citizens or citizen

owned companies).

- **Prospecting Permit:** (300 cadastre units=10km<sup>2</sup>); Valid for 5 years, non-renewable.
- **Small Scale Mining Licence:** (120 cadastre units=4km<sup>2</sup>); Valid for 10 years, renewable.
- **Small Scale Gemstone Licence:** (120 cadastre units=4km<sup>2</sup>); Valid for 10 years, renewable.

Artisanal mining right (not restricted to mining on a community basis or locals) may be (and often are) owned by individuals (citizens) with no link to the community. Artisan's mining right (2 cadastre units=0.0668km<sup>2</sup>); Valid for 2 years, renewable.

According to the MMMD information, there are 1,759 (2014; 1,916) mineral rights licenses which were active in 2015. The types of licenses are set out in the table below:

Code	Description	Active licences in 2014
AMR	Artisanal Mining Right	85
LEL	Large Eploration Licence	343
LGL	Large Gemstone Licence	9
LML	Large Scale Mining Licence	95
MPL	Large Scale Prospecting Licence	2
PL	Prospecting Licence	4
SEL	Small Scale Exploration Licence	581
SML	Small Scale Mining Licence	506
<b>Total</b>		<b>1,759</b>

These licenses are detailed in Annex 5 to this report.

## 3.3 Collection and Distribution of the Extractive Revenues

### 3.3.1 Budget Process

The Zambian budget process has four main stages involving drafting, legislating, and execution, auditing and publishing.

#### (i) Drafting

This is the first phase in the budget process. In the Medium Term Expenditure Framework (MTEF) arrangement, the government is required to engage in consultations with various stakeholders.

#### (ii) Legislative

Budgets are allocated taking into account the relevant acts in the constitution. Budgetary allocations are enshrined in Article 117 (1) of the Constitution of Zambia. At this stage, the final result still lies heavily with the legislature.

#### (iii) Implementation

At this stage, Parliament concerns itself with the effectiveness and efficiency with which funds are utilised; Members of Parliament look out for issues of service delivery, overspending, misuse and misapplication – to areas other than those authorised or planned for.

#### (iv) Auditing

The budgeting system in Zambia is audited by the office of the Auditor General which verifies whether funds have been spent on the authorised items; also verifies any under or over spending, misappropriation, theft; and whether resources have been utilised efficiently or not. Post-budget period audits are the responsibility of the Public Accounts Committee (PAC). PAC examines historical records for disbursements and budget performance. A substantial part of the supplementary expenditure is often incurred on items and areas other than those which were originally envisaged. PAC has a specific mandate under the standing orders of Parliament and as such cannot initiate an investigation into any matter of public interest. The PAC only makes recommendations to the Executive which is expected to enforce them.

#### (v) Publishing

Part X of Article 118 of the Republican Constitution requires that the National Treasury prepares and tables the Government's consolidated Annual Financial Report, which includes information on revenues and other funds received and spent by the Government during the financial year. Besides being mandated by legislation, the Annual Financial Report is meant to provide a summary on National Government financial resources and their application for the benefit of the people of Zambia and other interest groups. The 2015 Annual Financial Report is available on the MoF website .

### 3.3.2 Revenues Collection

#### (i) Revenues Recorded in National Budget

Once minerals are monetised, the revenues due to the Government have to be collected through the revenue collection framework. Under the current regime, all the payments are made in cash, E-tax and EFTs.

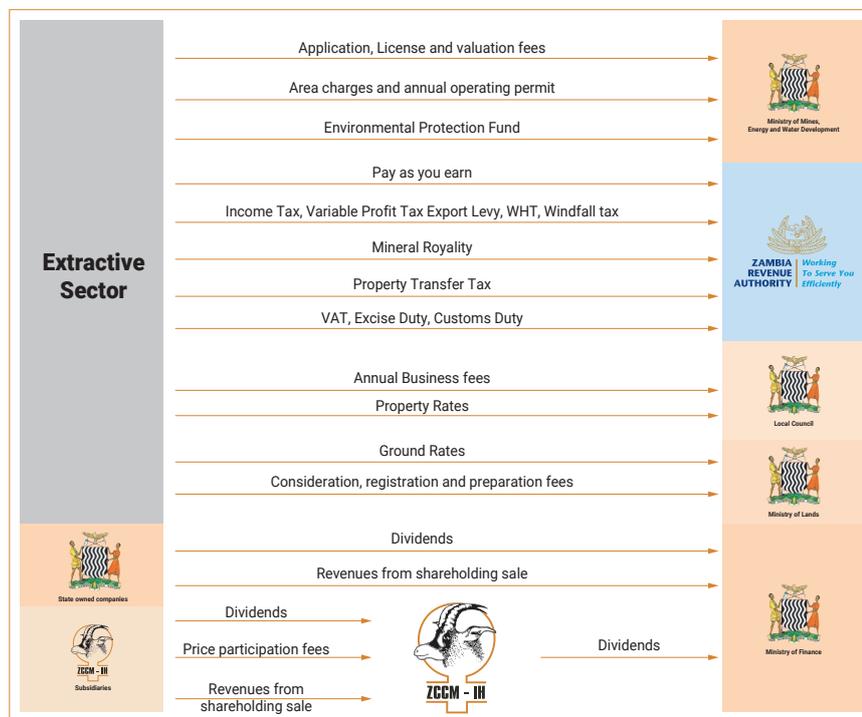
3 <http://www.mofnp.gov.zm>

Payments are made by the companies to various Government Entities. Mostly, ZRA receives most of the funds from mining companies. ZRA has two operating divisions which are Customs Services Division and Domestic Taxes Division; with both collecting over 98% of all Zambia's taxes from the mining sector.

The other payments from the mining sector are made to local councils, where mining companies are based, to MoL and to the Ministry of Mines and Mineral Development.

The Ministry of Finance is also part of the revenues collection framework through investments held in some Zambian mining companies (see section 4 of this report).

The mining revenue collections framework can be represented diagrammatically as follows:



## (ii) Environmental Protection Fund (EPF)

The Government enacted the Mines and Minerals Development Act 2008, which stipulates that an Environmental Protection Fund should be set up. This legislation provides for contributions to EPF by mine operators in form of cash as well as lodgement of other forms of security.

The EPF has been established with the appointment of EPF committee members by the **Minister of Mines**. The objectives of EPF are to:

- Provide assurance to the Director of the Mines Safety Department that the developer shall execute environmental and social impact statements in accordance with the Mines and Minerals (Environmental) Regulations, 1997; and
- Provide protection to the Government against the risk of having the obligation to undertake the rehabilitation of mining areas where the mining licence holder fails to do so.

The EPF is supervised by the Minister of Mines, Energy and Water Development through Statutory Instruments, (SIs) in particular SI No. 102 of 1998. EPF operates under the following fundamental guidelines:

- a. cash payment into EPF to be in hard currency;
- b. the developers contributions to the EPF shall be made in the form of a hard currency (Cap. 213, S.76 (2) (b) and S.I 102 of 1998 (Regulation 8 (2)).
- c. the balance on deposits lodged under S.1. 29 of 1997, Regulation 66 (1), (2) and (3) shall be secured with the Fund by the developer by way of lodgement of a Bond or Bank Guarantee to be determined by the Minister (Cap. 213, S. 76 (1) (b));
- d. funds to be Index-Linked, no interest earned;
- e. the developer's contribution shall retain its time-value with respect to inflation as calculated relative to hard currency (S.I. 102 of 1998 Regulation (8) (3)). At the expiry of a licence or permit, the developer shall be refunded the amount deposited to the extent that such amounts were not appropriated by government for payment of any progressive rehabilitation costs (Cap. 213, S. 82 (3) (a) and (b)). The refund shall not accumulate interest ; and only the Fund Committee can approve withdrawals from EPF.

In the event that a developer is directed by the Director of MSD to take specific remedial action, and fails to do so, the Director shall execute the remedial action using the developer's contributions to the Fund which becomes recoverable (Cap 213, S/78 (1)). The developer's fund so used shall not exceed the amount of cash deposit lodged by him to the Fund (Cap 213, S. 82 (3) (b)). This therefore means that each developer can use only his contribution and will only get his contribution back.

Administrative expenses of operating the fund shall not exceed 1% of the total income of the Fund except during the commissioning of the office of EPF Manager (S.I. 29, 1997 Regulation (5)).

Payments are made to the Fund in US dollar, and are retained in a US dollar bank account. The Fund is audited annually by an auditor appointed by the Committee.

Company	US DOLLARS	ZMW
Lumwana Mining Company Limited	363,772	-
Chambishi Metals Plc	110,525	-
Kansanshi Mining Company Limited	-	1,085,012
<b>Total</b>	<b>474,297</b>	<b>1,085,012</b>

### (iii) ZCCM-IH

ZCCM-IH is also part of the revenues collection framework through investments held by the company in Zambian mining companies (detailed in section 4).

As a Government owned company, ZCCM-IH pays taxes to various Government Entities in accordance with prevalent laws and also pays dividends to the government shareholder. In addition, the company is entitled to dividends from the private companies in which it holds shares as well as price participation fees from companies, under arrangements dating back to the privatisation of the industry.

