

CTPD welcomes governments Mining Tax Measures in 2012 Budget and urges Mining Companies to 'Pay Up, Clean up or Get Out'.

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The Centre for Trade Policy and Development (CTPD) a local think tank has welcomed the recent tax measures introduced by the government of Zambia in the recently announced 2012 budget last Friday. CTPD believes the measures will not only help maximise local revenue mobilisation but will help to reduce the amount of revenue lost through tax avoidance practices by mining companies.

Reacting to the budget speech announced by the Minister of Finance last Friday 11th November 2011, CTPD executive director, Savior Mwambwa said the government was on the right path towards enhancing the mining industry contribution to the economic and social development of the country. Mr Mwambwa said that existing empirical evidence continue to show that's in spite of the relative importance of the mining sector to the country its contribution to the GDP as well as to promoting inter sector linkages is negligible. This being due to the detachment of the mining activities from the country's social and economic activities.

'Our analysis of the mining sectors tax payments ,its contribution to employment and supporting backward and forward linkages to local supply chains reveals that these are not commensurate to the levels of incentives and concessions that the government currently gives to the industry. The cost structure of most of the mining entities is weighted to promote shifting of profits outside the country through such schemes as transfer pricing, use of derivatives and thin capitalisation' explained Mr Mwambwa.

He indicated that the increase of the mineral royalty's tax from 3% to 6%, the Separation of hedging transaction from normal mining transaction and scrapping of VAT deferment were long overdue measures and will assist the ZRA in ensuring tax compliance. These measures ease the work of ZRA in assessing the company's tax obligations.

Mr Mwambwa said CTPD is of the view that these measures must be accompanied by further industry-wide financial and environmental audits to update tax assessments. He advised government to insist on annual sustainability reports as conditions for obtaining and retaining mining investment licenses. Furthermore Mr Mwambwa stated that most of the mining communities are living in time bombs due to the heavy environmental damages that continue to be perpetuated by mining activities. He indicated that current environmental penalties and compliance measures are inadequate and fall short of international standards.

According to CTPD companies that want to do business in Zambia and in the communities must be ready and willing to own up to their full tax obligations, clean up their environmental mess or get out. *'Our natural resources are wasting assets and we don't need patronage from multinational companies, there are no two ways about it, we own the resource and hence we should determine the terms under which they are exploited. Gone are the days when our governments where held at ransom with threats of investors going or job losses. In the event that the PF government is confronted with such attitudes from mining companies we encourage them to call their bluff.'*

For further inquiries please contact:

The Executive Director, Centre for Trade Policy and Development

Phone: +260-211-264409, Mobile: +260-977-875404, Email: saviormwambwa@ctpd.org.zm