

TRADE & INVESTMENT PROSPECTS



MFEZs unlocking trade and investment possibilities in Zambia

In an effort to promote industrialization and structural transformation in the national economy, the Zambian government has been implementing Multi Facility Economic Zones (MFEZs) or Industrial Parks development program since 2006 as a strategy for achieving the industrialization and job creation agenda.

A Multi-Facility Economic Zone (MFEZ) or Industrial Park is an area or premises declared as such in which industrial and commercial activities take place, catering for both export and domestic-oriented industries. For the Zones to become fully operational, they require basic infrastructure to attract and facilitate investments. This entails establishing infrastructure such as buildings, power, water, waste disposal, telecommunication, security and other utilities, internal roads, common facilities and buildings, and for off-site infrastructure, including access roads and utility connections.

MFEZs are also meant to provide a special regulatory regime where enterprises operate under more liberal regulatory and economic laws than those that typically prevail in the wider economy, regarding issues such as licensing requirements and turnaround time, tax incentives, land use, and subsidies.

The implementation of MFEZs in Zambia is designed to make Zambia competitive through increased activity in the trade and manufacturing sectors, which have numerous positive spill-over effects in other sectors such as utilities, transport, agriculture and services.

The legislation governing the MFEZs is mainstreamed in the Zambia Development Agency (ZDA) Act No. 11 of 2006 under section 18.

Currently, there are about seven (7) areas declared as either MFEZs or industrial parks that are operational and these are: Lusaka South MFEZ in Lusaka, ZCCZ Chambishi MFEZ in Kalulushi, ZCCZ Lusaka East MFEZ in Lusaka, Kalumbila MFEZ in Kalumbila, Jiangxi MFEZ in Chibombo, Sub Saharan Gemstones Exchange Industrial Park in Ndola and Roma Industrial Park in Lusaka.

Among the seven MFEZs, six are privately owned, while the Lusaka South MFEZ is owned by the Zambian Government, through the Industrial Development Corporation.

As earlier alluded to, the desired impact for the MFEZs is to make Zambia an attractive investment destination, promote value addition for increased export of non-traditional exports, employment creation and curbing rural urban migration.

In this regard, the MFEZs have made some reasonable contribution to economic growth through infrastructure development and employment creation.

Both foreign and local investors qualify to develop a multi-facility economic zone or to operate in an existing Multi-Facility Economic Zone. Companies owned by indigenous Zambians that are desirous to operate in an MFEZ or Industrial Park are expected to demonstrate ability to invest a minimum of \$50,000 in their business whilst foreign owned companies are expected to demonstrate ability to invest a minimum of \$250,000. Other criteria used in ascertaining the suitability of an enterprise to locate in an MFEZ or Industrial Park include the quality of local employment and the extent of skills transfer to local entrepreneurs and communities.

The Zambia Development Agency (ZDA) Act No 11 of 2006 offers the following incentives for companies located in an MFEZ or Industrial Park and investing in any of the priority sectors:

- Zero percent import duty rate on capital equipment and machinery for five years
- Accelerated depreciation on capital equipment and machinery

In addition to the above stated incentives, investors that set up in a Multi Facility Economic Zone (MFEZ) or Industrial Park are eligible for additional tax incentives that include:

- Zero percent tax on dividends declared on profits made on exports from first year of commencement of works, for companies in a Multi Facility Economic Zone or Industrial Park, for a period of 10 years
- Zero percent tax on profits made on exports from first year of commencement of works, for companies in a Multi Facility Economic Zone or Industrial Park, for a period of 10 years
 - For years 11 to 13 only 50 percent of profits to be taxed and;
 - For years 14 and 15, only 75 percent of profits to be taxed.

Starting from January 2023, the following additional incentives will apply to companies located in MFEZs and Industrial Parks:

- Zero percent Corporate Income Tax charged on profits arising from local sales of corn starch for the 2023 – 2033 charge years;
- For the 2034 – 2036 charge years, 50% of the prevailing Corporate Income Tax rate will be applied on profits arising from local sales of corn starch
- For the 2037 – 2038 charge years, 75% of the prevailing Corporate Income Tax rate will be applied on profits arising from local sales of corn starch;
- Zero percent Withholding Tax on dividends declared on profits made from local sales of corn starch for the 2023 – 2033 charge years.

It is important to note that fiscal incentives only apply to investments with an investment capital of not less than US\$500,000 for foreign investors and US\$50,000 for local investors.

The non-fiscal incentives include free facilitation for land acquisition, immigration permits, and utilities. The ZDA also facilitates free signing of Investment Promotion and Protection Agreement (IPPA) with investors where the ZDA guarantees investments on behalf of Government and offers.

Investors interested in setting up in the MFEZs can apply through the Zambia Development Agency.

For queries or any further information,
Contact the Communications and Public Relations Unit,
Zambia Development Agency,
Nasser Road, Privatisation House,
P.O. Box 30819,
Lusaka.
Email: info@zda.org.zm
Tel: +260 211 220 177