The Company publishes annual financial Statements which are audited by KPMG. ZCCM-IH annual reports and 2014 certified financial Statements are available on the company website <sup>8</sup>.

In 2015 the Government has transferred all its shares held in ZCCM-IH to Industrial Development Corporation (IDC). IDC has been created and given direct mandate and authorization by the Government of Zambia

to oversee performance and accountability of all the Government Owned Enterprises (SOE'S). The IDC is mandated to work to maximize the value of government shareholding and ensure that SOE'S contribute to the Sovereign Wealth Fund (SWF) which will focus on stimulating investment in strategic non-mining industries to increase exports.

### 3.3.3 Mining Revenues Management

The Effective PFM and expenditure management are critical to transforming revenue from natural resources into broad-based sustainable economic and social development. The areas of spending that have broader external benefits for the economy as a whole include infrastructure and education.

However, as reported under Part III (13) of the Public Finance Act of 2004 of the Republic of Zambia, "There shall be established a Consolidated Fund into which all general revenues and other public moneys accruing to the Treasury shall be credited. The amounts payable to the Consolidated Fund under subsection (1) shall be deposited into the Treasury Account which shall be maintained at the Bank of Zambia."

The contributions by mining companies therefore lose their identity once they are deposited into the consolidated fund. Their use cannot therefore be tracked to public investment/expenditure or to expenditure units/cost centers or projects

### 3.3.4 Mining Revenues Transfers to Sub National Level

The government's 2002 National Decentralisation Policy (officially launched in 2004) sets out greater responsibilities for local government in delivery of public goods and services. However, in practice, the delivery of public goods and services in Zambia remains highly centralised. The budget does not show expenditure by urban or rural areas, but rather by line ministry, which means it is difficult to track where money is actually spent.

During 2010, the Zambian Government introduced a formula-based grant system, with the dual aim of making local government funding more predictable and transparent, and allowing government to better track the usage of grants by councils. Information was not available to assess whether this reform initiative has operated as intended.

However, there are specific contributions by mining companies which are meant to be applied to certain counties or institutions for social development. In accordance with Section 136 of the Mines and Minerals Development Act 2008, the Minister of Finance shall, in consultation with the Minister responsible for Mines, establish a mineral royalty sharing mechanism for distributing royalty revenues. However, there is no provision within the legislation as to what this mechanism should be, thus leaving a legal vacuum in the modalities of the handover and percentage that should be transferred by the central government. Therefore, mineral royalties' transfers have yet to be formalised and remains ineffective. This section has been removed from the new Act of 2015.

### 3.3.5 Improving data management of metal production figures-Mine to Metal Accounting Program

Copper mining companies through the Zambia Chamber of Mines in consultation with Zambia Revenue Authority (ZRA) and Ministry of Mines are developing an accounting template to avoid double accounting of processed metal products coming out from various mines.

<sup>20</sup> <http://www.zccm-ih.com.zm/>.

This reporting template proposed by the Chamber has gained positive attention from Government authorities. The Ministry of Mines and Mineral Development (MMMD) reviewed the template on 7<sup>th</sup> July 2015 and commended the Chamber for its development which adequately dealt with the problem of double counting among others. The Ministry requested the Chamber to merge the template with its own Mineral Production

and Sales Return Form 39 with the possibility of formalizing one submission in future. The Chamber's Production Committee met on 15<sup>th</sup> July 2015 to review Form 39. It was decided that most of the information was adequately captured in both templates and therefore only small changes needed to be made to Form 39 to align it with the Chamber's template. On 16<sup>th</sup> and 18<sup>th</sup> July 2015, the Chamber hosted a tripartite meeting with MMMD and ZRA representatives from the Mineral Value Chain Monitoring Team to align the two templates further. The outcomes were significant changes to Form 39 in line with definitions of products and sub-products as well as stages of copper production guided by the Chamber. The MMMD and ZRA will suggest the next steps on this project.

### 3.4 Beneficial Ownership

A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.

As per the EITI 2016 report, it is recommended that implementing companies publicly avail register of beneficial owners of the corporate entities including their identities, level of ownership and control is exerted. Where possible, beneficial ownership information should be incorporated in existing filings by companies to corporate regulators, stock exchanges or agencies regulating extractive industry licensing. Where this information is already publicly available, the EITI Report should include guidance on how to access this information.

#### **It is required that:**

- i. The EITI Report documents the government's policy and multi-stakeholder group's discussion on disclosure of beneficial ownership. This should include details of the relevant legal provisions, actual disclosure practices and any reforms that are planned or underway related to beneficial ownership disclosure.
- ii. By 1 January 2017, the multi-stakeholder group publishes a roadmap for disclosing beneficial ownership information. The multi-stakeholder group will determine all milestones and deadlines in the roadmap, and the multi-stakeholder group will evaluate implementation of the roadmap as part of the multi-stakeholder group's annual progress report.
- iii. As of 1 January 2020, it is required that implementing countries request, and companies disclose, beneficial ownership information for inclusion in the EITI Report. This applies to corporate entity(ies) that bid for, operate or invest in extractive assets and should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Any gaps or weaknesses in reporting on beneficial ownership information must be disclosed in the EITI Report, including naming any entities that failed to submit all or parts of the beneficial ownership information.
- iv. Information about the identity of the beneficial owner should include the name of the beneficial owner, the nationality, and the country of residence, as well as identifying any politically exposed persons. It is also recommended that the national identity number, date of birth, residential or service address, and means of contact are disclosed.
- v. The multi-stakeholder group should agree an approach for participating companies assuring the accuracy of the beneficial ownership information they provide. This could include requiring companies to attest the beneficial ownership declaration form through sign off by a member of the senior management team or senior legal counsel, or submit supporting documentation.

## 3.5 Government Participation in the Extractive Sector

### 3.5.1 ZCCM-IH

The ownership of mines has undergone a sequence of radical changes. Initially a private industry under the colonial administration, the mining industry was nationalised in the early 1970s, with the creation of the Government-owned Zambia Consolidated Copper Mines (ZCCM). Following a combination of low prices and lack of capital to invest resulted in production of copper falling, ZCCM's operations became increasingly unprofitable and the industry was re-privatised in the late 1990s.

Until recently, although the mines are now operated by private companies, the Government retained minority interests in most of the large copper projects through its holding company Zambia Consolidated Copper Mines Investments Holdings Plc (ZCCM-IH).

GRZ is the majority shareholder of ZCCM-IH and therefore the Company has strong links with the government. ZCCM Investments Holdings Plc (ZCCM-IH) is quoted on the Lusaka, London, and Euronext Stock Exchanges.

In 2015 the Government has transferred all its shares held in ZCCM-IH to Industrial Development Corporation (IDC). IDC has been created and given direct mandate and authorisation by the Government of Zambia to oversee performance and accountability of all the Government Owned Enterprises (SOE'S). The IDC is mandated to work to maximise the value of government shareholding and ensure that SOE'S contribute to the Sovereign Wealth Fund (SWF) which will focus on stimulating investment in strategic non-mining industries to increase exports.

ZCCM-IH's annual audited financial reports are publicly available and include information on reserves, the names of operating companies, royalties, and dividends. ZCCM-IH also publishes information on its board of directors and decision-making rules<sup>9</sup>.

The Company has close links with two Government ministries namely, Ministry of Mines and Mineral Development and Ministry of Finance. Both ministries have representation on the Board of ZCCM-IH. The Company also maintains a close relationship with Government through representatives of some autonomous Entities on the Board of ZCCM-IH namely the Zambia Revenue Authority and the Bank of Zambia (central bank).

Through its shareholding in mining associate companies, ZCCM-IH serves as an entity holding the government's minority interests in the privatised mining companies.

The investment portfolio for ZCCM-IH comprises primarily investments in Zambian mining companies detailed as follows:

Extractive company	Shares held on 31 March 2014(*)	Shares held on 31 March 2015(**)
<b>Ndola Lime Limited</b>	100	100
<b>Kariba Minerals Limited</b>	50	50
<b>Maamba Collieries Ltd</b>	35	35
<b>Konkola Copper Mines Plc</b>	20.6	20
<b>Kansanshi Mining Plc</b>	20	20
<b>Lubambe Copper Mine Ltd</b>	20	20
<b>Luanshya Copper Mine Plc</b>	20	20
<b>NFC Africa Mining Plc</b>	15	15
<b>Chibuluma Mines Plc</b>	15	15
<b>Chambishi Metals Plc</b>	10	10

<b>Mopani Copper Mines Plc</b>	10	10
<b>Nkandabwe Coal Mine</b>	100	100
<b>Mawe Exploration and Technical Services Ltd</b>	100	100

9 www.zccm-ih.com.zm/

<b>Extractive company</b>	<b>Shares held on 31 March 2014(*)</b>	<b>Shares held on 31 March 2015(**)</b>
<b>Nkana Alloy Smelting Company Limited</b>	10	10
<b>Misenge Environmental and Technical Services Limited</b>	100	-

(\*)ZCCM-IH Reporting Template (2014)

(\*\*)ZCCM-IH Reporting Template (2015)

ZCCM-IH also contributes to the direct financing of mining projects. According to the company financial reports, funding were granted to its subsidiaries operating in the mining sector; and the terms of the transactions can be summarised as follows:

#### **Beneficiary Terms of the transaction**

##### **1. Ndola Lime Company Limited**

ZCCM-IH continued to provide financial support through shareholders loans towards the completion of the Ndola Lime Recapitalisation Project. The Vertical Kiln (VK-2) is targeted to be commissioned at the end of March 2016. Once commissioned, the VK- 2 will significantly improve production efficiencies at NLC with a resultant effect of reducing the cost of production for limestone products.

