

Zambia's mineral royalty plan "a step in the right direction": CoM

- Positive news for First Quantum, wider mining industry: NBC
- Miners to benefit from more business-friendly administration
- Investments may triple copper production

Zambia's plan to remove mineral royalty taxes non-detectability was "a step in the right direction" towards full reform of the mining tax regime, Zambia Chamber of Mines President Godwin Beene said.

Finance minister Situmbeko Musokotwane, in his first budget since elections in August, said Oct. 29 the new government would aim to reintroduce the detectability of mineral royalty for corporate income tax assessment purposes to attract investment.

Musokotwane said the government would, in the medium term, amend the law so that mineral royalty determination reflected both international and aggregate norm values, adding that the removal of mineral royalty taxes non-detectability was intended to boost production of various minerals in the country and revamp the ailing economy.

NBC Financial Markets analyst Shane Nagle said Nov. 1 in a note: "Importantly to [Canadian miner] First Quantum and the wider mining industry, the government announced that in the medium term, re-introducing the detectability of royalties for corporate tax purposes, in line with most other countries with mining operations."

Indigo Ellis, associate director at strategic advisory firm, Africa Matters Limited, told S&P Global Platts that the "double taxation" issue had plagued greenfield exploration in Zambia, and its removal, assisted by surging copper prices, "will unlock investment in the Copperbelt".

The London Metal Exchange three-month spot copper price was trading at \$9,505/mt (\$4.31/lb) as of 1315 GMT, against the closing price of \$9,496/mt on Oct. 29.

Since 2019, mineral royalty payments were no longer treated as a deductible expense for the purposes of calculating corporate income tax. The effect was that mining companies ended up being taxed on income that had already been paid over as a royalty — a situation referred to as double taxation.

"Miners will benefit from a more business-friendly administration in Lusaka, and even existing operators like First Quantum Minerals and [Vedanta Resources subsidiary] Konkola Copper Mines will have new impetus to explore in surrounding areas," Ellis said.

"We can expect an entry from a major diversified miner in the coming months."

SUBSCRIBER NOTES

Deepavali publishing schedule for S&P Global Platts Asia Metals

The S&P Global Platts Singapore office will be closed on Thursday, Nov. 4 for the Deepavali holiday, and there will be no daily iron ore, coking coal, steel, alumina, copper, and other nonferrous metals assessments published from Singapore on that day.

Weekly assessments that fall on Thursday, Nov. 4 will be published the day before on Wednesday, Nov. 3.

Additionally, Platts in Asia will close its Market on Close assessment process early on Wednesday, Nov. 3, and all assessments will be on basis 12:30 pm Singapore time (0430 GMT).

VAT refunds

Marcus Courage, CEO at strategic advisory firm Africa Practice, told Platts that the announcement that mining royalties will be deductible from income taxes was a key step in terms of establishing a mining-led economic recovery in Zambia.

"Noticeable by its absence however, was a failure to tackle VAT refunds, amounting to hundreds of millions of dollars owed to miners. It remains to be seen how the administration intends to honour these, and to what extent these may be conditional on reaching an accord with creditors on debt restructuring, which the government has signalled it intends to do in early 2022," Courage said.

"Releasing VAT refunds to incumbent miners would free up money for them to advance copper and cobalt projects at greater scale and pace; supporting the government's twin objectives of job creation and higher levels of economic growth. The sooner the government can realise this, the quicker the Zambian exchequer stands to gain from global efforts to reduce greenhouse gas emissions," the CEO said.

Output

Musokotwane said the government was potentially looking at opening more new mining operations, especially in the Copperbelt, over the next five years. The government plans to raise copper output from 882,000 mt/year to 2 million mt/y by 2026.

"I am certain that the world's mining investors will start to look at Zambia afresh after today. And this is what is needed if we are to see minerals 'germinate' and allow government to reach its ambitious target of increasing copper production to 3 million mt/year," the CoM's Beene said in a statement.

Beene who said potential renewed interest from investors may lead to new mines increasing production over the next 5-10 years should further reform of the Zambian tax code be considered.

"Further work is needed on tax reform, along with guarantees of stability, if we are to attract the investments necessary to triple copper production. But with this hugely positive early signal, the mining industry stands ready to work collaboratively with the Government in its endeavor," he said.

First Quantum CEO Philip Pascall had said Oct. 27 the company was "pleased to be engaging constructively with the new government as we look to establish the parameters for long-term investments into our growth projects in the country."

Zambia is Africa's second-biggest copper producer behind the Democratic Republic of Congo.

— *Filip Warwick, Namala Doreen*

Normal Singapore publishing schedule will resume on Friday, Nov. 5.

The Platts CIF Japan spot and quarterly aluminum assessments will continue to be published on Thursday, Nov. 4, as these follow Japan and UK holiday schedules. These assessments, however, will not be published on Wednesday, Nov. 3, as Japan will be closed for Culture Day.

For full details of Platts' publishing schedule and services affected, refer to <http://www.platts.com/HolidayHome>. For queries, please contact support@spglobal.com.