

**EXECUTIVE  
BOARD  
MEETING**

SM/15/109  
Correction 1

May 18, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Zambia—Selected Issues**

Board Action: The attached corrections to SM/15/109 (5/7/15) have been provided by the staff:

**Evident Ambiguity** **Page 12**

Questions: Mr. Tsikata, AFR (ext. 39601)  
Mr. Jang, AFR (ext. 34169)  
Mr. Rosales, AFR (ext. 38688)



## Annex 1. Mining Fiscal Regimes: Zambia and Comparators

Country	Royalty rate applying to copper	Royalty base	Corporate Income Tax	Depreciation rule	Import duties	Export Tax	Loss carry forward	Additional Profit Tax
<b>Australia - Northern Territory</b>	20%	Net value (gross less opex, capex, and other approved items)	30%	100% exploration; <b>prime cost (straight line) or declining balance methods</b>	Concessions apply	None	Indefinite	None
<b>Australia - Western Australia</b>	5% [copper concentrate]; 2.5% [copper in metallic form]	Gross invoice value of the mineral less any allowable deductions for the mineral such as transport and packaging	30%	100% exploration; <b>prime cost (straight line) or declining balance methods</b>	Concessions apply if values >\$10 million	None	Indefinite	None
<b>Australia - South Australia</b>	4%	Market value less transportation, insurance, packaging, storage.	30%	100% exploration; <b>prime cost (straight line) or declining balance methods</b>	Concessions apply	None	Indefinite	None
<b>Canada - British Columbia</b>	15%	2% on net current proceeds; 13% on net revenue	15% federal + 10% provincial	100% exploration cost; 30% development cost; 25% replacement [federal]	0%-8%	None	Indefinite for capital loss or 20 years for noncapital losses	None
<b>Canada - Ontario</b>	10%	Net profits	15% federal + 10% provincial; 10% federal + 5% provincial tax credit	100% exploration cost; 30% development cost [federal]	0%-8%	None	Indefinite for capital loss or 20 years for noncapital losses	None
<b>Chile</b>	0%-14% based on production level and operating margin	CIT base with some adjustments	20%; 42% if the company opted for the tax invariability regime	100% exploration; 100% intangible development; 11.11% tangible development and replacement	6%	None	Indefinite	None
<b>China</b>	CNY 0.5-20/kg [precious non-ferrous ores] CNY 0.4-30/ton [non-ferrous metal ores]	Volume	25%	100% on exploration; 10% SL on development; 25% SL on replacement [assumed]	Exempt	Exempt	5 years	None
<b>Congo, Dem. Rep.</b>	2%	Gross revenue less transport and selling cost	30%	60% first year, declining balance depreciation in subsequent years.	Exempt	Exempt	5 years	None
<b>Indonesia</b>	4%	Net sales	25%	100% exploration; 6.25% tangibles; 25% replacement [assumed]	Exempt	Exempt	5 years	None
<b>Mexico</b>	N/A	N/A	30%	Fixed asset can be deducted immediately, including up to 87% for machinery and equipment	Exempt [assumed] due to free trade	Exempt	10 years	7.5% additional tax on CIT base
<b>Peru</b>	1%-12%	Operating profit	30%; 8% employee profit sharing	100% exploration; 100% or SL 20% development	Exempt	Exempt	4 years or indefinite if offset against on 50% of income	2%-8.4% special mining tax; 4%-13.12% special mining duty (stability regime only)
<b>United States - Arizona</b>	2.5%	50% of the difference between the gross value of production and the production costs	41.5% in 2014 to be reduced by 0.5 percentage points a year until 2017	70% in first year on exploration and development cost, balance on SL over 5 years; other methods possible	0%-4.5% for machinery	None	20 years	None
<b>United States - Nevada</b>	Based on ratio of net proceeds to gross yield; max 5%	Net Proceeds	35%	70% in first year on exploration and development cost, balance on SL over 5 years; other methods possible	0%-4.5% for machinery	None	20 years	None
<b>Zambia, 2014 regime</b>	6%	Norm Value (volume x LME prices)	30% plus variable income tax	100% on prospecting CAPEX; 25% on other CAPEX	Exempt for capital imports	10% for unprocessed	10 years	Variable Income Tax
<b>Zambia, 2015 original regime</b>	8% for underground; 20% for open-cast	Norm Value (volume x LME prices)	0%; 30% from tolling and processing	25% on prospecting and other CAPEX	Exempt for capital imports	10% for unprocessed	10 years	None
<b>Zambia, 2015 revised regime</b>	9%	Norm Value (volume x LME prices)	30% from mining operations plus variable income tax; 35% CIT from processing operations	100% on prospecting CAPEX; 25% on other CAPEX	Exempt for capital imports	10% for unprocessed	Limited to 50% of taxable profits	Variable Income Tax

Source: FAD Fiscal Analysis of Resource Industries (FARI) database.