There were no dividends declared during the year under review (2014: Nil).

##### **2. Kariba Minerals Limited.**

Kariba acquired new mining equipment to improve production and turn the company around. Furthermore, In February 2015 Kariba held an auction of high grade amethyst alongside Gemfields Plc which grossed revenue of US\$0.446 million. Kariba is projected to be profitable by 2018 contingent on the company getting additional support in the short term to meet its financial obligations.

There were no dividends declared during the financial year ended 31st March 2015 (2014: Nil).

##### **3. Maamba Collieries Limited**

In 2012 the company signed an agreement with the Zambia Electricity Supply Corporation (ZESCO) for the construction of a power plant. The project is expected to produce 300MW. The project cost has been estimated at a total cost of US\$830million. The project has been financed by a combination of debt as well as contributions from shareholders. The first phase of the project is expected to be commissioned in June 2016 with the second phase coming on in July/ August 2016. The power generation project is expected to generate revenues of up to US\$20million each month from sales to ZESCO. ZESCO will in turn sell the power to its consumer base. This project is expected to improve the profitability position of the company. The company opened up its power plant and had it connected to the national grid in 2016.

There were no dividends declared during the year under review (2014: Nil).

#### 4. Konkola Copper Mine PLC

During the year under review, KCM faced operational and financial challenges including cash flow constraints that resulted in KCM purchasing third party concentrates in smaller quantities than what was sought. On 23rd February 2015, the Government amended the documentation requirements to VAT refunds on future exports and this should enable KCM to increase the purchase and treatment of third party concentrates which will lead to an increase in smelter utilization. Additionally, KCM is focusing on increasing production volumes and addressing productivity across all of its operations. To this effect, KCM has been implementing various interventions to improve the overall operating performance and drive higher equipment availability and utilisation. Owing to the operational and financial challenges that KCM faced, K719 million (US\$94.9 million) due to ZCCM-IH in the financial year 2014/2015 under the settlement agreement remained unpaid. The total amount has been fully impaired as at 31 March 2015.

There were no dividends declared during the year under review (2014: Nil).

#### 5. Lubambe Copper Mine

The major challenge LCM faced during the financial year under review was dilution of concentrates. Following an extensive ore body stoping design review conducted by SRK Consulting, Lubambe evaluated various slot development methods and equipment requirements with the recommended solution being inverse raise using 3x Sandvik DL411-15 long hole drill rigs. The overall capital cost of this equipment is estimated at US\$7.7 million. The implication of this is that the Project Capital cost forecast for 2015 will be under spent by approximately \$7.86million and \$3.85million on a commitment and accrual basis respectively. Hence the purchase of the equipment at US\$7.7 million will remain within the budget limit of the capital project.

Owing to the operational and financial challenges that LCM faced, K705 million (US\$93 million) due to ZCCM-IH in the financial year 2014-2015 under the shareholder loan agreement remained unpaid. The total amount has been fully impaired as at 31 March 2015.

MCM has to date spent US\$323 million on the Synclinorium Shaft at Nkana, with major milestones completed including achieving a depth of 1,280 metres (design depth is 1,277m), and equipping was in progress. The project remains on schedule for completion by the end of 2015 and will extend the economic life of MCM's operations by more than 25 years. Further, MCM has spent US\$232 million on Mindolo Deeps and US\$327 million on the Mufulira Deeps; sinking of which was still in progress. The projects are targeted at sustaining production at 2mtpa, and are expected to extend the life of the mine by 20 to 25 years. These projects are all expected to be completed by December 2016. The future of Mopani depends on its expansion projects but the mine will need to control its costs in view of the low copper prices.

There was no dividends paid during the period under review (2014: Nil).

(Source: 2015 ZCCM-IH Annual report)

ZCCM-IH is also a holder of prospecting licenses detailed as follows:

Code	Resources	Grant Date	Expiry Date	Map Reference
13855-HQ-LPL	Au, Cu, DIA	22/06/2010	21/06/2012	Northern, Chinsali
13856-HQ-LPL	Ag, Au, Cu, Mn	22/06/2010	21/06/2014	Northern, Chinsali, Mpika
13857-HQ-LPL	Au, Cu, DIA	20/04/2010	19/04/2012	Northern, Chinsali, Mpika
13860-HQ-LPL	Ag, Au, Cu, Mn	18/10/2010	17/10/2012	Northern, Chinsali

<b>13863-HQ-LPL</b>	Ag, Au, Cu, Mn	22/06/2010	21/06/2014	Central, Serenje
<b>13865-HQ-LPL</b>	Ag, Au, Cu, Mn	20/04/2010	19/04/2014	Eastern, Chama
<b>13871-HQ-LPL</b>	Ag, Au, Cu, Mn	05/08/2011	04/08/2013	Central, Kapiri Mposhi
<b>18713-HQ-SPP</b>	COA	25/02/2013	24/02/2018	Southern, Sinazongwe
<b>PEL012-Block 1</b>	Oil and Gas	23/06/2011	22.06.2015	Western Province
<b>PEL013-Block 4</b>	Oil and Gas	23/06/2011	22.06.2015	Western Province
<b>PEL014-Block 6</b>	Oil and Gas	23/06/2011	22.06.2015	Western Province
<b>PEL015-Block 10</b>	Oil and Gas	23/06/2011	22.06.2015	Western Province

## Industrial Development Corporation (IDC)

### Background

The Industrial Development Corporation of Zambia is an investment company wholly owned by the Zambian government, incorporated in early 2014 whose mandate objective is a catalytic role in deepening and supporting Zambia's industrialisation capacity to promote job creation and domestic wealth formation across key economic sectors.

In February 2014, the IDC was incorporated as a company limited by shares under the Companies Act and is 100 percent (100%) owned by the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia, for the President on behalf of the Government of the Republic of Zambia (GRZ). The IDC commenced operations in March 2014. IDC owns 25% shares in Kagem and 60.3% in ZCCM-IH.

The IDC's established mission is to contribute to Zambia's economic development, industrialisation and job creation by nurturing effective and commercially driven strategic investments. It operates under the provisions of the Companies Act and it is neither a Government agency nor a statutory body. Like any other commercial company, the IDC pays taxes to tax authorities, will distribute dividends to its shareholder and has its own board of directors and a professional management team. Its sole shareholder is Zambia's Minister of Finance.

During the presentation of the 2015 Zambian National Budget, the Minister of Finance directed the Securities and Exchange Commission (SEC) to ensure that all listed companies on the Lusaka Stock Exchange (LuSE) complied with the minimum LuSE minimum free (public) float requirement of 25% of the shares. In this regard the Minister of Finance announced that the Government of the Republic of Zambia (GRZ) would reduce its shareholding in ZCCM-IH from 87.5% to 60.3% via the sale of its shares proportionate to the required reduction. Subsequent to year end, and pursuant to the above, on 08 June 2015 GRZ sold 15,850,631 of its 43,811,861 Class B shares in ZCCM-IH to the National Pension Scheme Authority (NAPSA) of Zambia (As Tranche 1 of the sale down). As a result of the sale, GRZ's shareholding in ZCCM-IH reduced from 87.5% to 77.5%. Tranche 2 of the sale down relates to the sale of the balance of 27,961,237 Class B shares and was launched on 30 July 2015. Tranche 2 involves a preferential secondary market offer of the shares to preferred applicants (Zambian persons) which closed in November 2015. Thereafter the offer was open to general applicants (Foreign persons).

## 3.6 Audit and Assurance Practices in Zambia

### 3.6.1 Extractive Companies

The Companies Act requires every company to appoint qualified auditors within 3 months after incorporation and yearly at their annual general meeting. Annual financial statements of extractive companies are not systematically available to the public except for listed companies.

The Securities Act and the Lusaka Stock Exchange listing requirements demands that auditors of listed companies to be practicing members of ZICA and to apply standards set by ZICA. These requirements ensure that only auditors who are ISA compliant can audit these public interest entities.

The Public Finance Act (2004) gives the Auditor General the responsibility of auditing Government-owned enterprises. Section 44 (1) Governments, "It shall be the duty of the Auditor General to audit, in accordance with the provisions of the Public Audit Act the accounts of any statutory corporation." The Auditor General follows the standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

The Zambia Revenue Authority does not require companies to have audited accounts for tax purposes. However, it is widely acknowledged that an environment of high-quality financial reporting would also improve efficiency in tax assessment.

### 3.6.2 Government Entities

Audit practises for the budgeting system in Zambia are described above in paragraph 3.3.1 (iv) of this report.

### 3.7 Corporate Social Responsibility Payments

Companies were requested to report corporate social responsibility payments and transfers made during 2015 unilaterally. These amounts have not been reconciled nor have they been conformed to the recipients. The reporting of corporate social responsibility payments is voluntary and not mandatory. The materiality of corporate social responsibility was not considered nor payments reconciled. We set out in the table below the amounts reported by extractive companies: All amounts in ZMW.

**Table 14**

No	Company	Corporate Social Responsibility in Kind payments(ZMW)	Corporate Social Responsibility cash payments (ZMW)	Total
1	Konkola Copper Mines Plc	244,505,235	-	244,505,235
2	Kalumbila Minerals Limited	56,795,140	5,542,977	62,338,117
3	Kansanshi Mining Plc	26,132,276	-	26,132,276
4	Mopani Copper Mines Plc	-	20,840,025	-
5	Lumwana Mining Company Ltd	-	10,208,029	-
6	Kagem Mining Limited	8,708,263	96,000	8,804,263
7	CNMC Luanshya Copper Mines Plc	-	4,551,990	-
8	Maamba Collieries Mine Ltd	-	3,475,020	-
9	Chambishi Copper Smelter	1,424,692	47,500	1,472,192
10	Ndola Lime Company	163,487	176,072	339,559
11	Chibuluma Mines Plc	43,951	1,210,907	1,254,858
12	Synite Quarries Zambia	36,040	100,000	136,040
13	Chambishi Metals Plc	-	939,004	939,004
14	Larfarge Cement Zambia Plc	-	640,198	640,198
15	First Quantum Minerals & Operations	-	259,834	259,834
16	Lubambe Copper Mine Ltd	-	210,777	210,777
17	NFC Africa Mining Plc	-	115,550	115,550
18	Grizzly Mining Ltd	-	114,065	114,065
19	Blackthorn TA Intrepid Mines	-	74,615	74,615
20	SINO Metals Leach Zambia Limited	-	3,000	3,000
	<b>Total</b>	<b>337,809,084</b>	<b>48,605,563</b>	<b>386,414,647</b>

### 3.8 VAT Refunds

By the nature of their supplies, most of the mining companies end up in a VAT refundable position because most of their sales are exports and zero rated while they pay VAT on their inputs; The net refundable VAT is claimed from the ZRA and paid back to these companies after a due process has been followed in accordance with the law;

**Below we present details of VAT refunds claimed by the mining companies included in the reconciliation; VAT refunds was claimed by 11 companies (2014:10)**

No	Company	VAT refunds in 2015 as declared by company (ZMW) .	VAT refunds in 2015 (ZMW) as declared by ZRA
1	Konkola Copper Mines PLC	861,416,979	924,272,057
2	Mopani Copper Mines PLC	840,143,039	1,731,143,039
3	Kansanshi Mining PIC	745,022,049	871,463,500
4	Kalumbila Minerals Limited	401,629,405	346,909,023
5	Maamba Collieries Limited	87,925,038	87,925,038
6	Lubambe Copper Mine Limited	58,918,078	46,918,078
7	Kagem Mining Limited	49,014,769	49,014,769
8	Ndola Lime Company Limited	20,172,232	57,729
9	Dividends from ZCCM-IH Shares	12,625,529	54,475,512
10	Rio Tinto Exploration Zambia Limited	1,275,464	1,800,941
11	Anglo Exploration Zambia Limited	192,751	842,752
	<b>Total</b>	<b>3,078,335,333</b>	<b>4,114,822,438</b>

## 4. APPROACH AND METHODOLOGY

**The reconciliation process related to the EITI reporting consisted of the following steps:**

- i. Scoping study to determine the scope of the reconciliation exercise and to update the reporting template;
- ii. Collection of payment information from government Entities and extractive companies which provide the basis for reconciliation;
- iii. Comparison of amounts reported by government Entities and the extractive companies to determine if there are discrepancies between what the authorities report as being received and the licensees report to have paid in taxes;
- iv. Contact with government Entities and extractive companies to resolve the discrepancies.

### 4.1 Scoping Study<sup>1</sup>

In accordance with our terms of reference, we carried out a scoping study and reported to ZEC on matters which should be considered in determining the coverage of the 2015 reconciliation, including:

- i. Materiality threshold for receipts and payments;
- ii. Taxes and revenues to be covered;
- iii. Companies and Government Entities to be included in the report; and
- iv. Assurances to be provided by reporting entities to ensure credibility of the information made available to us.

The results of the scoping study were submitted to ZEC for approval as described in **Section 4 of this report**.

### 4.2 Information Collection

We developed instructions, including reporting templates and reporting guidelines, requesting mining companies and Government Entities to report all required information in accordance to ZEITI regulations. These reporting templates were sent both electronically and by hand to the stakeholders.

The entities and Government Entities were required to report directly to the independent administrator, to whom they were also requested to direct any questions on the reporting templates.

ZEC agreed that the deadline for submission of the certified reporting templates (soft copies and hard copies) would be 14th December 2016.

### 4.3 Reconciliation and Investigation of Discrepancies

The process of reconciling the information and investigating discrepancies was carried out between 10 September and 20 November 2016. In carrying out the reconciliation, we performed the following procedures:

- a. Figures reported by extractive companies were compiled item by item figures reported against the Government Entities. As a result, all discrepancies identified have been listed item by item in relation to each Government Entity and mining company;
- b. where information reported by mining companies agreed with the information reported by the Entities, the government figures were considered to be confirmed and no further action was undertaken; and

<sup>1</sup> Please see section 4 of this report for the detailed results of scoping study

- c. The Government Entities and the companies were asked to provide supporting documents and/or confirmation for any adjustment to the information provided on the original information collection templates.

In cases where we were unable to resolve discrepancies, we tried to contact and arrange meetings with the reporting entities and review additional supporting documentation evidencing the payments declared. In certain cases, these differences remained unresolved. The result of our procedures is presented in Section 5 of this report.

#### 4.4 Reliability and Credibility of Information Reported

In order to comply with EITI Requirement 5.2 and to ensure the credibility of information submitted:

1. Companies and Government Agencies were requested to sign their reporting templates by a Senior Official;
2. Companies and Government Entities were requested to submit the breakdown of payments and receipts date by date and by receipt in the supporting schedules;
3. Companies, including ZCCM-IH, were requested to provide us with confirmation of the truth and fairness of the information disclosed in the template from their auditors, and that the information disclosed was prepared in accordance with the template instructions. The information provided by companies in this respect is set out in Annex 2;
4. Government Entities, including local councils, were requested to obtain confirmation from their Auditor General that the transactions reported in the template are in accordance with instructions issued by ZEITI, are complete and are in agreement with the accounts of Government for the year 2015. The information provided by Government Agencies in this respect is also set out in Annex 2;
5. The Auditor General was also required to provide a letter confirming that the accounts of the Government Entities were audited in accordance with international standards; and
6. For any changes made to the original information reported on the templates, the Government Entities and companies were asked to provide supporting documents and/or confirmation before any adjustments.

#### 4.5 Basis of Reporting

The reconciliation has been carried out on a cash accounting basis. Accordingly, any payment made prior to 1 January 2015 was excluded. The same applies to payments made after 31 December 2015.

For payments made in foreign currency, the reporting entities were required to report in the currency of payment. Payments made in US Dollars have been converted to ZMW at the average rate for the period per Oanda of USD 1: 8.64<sup>2</sup>.

<sup>2</sup> <http://www.oanda.com>.

## 5. DETERMINATION OF THE RECONCILIATION SCOPE

Our work included a general understanding of the extractive sector in Zambia. We also consulted with Government Entities in order to collect relevant information on the size of the extractive sector in Zambia and its contribution to the economy and to government revenues, as a part of the process to establish the prospective scope of the 2015 reconciliation.

We have taken into account all the available information presented to us during our fieldwork including the subsequent comments and information of the Zambia EITI Council.

### 5.1 Selection of financial flows

During the scoping study, we consulted Government Entities which received flows from the extractive sector.

#### MINISTRY OF MINES AND MINERALS DEVELOPMENT

According to the Cadastre Department there are 12 categories of fees and charges payable by mining companies to MMMD. These fees and charges are set out in the table below:

No.	Category
1	Application Fees (New and Renewals)
2	Licence Fees (New and Renewals)
3	Area Charges
4	Application Fees - Compliance
5	Licence Fees - Compliance
6	Alteration - Application Fee
7	Alteration - Licence Fee
8	Transfer Application Fee
9	Transfer Licence Fee
10	Search and other fees
11	Environmental Protection Fund
12	Annual Operating Permit

According to the table above we can regroup the fees and charges payable to MMMD in six (6) categories:

No.	Category
1	Area Charges
2	Application Fees
3	Licence Fees
4	Valuation fees
5	Payments made to the Environmental Protection Fund
6	Annual Operating Permits.

These were the same payment flows selected for the 2012 , 2013 and 2014 reconciliation reports.

## ZAMBIA REVENUE AUTHORITY

From analyzing the 2010, 2012, 2013 and 2014 EITI reports for Zambia, the financial flows from extractive companies to ZRA have largely remained the same. We have also analyzed the preliminary 2015 receipts information as provided by ZRA and have confirmed the same financial flows as included in the 2013 and prior EITI reports for Zambia. We propose to maintain the same financial flows for ZRA for the 2015 report as detailed below.

No.	Category
1	Value Added Tax (On Imports)
2	Mineral Royalty Tax
3	Company Tax
4	Pay as you earn
5	Value Added Tax
6	Customs Duty
7	Withholding Tax
8	Excise Duty-Import
9	Asycuda Processing Fee
10	Examination Fees
11	Advance Income Tax
12	Property Transfer Tax
13	Motor vehicle Fees
14	Fuel Levy
15	Carbon Emission Surtax
16	Export Duty

### We also make the following recommendations:

- (i) We propose to maintain the list of payment flows selected for the 2013 and 2014 reconciliation;
- (ii) Add the VAT refunded to mining companies by ZRA to better reflect the net contribution of mining companies to the budget during the period covered by the EITI Report;
- (iii) Asycuda processing fees and Examination fees are paid to ZRA for registering goods imported into Zambia. This payment does not fall under the tax category but is rather a fee for a public services provided (in the same manner as electricity, water, telephone, etc.); and
- (iv) Motor Vehicle Fees, Carbon Emission Surtax, Advance Income Tax, Medical Levy and Fuel Levy do not present material flows with less than 0.03% of the total payments to ZRA.

## MINISTRY OF LOCAL GOVERNMENT AND HOUSING (Sub National Payments)

The contribution from the Ministry of Local Government and Housing (MOLGH), and specifically the Local Councils, will be limited as per 2014 Reconciliation exercises to two fees:

- Property rates; and
- Annual Business Fee.

The selection of these fees was not based on an assessment of information collected in respect of 2015. They were included on the basis of information set out in the 2014 reconciliation report.

These payments are financially immaterial in the context of Zambia, but are included because they are important to the areas served by local councils. The payments are made directly to local councils by the companies in extractive sector.

## MINISTRY OF LANDS

### Four types of fees are payable to the Ministry of Lands by mining companies:

No.	Category
1	Ground Rent
2	Consideration Fees
3	Registration Fees
4	Preparation Fees

We propose to include all of the above 4 types of fees in order to ensure completeness of income.

## MINISTRY OF FINANCE

We recommend including the dividends received from Government owned companies in the 2015 reconciliation exercise as well as the revenues received from the sale of GRZ shareholding in these companies, if applicable.

We wish to highlight that no payment flows related to barter arrangements involving infrastructure works as set out in EITI Requirement 4.1.d have been identified. The Ministry of Finance confirmed that there were no barter arrangements in 2015 through a letter dated 15 December 2016, reference MF/IDM/101/24/94 and signed by the permanent secretary.

## ZCCM-IH

As per the 2014 and 2015 reconciliation exercises, we propose that the 2015 reconciliation exercise should include the following revenues streams:

No.	Category
1	Dividends from ZCCM-IH Shares
2	Price participation fees
3	Revenues from ZCCM-IH shareholding sale
4	Revenues from ZCCM-IH mining rights transfer

## INDUSTRIAL DEVELOPMENT CORPORATION - IDC

No.	Category
1	Dividends from IDC-IH Shares
2	Price participation fees
3	Revenues from IDC-IH shareholding sale
4	Revenues from IDC-IH mining rights transfer

## CORPORATE SOCIAL RESPONSIBILITY PAYMENTS

These consist of all contributions made by extractive companies to promote local development and to finance social projects in line with the EITI Requirement 4.1(e). This Standard encourages multi stakeholder groups to apply a high standard of transparency to social payments and transfers, the parties involved in the transactions and the materiality of these payments and transfers to other benefit streams, including the recognition that these payments may be reported even though it is not possible to reconcile them.

These contributions can be made in cash or in kind depending on individual contracts. This category includes, inter alia: health infrastructure, school infrastructure, road infrastructure, market gardening infrastructure, projects related to the promotion of the agriculture and the grants provided to the population. The social payments were included in the 2015 EITI scope through a unilateral disclosure of mining companies. These payments can be summarised as follows:

No.	Category
1	Corporate Social Responsibility In kind payments
2	Corporate Social Responsibility cash payments

## 5.2 Selection of Extractive Companies

### 5.2.1 Oil and Gas Companies

According to the information made available by MMMD, there were no activities carried out by extractive companies during 2015 in the Oil and Gas sector. GRZ has recently started prospecting for Oil and Gas.

The Geological Survey Department (GSD) of MMMD has confirmed that ten (10) petroleum exploration licenses have been issued to date. GSD has also confirmed that there were no contracts signed between the Government and oil and gas companies and there were no gas and oil signature bonuses paid in 2015.

Exploration license holders would only pay ZMW 4.75 million for the application fee, ZMW 50,000 for the annual licence fee and ZMW 4,000 for area charge per square kilometre. These payments are considered to be non material in the context of the 2015 reconciliation exercise. The contribution of oil and gas companies is not material for the 2015 reporting scope and no oil and Gas Company paid more that 2 million ZMW in 2015 and therefore have not been included in the reconciliation report.

As a result, we propose to include the Oil & Gas Sector in the 2015 EITI reports via the disclosure by Government Entities of the combined benefit stream from Oil and Gas operators listed in Annex 4.

Currently, oil and gas companies are still in the exploration phase. Therefore, to date no contracts have been signed.

### 5.2.2 Mining Companies

The information provided to us during the scoping study and related to 2015 tax collection was from payments received by ZRA.

Government Agency	Amount 2015 (ZMW)
ZRA	9,116,674,389

From the above table, we can conclude that the ZRA is the main recipient on behalf of government for payments from the mining sector. As a result, the materiality was assessed through the payments made by mining companies to the ZRA.

The Large Taxpayers Office and the Customs Office of the ZRA provided information on receipts during 2015 from the mining sector

For each company where ZRA reported receipts in 2015, we reviewed the licensing information provided by the Mining Cadastre and identified companies which had active licenses or had made royalties payments, categorizing them as “mining companies” and “non mining companies”.

On the basis described above, the profile of payments to ZRA and other government agencies is set out in the following table:

Payment threshold	Mining Companies		Non Mining Companies		Total
	Number of companies	Revenue collected by Govt (ZMW)	Number of companies	Revenue collected by Govt (ZMW)	
Amount > ZMW 2.2 Bn	1	2,236,668,127	-	-	2,236,668,127
ZMW 0.5 Bn <Amount <ZMW 2.2 bn	4	4,326,939,250	-	-	4,326,939,250
ZMW 0.001 Bn <Amount <ZMW 0.5 bn	15	2,286,241,636	2	64,224,589	2,450,466,225
ZMW Amount <ZMW 0.001 bn	15	68,071,000			68,071,000
Below ZMW 0.002MW	161	24,093,593	3	10,436,194	34,529,787
<b>Total</b>	<b>196</b>	<b>9,042,013,606</b>	<b>5</b>	<b>74,660,783</b>	<b>9,116,674,389</b>

The profile of payments to ZRA and other government agencies in 2015, based on receipts from mining companies after excluding the mining services contractors, is set out in the following table:

Threshold	Number of companies	Revenue collected by Govt (ZMW)	Weight / total collected revenue	Cumulative weight
Amount > ZMW 2.2 Bn	1	2,236,668,127	24.53%	24.53%
ZMW 0.5 Bn <Amount <ZMW 2.2 bn	4	4,326,939,250	47.46%	72.00%
ZMW 0.01 Bn <Amount <ZMW 0.5bn	17	2,450,466,225	26.88%	99.87%
ZMW 0.02bn <Amount <ZMW 0.01 bn	15	68,071,000	0.75%	99.62%
Below ZMW 0.002 bn	164	34,529,787	0.38%	100.00%
<b>Total</b>	<b>201</b>	<b>9,116,674,389</b>	<b>100.00%</b>	

According to the above table, the companies paying taxes of more than **ZMW 2 million (Approximate USD 231,481)** represent **99.62%** of the total revenue collected by ZRA and other government agencies from

companies operating in the extractive sector. As a result, we propose to set the materiality threshold of the reconciliation scope at ZMW 2 Million (approximately USD 231,481 using the average rate of 8.64 for 2015 obtained from [www.oanda.com/currency/historical-rates/](http://www.oanda.com/currency/historical-rates/))

The materiality threshold recommended above means that mining companies making **99.62%** of reported payments to government will be included in the reconciliation i.e. all mining companies making payments to government in excess of **ZMW 2 million (Approximate USD 231,481)**. According to this threshold **36 mining companies** will be selected for the 2015 reconciliation exercise.

In accordance with requirement 4.1 of the guidance note on defining materiality, " Payments and revenues are considered to be material if their omission or misstatement could significantly affect the comprehensiveness of the EITI report.

Any company making total payments in excess of ZMW 2 million have been considered material and were required to report all payments regardless of the size of individual revenue streams. There is in effect no materiality threshold for each revenue stream.

The materiality for the 2015 report has been set at ZMW 2 Million, compared to the ZMW 1 Million materiality threshold used in 2014. The increase in the materiality threshold to ZMW 2 Million in 2015 is due to the increase in payments made by companies to ZRA. The companies that paid ZMW 2 million and above represent 99.62% of the total revenue collected. The companies that paid less than ZMW 2 Million but above ZMW 1 Million (2014 materiality) only represents 0.13%. The 0.13 % is immaterial and therefore the omission of the amounts is below the 1% tolerable threshold and does not significantly affect the comprehensiveness of the EITI report.

For the mining companies that have made payments to ZRA falling below ZMW 2 million, we recommend a unilateral disclosure of revenues streams collected by the government agencies and ZCCM-IH and Industrial Development Corporation in accordance with the EITI Standard.

### 5.3 Reconciliation scope

Based on the scoping study, ZEC agreed that the reconciliation should cover the following areas.

#### Taxes and Revenues Covered

According to the section above, the flows included in the 2015 reconciliation scope may be summarised as follow:

Ref	Type of Tax	Description
<b>Ministry of Mines and Minerals Development</b>		
1	Application Fees	Fees paid when applying for a prospecting license or mining license.
2	Licence Fees	Fees payable by an applicant of mining rights to be granted a mining license or permit.
3	Area Charges	Fees payable by all Extractive Companies to MMMD in order to obtain the appropriate permit to undertake the mining and exploration operations.
4	Valuation Fees	Fees paid for laboratory analysis of mineralogical samples.
5	Annual Operating Permit	Annual fee payable by all Extractive Companies to MMMD in order to obtain the appropriate permits from the Director of Mines Safety to undertake mining operations.
6	Environmental Protection Fund	Fee charged to Extractive Companies for environmental rehabilitation purposes.
7	Other fees & charges	To be used by Government Entities and mining companies in case there were any material receipts or payments not listed elsewhere on the ZEITI template (> ZMW 50 million).

Ref	Type of Tax	Description
<b>Zambia Revenue Authority</b>		
8	Pay- As-You-Earn	Tax paid by employees on all their emoluments. The employer acts as an agent for the Government and deducts the tax from the employee emoluments which it remits to ZRA.
9	Import VAT	Value Added Tax paid by Extractive Companies on the import of goods into Zambia including imports of minerals and concentrate from other jurisdictions.
10	Mineral Royalty	Royalty payable is calculated at 6% for open cast and 9% for under ground of the market value of minerals FOB less the cost of smelting, refining and insurance, handling and transport from the mining area to the point of export or delivery within Zambia. Royalty payments may be deferred if the cash operating margin of a holder of a Large Scale Mining falls below zero.
11	Company Income Tax (including Provisional Tax)	All Extractive Companies are taxed on their taxable income which is determined in line with the Zambian Income Tax Act. Income in this case relates to revenue less all tax allowable expenditure. The company tax rates are 30% for mining incomes and 35% for hedging incomes. This also includes the compulsory instalments paid during the year as a provisional tax.
12	VAT	This payment type refers to the net Output VAT payable by the Extractive Companies, after taking into account Input VAT incurred on business purchases and/or business expenditure.
13	Import/Customs Duty	Customs/Import duty is a tax levied on ZRA specified goods imported into Zambia.
14	Withholding Taxes	This is a tax where any person or company making certain payments is required to deduct from such payments and remit to ZRA. The payments that attract WHT include management and consultant fees, commissions, rent dividends and payments to non-resident contractors. The WHT rate is 15%.
15	Excise Duty	Excise duty is a tax levied on ZRA specified goods imported into Zambia.
16	Property Transfer Tax	This is a tax paid upon the sale or transfer of property by the person selling or transferring the property based on the value of the property. Property in our case refers to land, buildings, shares and mining rights (effective 1 January 2013).
17	Wind Fall Tax	A tax levied against extractive industries triggered by favourable global economic conditions which allows these industries to experience above average commodity prices. This tax was introduced by the Mines and Minerals Act 2008 and abolished on 1 April 2009. After discussion with the Government, the mining companies have agreed to pay their tax arrears arising from the changes that were introduced in 2008. The Windfall arrears were re-assessed at 25% only to ensure that the assessed total liability does not exceed the 47% effective tax rate intended by the Government.
18	Variable profit Tax	This is a tax on company profits charged under the Income Tax Act. The company tax rate is 30%. Variable profit tax rate applies for profits that go above 8% of the gross sales. ZRA has a formula to calculate the variable profit above the threshold. Variable profit tax can go up to a maximum of 45%.
19	Advance Income Tax	A 6% advance income tax is levied on commercial imports, subject ministerial remission. Where paid, this tax may be deducted from the taxpayer's final income tax for the fiscal year.
20	Export Levy	This tax is levied at 10% on concentrate minerals.
21	Other taxes (ZRA)	To be used by Government Entities and mining companies in case there are any material receipts or payments not listed elsewhere on the ZEITI template (> ZMW 50 million).
22	VAT credit	Amount of VAT paid by mining companies on purchases of goods and services, excluding import VAT and VAT collected and paid directly to ZRA, and which is not yet refunded to the company. <b>This line should be filled by mining companies only.</b>
<b>Local Councils</b>		
23	Annual Business Fees	Operating fees paid to the local councils in which the Extractive Companies operate.
24	Property Rates	Property taxes payable to the local authority by all Extractive Companies who own properties.
<b>Ministry of Lands</b>		
25	Ground Rent	Annual lease payments made to the Ministry of Lands in respect of leasehold properties owned by the Extractive Companies.

Ref	Type of Tax	Description
26	Consideration Fees	These are fees paid to show that the offeree to land has accepted the offer. They are only paid once at the beginning when the land has been offered. In short, payment of these fees symbolises acceptance of offer to buy land.
27	Registration Fees	These are service charges that go towards the process of registration and formulation of the certificate of title at the Lands Deeds Department.
28	Preparation fees	These are service charges towards the preparation of the lease document by the office of the Commissioner of Lands before it goes to the Lands and Deeds Department for final registration and formulation.
<b>Ministry of Finance</b>		
29	Dividends from Government Shares	This is the distribution of profits in proportion to the shares held directly in the Extractive Company and ZCCM-IH by GRZ.
30	Revenues from GRZ shareholding sale	This relates to revenues received by GRZ from the transfer of the shares held in Government owned companies operating in the mining sector.
<b>ZCCM-IH</b>		
31	Dividends from ZCCM-IH Shares	This is the distribution of profits in proportion to the shares directly held in the Extractive Company by ZCCM-IH.
32	Price participation fees	Price participation fees received from the companies in which it has shareholding.
33	Revenues from ZCCM-IH shareholding sale	This relates to revenues received by ZCCM-IH from the transfer of the shares held in Extractive Companies operating in Zambia including in their parent companies.
34	Revenues from ZCCM-IH mining rights transfer	This relates to revenue received by ZCCM-IH from the transfer of the mining rights held.
<b>Social Payments</b>		
35	Corporate Social Responsibility In kind payments	These flows affect all contributions made by extractive companies in the local development area including expenditure incurred by extractive companies to finance infrastructure projects, health, education, roads, and market gardening for individuals.
36	Corporate Social Responsibility cash payments	These flows relate to contributions made by extractive companies in the local development. Flows covered in this section include: cash payments made by extractive companies to support actions of local communities including compensation others that those granted directly for the individuals.

## Extractive Companies

Thirty seven (37) companies are selected for the 2015 reconciliation exercises. These companies are listed below:

	<b>Operative And Exploring Companies</b>
1	Kansanshi Mining Plc
2	Mopani Copper Mines Plc
3	Konkola Copper Mines Plc
4	Lumwana Mining Company Limited
5	First Quantum Mining And Operations Ltd Bm M S
6	Lafarge Cement Zambia Plc
7	Kalumbila Minerals Limited
8	Cnmc Luanshya Copper Mines Plc
9	Kagem Mining Limited
10	Lubambe Copper Mine Limited
11	Nfc Africa Mining Plc
12	Chambishi Metals Plc
13	Chambishi Copper Smelter Limited
14	Chibuluma Mines Plc.
15	Maamba Collieries Limited
16	Zambezi Portland Cement Limited
17	Chantete Mining Services Limited
18	Zccm Investments Holdings Plc
19	Sino-Metals Leach Zambia Ltd
20	Grizzly Mining Limited
21	Universal Mining And Chemical Industries Limited
22	Sable Transport Limited
23	Ndola Lime Company Limited
24	Lions Group Quarries Limited
25	Neelkanth Lime Limited
26	Scirocco Enterprises Limited T A Oriental Quarries
27	Uniturtle Industries (Zambia) Limited
28	Vale Zambia Limited
29	Synite Quarries Zambia
30	Sable Zinc Kabwe Limited
31	Kalulushi Clay Bricks Limited
32	Blackthorn Resources Zambia Limited
33	Calcite Limited
34	Kariba Minerals Limited
35	Anglo Exploration (Zambia) Limited
36	China Copper Mines Limited
37	Rio Tinto Exploration Zambia Limited

**The following companies have been dropped as per the scoping section 2.3;**

- a) Chantente Mining Services Limited
- b) China Copper Mines Limited
- c) Uniturtle Industries (Zambia) Limited
- d) Sable Transport Limited

The final number of companies considered for the 2015 report is therefore **33 (Thirty three)** companies (2014; 40 companies).

For mining entities, including those operating in artisanal mining sector, which have made payments below the ZMW 2 million threshold to the government, cash flows are included in this report through unilateral disclosure by Government Entities and ZCCM-IH. The revenues collected from these companies which were submitted by government entities during the scoping phase are detailed in Section 2.6.4 of this report.

Based on the list of mining companies and payment streams included in the scope, all Government Entities involved in revenue collection were required to report under the EITI Standard. These entities are listed in Section 4 of this report.

For extractive companies which have made payments below ZMW 2 million to ZRA, we recommend the disclosure by Government Entities, ZCCM-IH and industrial Development Corporation of the combined benefit stream from these companies as shown in section 1.6 of this report in accordance with EITI Requirement 4.2.b.

## Government Agencies

Based on the scope detailed above, the Government Entities that were required to report for the 2015 EITI Report are:

Central Entities			
1	Zambian Revenue Authority (ZRA)	3	Ministry of Lands
2	Ministry of Mines and Minerals Development	4	Ministry of Finance
Reported owned company			
5	ZCCM-IH	6	Industrial Development Corporation (IDC)
District Councils			
7	Mufulira Municipal Council	17	Lufwanyama District Council
8	Kalulushi District Council	18	Lusaka City Council
9	Zimba District Council	19	Mumbwa District Council
10	Kitwe City Council	20	Sinazongwe District Council
11	Chililabombwe District Council	21	Solwezi District Council
12	Luanshya District Council	22	Kafue District Council
13	Chingola Municipal Council	23	Kabwe City Council
14	Kabwe District Council	24	Choma Municipal Council
15	Mazabuka District Council	25	Chilanga District Council
16	Ndola City Council		

## 6. RECONCILIATION RESULTS

We present below detailed results of our reconciliation exercise, as well as differences noted between amounts paid by extractive companies and amounts received by Government entities. We have highlighted the amounts initially reported and the adjustments made following our reconciliation work, as well as the final amounts and unreconciled differences.

### 6.1 Payment Reconciliation between Mining Companies and Government Entities

#### 6.1.1 Reconciliation by Extractive Company

The tables below summarise the differences between the payments reported by extractive companies and receipts reported by the various Government Entities.

The tables include consolidated figures based on the reporting templates prepared by every extractive company and Government Entity, adjustments made by us following our reconciliation work and the residual, unreconciled differences. Detailed reconciliation reports for each company are included in section 5.2 of this report. All amounts in ZMW;

Company	Templates originally lodged		Adjustments		Final amounts			
	Company (a) (ZMW)	Govt (b) (ZMW)	Difference (a-b)	Company (d)	Govt (e)	Company (f) (a+d)	Govt (g) (b+e)	Difference (f-g)
1	2,140,000,086	2,265,992,798	-125,992,712	726,583	-124,622,647	2,140,726,669	2,141,370,151	-643,482
2	1,213,056,636	1,373,053,399	-159,996,763	-	-158,473,622	1,213,056,636	1,214,579,777	-1,523,141
3	751,786,853	725,570,480	26,216,373	-	35,155,889	751,786,853	760,726,369	-8,939,516
4	74,881,196	99,858,497	-24,977,301	67,740,451	41,919,731	142,621,647	141,778,228	843,419
5	260,232,571	258,987,369	1,245,202	845,128	1,894,530	261,077,699	261,081,780	-4,081
6	6,365,250	38,821,700	-32,456,450	-	-32,464,173	6,365,250	6,357,527	7,723
7	2,163,493	13,608,537	-11,445,044	-	-	2,163,493	13,608,537	-11,445,044
8	2,157,482	2,803,380	-645,898	-	-	2,157,482	2,803,380	-645,898
9	3,920,302	3,897,685	22,617	-	-	3,920,302	3,897,685	22,617
10	7,250,283	3,742,261	3,508,022	-	-	7,250,283	3,742,261	3,508,022
11	1,232,596,885	1,206,609,492	25,987,393	-	-30,653,106	1,232,596,885	1,175,956,386	56,640,499
12	1,049,279,598	1,055,764,189	-6,484,591	-	-6,342,530	1,049,279,598	1,049,421,659	-142,061
13	3,453,855	2,586,480	867,375	-	-	3,453,855	2,586,480	867,375
14	1,005,192	2,417,440	-1,412,248	-	-	1,005,192	2,417,440	-1,412,248
15	2,980,719	4,493,312	-1,512,593	-	-	2,980,719	4,493,312	-1,512,593
16	421,147,094	323,882,415	97,264,679	-	90,239,934	421,147,094	414,122,349	7,024,745
17	180,331,947	175,418,415	4,913,532	-	9,559,036	180,331,947	184,977,451	-4,645,504
18	20,397,412	29,756,105	-9,358,693	-	-6,412,206	20,397,412	23,343,899	-2,946,487
19	553,663,567	379,977,368	173,686,199	16,697,663	195,794,124	570,361,230	575,771,492	-5,410,262
20	8,450,031	8,143,051	306,980	-	438,633	8,450,031	8,581,704	-131,673
21	191,477,205	209,300,794	-17,823,529	102,695	-17,712,016	191,579,900	191,588,718	-8,818
22	21,391,328	17,593,848	3,797,480	-	-287,192	21,391,328	17,306,656	4,084,672
23	193,368,239	308,636,071	-115,267,832	246,219	-116,852,995	193,614,458	191,783,076	1,831,382
24	163,927,640	175,980,079	-12,052,439	-	-12,024,803	163,927,640	163,955,276	-27,636
25	71,419,754	64,785,160	6,634,594	-	6,637,897	71,419,754	71,423,057	-3,303
26	21,296,185	24,514,596	-3,218,411	-	-3,237,850	21,296,185	21,276,746	19,439
27	7,353,322	9,600,149	-2,246,827	-	-761,925	7,353,322	8,838,224	-1,484,902
28	4,187,385	5,294,628	-1,107,243	-	96,473	4,187,385	5,391,101	-1,203,716
29	9,626,907	8,749,680	877,227	-	-	9,626,907	8,749,680	877,227
30	141,312,106	184,717,525	-43,405,419	1,789,892	-23,496,858	143,101,998	161,220,667	-18,118,669
31	3,952,629	4,012,789	-60,160	-	-	3,952,629	4,012,789	-60,160
32	6,785,147	6,327,168	457,979	-	-	6,785,147	6,327,168	457,979
33	108,109,091	111,812,618	-3,703,527	7,201	-3,683,627	108,116,292	108,128,991	-12,699
	<b>8,879,327,390</b>	<b>9,106,709,418</b>	<b>-227,382,028</b>	<b>88,155,832</b>	<b>-155,289,303</b>	<b>8,967,483,222</b>	<b>8,951,620,016</b>	<b>15,863,206</b>
	<b>Total payments</b>							

## Reconciliation between mining companies and government entities

The table below shows the total Basic Payments reported by extractive companies and Government entities by financial flows, taking into account all adjustments: All amounts in ZMW; Detailed reconciliation reports for each company are included section 5.2 of this report

## liation between mining companies and government entities

The table below shows the total Basic Payments reported by extractive companies and Government entities by financial flows, taking into account all adjustments: All amounts in ZMW; Detailed reconciliation reports for each company are included section 5.2 of this report

N°	Description of payment	Templates originally lodged			Adjustments			Final amounts		
		Company (a)	Govt (b)	Difference (a-b)	Company (d)	Govt (e)	Company (f) (a+e)	Govt (g) (b+e)	Difference (f-g)	
	<b>Ministry of Mines, Energy and Water Development</b>	<b>15,368,874</b>	<b>9,523,144</b>	<b>5,845,730</b>	<b>-624,976</b>	<b>3,980,233</b>	<b>15,993,850</b>	<b>13,503,377</b>	<b>2,490,473</b>	
1	Application Fees	3,645	44,900	-41,255	32,000	-4,000	35,645	40,900	-5,255	
2	Licence Fees	498,619	402,642	95,977	6,988	-	505,607	402,642	102,965	
3	Area Charges	5,748,211	5,376,892	371,319	566,819	10,114	6,315,030	5,387,006	928,024	
4	Valuation Fees	880,642	89,725	790,917	-	1,621,584	880,642	1,711,309	-830,667	
5	Annual Operating Permit	1,490,941	22,050	1,468,891	-	-	1,490,941	22,050	1,468,891	
6	Environmental Protection Fund	-	-	-	-	-	-	-	-	
7	Other fees & charges	6,746,816	3,586,935	3,159,881	19,169	2,352,535	6,765,985	5,939,470	826,515	
	<b>Zambian Revenue Authority (ZRA)</b>	<b>8,713,578,384</b>	<b>8,990,876,549</b>	<b>-267,298,165</b>	<b>-88,463,108</b>	<b>-176,612,909</b>	<b>8,802,041,492</b>	<b>8,797,139,769</b>	<b>4,901,723</b>	
8	Pay-As-You-Earn	1,573,597,009	1,699,877,305	-126,280,296	-	-119,246,828	1,573,597,009	1,580,630,477	-7,033,468	
9	Import VAT	1,169,948,307	989,118,400	179,829,907	17,293,141	204,168,404	1,186,241,448	1,193,286,804	-7,045,356	
10	Mineral Royalty	3,636,818,861	4,213,885,903	-577,067,042	2,826,516	-557,513,390	3,639,645,377	3,656,372,513	-16,727,136	
11	Company Income Tax (inc. Provisional Tax)	834,764,610	607,159,419	227,605,191	-	240,699,752	834,764,610	847,859,171	-13,094,561	
12	VAT (Net paid)	678,248,332	822,598,698	-144,350,366	62,803,005	-28,416,017	741,051,337	794,182,681	-53,131,344	
13	Import/Customs Duty	355,062,140	255,953,619	99,108,521	487,674	107,733,814	355,549,814	363,687,433	-8,137,619	
14	Withholding Taxes	353,718,228	365,926,797	-12,208,569	2,182,262	-24,321,106	355,900,490	341,605,691	14,294,799	
15	Excise Duty	16,410,365	11,201,514	5,208,851	130,687	-97,365	16,541,052	11,104,149	5,436,903	
16	Property Transfer Tax	553,475	555,725	-2,250	-	-	553,475	555,725	-2,250	
17	Wind Fall Tax	-	-	-	-	-	-	-	-	
18	Variable profit Tax	-	-	-	-	-	-	-	-	
19	Advance Income Tax	2,528	2,445	83	-	-	2,528	2,445	83	
20	Export Levy	33,843,232	5,725,750	28,117,482	188	1,200	33,843,420	5,726,950	28,116,470	
21	Other taxes (ZRA)	61,611,297	8,870,974	52,740,323	2,739,635	-6,745,244	64,350,932	2,125,730	62,225,202	
	<b>Local Councils</b>	<b>89,759,782</b>	<b>57,522,158</b>	<b>32,237,624</b>	<b>1,765,098</b>	<b>24,546,726</b>	<b>91,524,880</b>	<b>82,068,884</b>	<b>9,455,996</b>	
23	Annual Business Fees	126,031	216,194	-90,163	8,100	75,968	134,131	292,162	-158,031	
24	Property Rates	89,633,751	57,305,964	32,327,787	1,756,998	24,470,758	91,390,749	81,776,722	9,614,027	
	<b>Ministry of Lands</b>	<b>2,697,350</b>	<b>864,567</b>	<b>1,832,783</b>	<b>-</b>	<b>120,419</b>	<b>-</b>	<b>984,986</b>	<b>-984,986</b>	

2 5	Ground Rent	2,697,225	864,567	1,832,658	-	120,419	-	984,986	-984,986
2 6	Consideration Fees	-	-	-	-	-	-	-	-
2 7	Registration Fees	125	-	125	-	-	-	-	-
2 8	Preparation fees	-	-	-	-	-	-	-	-
	<b>Ministry of Finance and National Planning</b>								
29	Dividends from Government Shares	-	-	-	-	-	-	-	-
30	Revenues from GRZ shareholding sale	-	-	-	-	-	-	-	-
	<b>ZCCM- IH</b>	<b>27,648,000</b>	<b>27,648,000</b>	-	-	-	<b>27,648,000</b>	<b>27,648,000</b>	-
31	Dividends from ZCCM-IH Shares	27,648,000	27,648,000	-	-	-	27,648,000	27,648,000	-
32	Price participation fees	-	-	-	-	-	-	-	-
33	Revenues from ZCCM-IH shareholding sale	-	-	-	-	-	-	-	-
34	Revenues from ZCCM-IH mining rights transfer	-	-	-	-	-	-	-	-
	<b>IDC</b>	<b>30,275,000</b>	<b>30,275,000</b>	-	-	-	<b>30,275,000</b>	<b>30,275,000</b>	-
	Dividends from IDC-Shares	30,275,000	30,275,000	-	-	-	30,275,000	30,275,000	-
	<b>Total payments</b>	<b>8,879,327,390</b>	<b>9,106,709,418</b>	<b>-227,382,028</b>	<b>-87,322,986</b>	<b>-147,965,531</b>	<b>8,967,483,222</b>	<b>8,951,620,016</b>	<b>15,863,206</b>

Unadjusted residual differences are detailed in Section 5.1.4 of this report

### **6.1.2 Adjustments made to the initial reported payments**

The adjustments were carried out on the basis of confirmations from extractive companies and Government Entities and were supported by adequate evidence wherever deemed appropriate. The adjustments made were mainly arising from the following reasons;

After receiving and examining details of payments sent by extractive companies and government we noted that the amounts originally recorded in the reporting templates had differences. Several taxes were underreported by the companies and in some cases by the government entities. We therefore made adjustments to reported payments based on confirmations from the companies and/or a review of the supporting documents. For all adjustments made, we agreed these with the companies and government entities concerned after reviewing the supporting documents that were provided to us subsequent to initial reporting.

Detailed reconciliation reports for each company showing all adjustments made and the reasons for making them per company and per payment type are included in **Section 5.2 of this report**.

### 6.1.3 Summary of unreconciled discrepancies

Following our adjustments, the total unreconciled discrepancies of payments amounted to ZMW 102,906,347 representing 1.14% of total payments reported by Government Entities.

Cause of difference		ZMW
Templates not submitted by taxpayers**		87,043,141
Discrepancies in templates submitted		15,863,206
<b>Total differences</b>		<b>102,906,347</b>

\*\*The total positive difference of ZMW 87,043,141 relates to one company that failed to report for the reconciliation but government reported receipts from them; Details further below in this report.

At the beginning of reconciliation				
	Extractive companies (ZMW)	Government (ZMW)	Difference (ZMW)	% of Govt revenue
<b>Total payments declared</b>	8,879,327,390	9,106,709,418	227,382,028	2.5%
At the end of the reconciliation				
	Extractive companies (ZMW)	Government (ZMW)	Difference (ZMW)	% of govt revenue
<b>Total payments declared</b>	8,967,483,222	8,951,620,016	15,863,206	0.17%

## 7. RECOMMENDATIONS

	Recommendation	ZEC response and target action date	Responsible person	Raised in 2014	Action taken since 2014 report
1	<p>One company selected for the reconciliation failed to report despite several efforts by BDO and the ZEITI secretariat to obtain information from them; Without an EITI law, it's difficult to enforce collection of information from companies refusing to cooperate as regards the reconciliation;</p> <p>An EITI law should be enacted as soon as possible to provide sufficient legal authority that will help ensure that all companies selected report as required.</p> <p>ZEITI through Ministry of Finance should endeavour to draft an EITI law to enforce collection of information from companies.</p>		<p>Ministry of Mines and Mineral Development</p> <p>Ministry of Justice</p> <p>Ministry of Finance</p>	YES	None
2	<p>We noted that the Mining Cadastre does not have up-to-date information regarding the extractive companies who hold active licenses. This caused delays as we strived to obtain correct contact details for the selected companies. The register does not include Tax Identification Numbers so it's difficult to reconcile the information from ZRA with the information in the register; The ZEITI secretariat does not have direct access to the register and this makes the process of searching for information ineffective and time consuming; We recommend that;</p> <ul style="list-style-type: none"> <li>■ The register should be kept up to date all the time to avoid wrong contact details on file and the related consequences</li> <li>■ The register should be updated to include Tax Identification Numbers for each of the company in the register to enable ease of reconciliation with ZRA information during the scoping phase of the assignment</li> <li>■ ZEITI secretariat should be given direct access to the register so it's easy to search for information directly especially during the scoping phase of the reconciliation.</li> <li>■ ZEITI should forge closer working relationships with the Ministry of Finance.</li> </ul>		Ministry of Mines and Mineral Development	YES	None

	Recommendation	ZEC response and target action date	Responsible person	Raised in 2014	Action taken since 2014 report
3	<p>One company included in the scope of the reconciliation did not participate. The ZEC and the government, in accordance with EITI requirement 11, should consider whether any further action is required.</p> <p>Interim measures include;</p> <ul style="list-style-type: none"> <li>■ The Ministry of Mines engaging the company.</li> <li>■ ZEITI should arrange public addresses to create awareness.</li> </ul> <p>In the long run, EITI policy should be implemented to address;</p> <ul style="list-style-type: none"> <li>■ The parliamentary debate of the EITI report</li> <li>■ The audit and specific report on the EITI report by the Office of the Auditor General.</li> </ul>		<p>Ministry of Mines and Mineral Development</p> <p>Ministry of Finance</p>	Yes (3 companies in 2014)	None
4	<p>The overall value of the remaining unresolved differences was ZMW 15,863,206 which amounts to 0.17% of the total government revenues received in 2015.</p>		Office of the Auditor General	Yes  (ZMW 33 million)	Office of the Auditor General following up