

Draft version, not yet officially authorized for quoting.

Musonda Kabinga, Aaron Yambani SJ

# Zambia III: Context and History

Compiled and ordered notes for future use

Joerg

[Wählen Sie das Datum aus]

## Inhalt

1	Country Information.....	2
2	Historical information .....	4
3	Recent developments .....	5
4	Literaturverzeichnis.....	6

## 1 Country Information

The Republic of Zambia is found in the southern part of Africa. Located in the central part of southern Africa, Zambia's total area is estimated at ca. 756,000 km. Zambia's population, according to the latest census (2010), stands at 13,092, 666. While there is a huge concentration of population in urban areas along the railway (mostly Lusaka city and the Copperbelt province), most of the population live in rural areas (60.5%). Lusaka is the most densely populated city with about 2 million inhabitants.

Zambia's currency is the Zambian Kwacha (ZMK), which may cause some confusion in the course of this report since the currency has been rebased (with the new abbreviation ZMW), which impacts on quotations in this country report:

*On 1st January 2013 the Zambian Government rebased its currency the Zambian Kwacha by 1000 units. **1000 ZMK ( Un-rebased) = 1 ZMW (Rebased) Currency.** Rebasing involves dividing a currency unit by some denominator. In this case the Zambian currency will be rebased by dividing the existing banknotes by 1000 hence lopping off 3 zeros from the existing K50,000, K20,000, K10,000, K5000 and K1000. The lower value denominations that include the K500, K100, K50 will be divided by 1000 and converted into coins while the existing K20 banknote will not be converted into a coin due to its eroded purchasing power. Thus it will be eventually removed from circulation.*

The official language in Zambia, English, is mainly used in business, schooling and government. However, there are 73 indigenous spoken languages across the country corresponding to the number of ethnic groups. The 73 languages may be organized around seven main language groups which are: Bemba, Chewa/Nyanja, Kaonde, Lozi, Luvale, Lunda and Tonga. These are spoken in varying degrees across different regions of the nation.

Draft version, not yet officially authorized for quoting.

Zambia is barely 50 years old having gained independence in 1964 from British Colonial rule. Besides being a unitary state, Zambia is a multiparty democracy. The government is composed of the Executive, the Legislature and the Judiciary. The President is the head of state and the executive whose members he/she appoints from among members of the legislature. While the head of the judiciary is appointed by the President, members of the legislature are elected simultaneously with the head of state every 5 years. The legislative body is referred to as national assembly (which becomes Parliament whenever the President is present).

Administratively, the Zambian government is centralized in the nation's capital, Lusaka. The country is further divided into 10 provinces which are subdivided into districts. Provinces are headed by provincial ministers appointed by the President. It is worth noting that there is a strong traditional leadership in Zambia for each of the 73 ethnic groups. The importance of traditional leaders in Zambia is shown by the fact that they are recognized by the state as evidenced by the establishment of the House of Chiefs, a constitutionally recognized body.

Zambia belongs to several political and regional economic bodies: the African Union (AU), the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). The latter's headquarters is located in Zambia's capital, Lusaka. Besides Zambia's reputation as a peaceful nation, the country is also known for being the location of one of the world's famous natural wonders-the Mosi-o-tunya falls (Victoria) which is shared with Zimbabwe.

Zambia has over the past few years been experiencing high economic growth. In 2013, Zambia recorded Gross Domestic Product (GDP) growth of 6.7%.<sup>1</sup> In 2014 Zambia recorded GDP growth of 5.6%.<sup>2</sup> Despite having sound economic growth, poverty is still rife and the country is largely underdeveloped. According to the Living Conditions Monitoring Survey (LCMS) of 2010, 60.5% of Zambians are poor while 42.3% are extremely poor. This entails that 60.5% of Zambians live below the poverty line and cannot afford the basics of life (Central Statistics Office, 2010, p. 183).

Zambia's economy is largely driven by the mining industry which is the country's biggest forex earner and by far the most globally integrated

---

<sup>1</sup> Ministry of Finance, (2014). Annual Economic Report 2013. Lusaka: Ministry of Finance p.xii

<sup>2</sup> Retrieved 22 March 2017 from <http://zambiamf.africadata.org/en/DataAnalysis>

Draft version, not yet officially authorized for quoting.

sector. The mining industry alone contributes over 80% to the country's foreign direct investments. The agriculture and manufacturing sectors contribute between 6% and 10% and just over 5%, respectively. The combined services sector (transport, tourism, financial sectors) account for over 20% of GDP. Lately, the construction industry has been booming mainly due to increases in private estate and public infrastructure spending. As opposed to the formal sector, the informal sector (unregistered enterprises) forms the largest portion of the economy contributing over 85% of jobs.

## 2 Historical information

The subject of taxation in Zambia has been discussed as far back as the late nineteenth century, when Zambia was under British rule. By 1891, the British South African Company (BSAC) ostensibly a representative of Queen Victoria gained total control of Northern Rhodesia now known as Zambia. During the administration of its new territory BSAC faced financial problems. To address this problem BSAC introduced a "hut tax" in 1900 and 1904 in North-eastern and North-western Rhodesia, respectively. This tax was payable in money, labour, grain or stock and benefited the colonial authorities in various ways: it raised money and broadened the cash economy, aiding further development.<sup>3</sup> Initially, though there was some resistance in paying, the company involved chiefs in the enforcement and collection of tax, as a result, a considerable number of people paid their taxes regularly. It should be pointed out that there existed much coercion in the collection of these taxes.

Around the late 1920s rich underground deposits of copper and cobalt were discovered. By 1939 Zambia was the world's main source of copper and was potentially a rich country. There were about 30,000 African miners in Zambia and about 4,000 white miners who did the skilled and managerial jobs. It is reported the colonial government introduced a "native tax" hike for miners as demand for black labour in the mines was falling and this move sparked a series of protests.<sup>4</sup> While nothing much has been documented on the composition and utilization of these taxes, it

---

<sup>3</sup> See Henderson, I. (1974). "The Limits of Colonial Power: Race and Labour Problems in Colonial Zambia 1900 -1953" In: *Journal of Imperial and Commonwealth History* 2, no. 3 (1974): p. 294-307

<sup>4</sup> See Perrings, Ch. (1979). "Mineworkers in Central Africa: Industrial Strategies and the Evolution of an African Proletariat in the Copperbelt 1911-41." Africana Publishing Company: New York

Draft version, not yet officially authorized for quoting.

is however believed that the tax resources were used to improve social services for white settler's communities in the Copperbelt province.

Although there was not much discussion centred on the topic of taxation during the pre independence era debates around the subject grew after independence period for a number of reasons. The new native government wanted resources to spread development across the nation away from the developed Copperbelt province where white settlers had settled. Further, the new government adopted a left-wing economic policy; private companies were nationalized and incorporated into large state-owned conglomerates. The government's goal was to be self-sufficient, which it sought to achieve through import substitution. As a result government needed sufficient revenues to fund its ambitious industrial agenda.

In 1965, the government introduced the first national development plan providing a clear direction of how government would be able to raise resources and fund development programmes. The Ministry of Finance and Planning was responsible for tax collection. As years went by revenue reforms were undertaken and this lead to the establishment of the Zambia Revenue Authority in 1994 which, to date, collects taxes on behalf of the central government and falls under the Ministry of Finance and National Planning.

### **3 Recent developments**

In the context of declining governmental revenues from a peak of around 30% of GDP in the late 1970s to just 13% of GDP from tax collections in the early 1990s, the Zambian government launched a tax reform program in 1992. In addition to various tax policy initiatives, this reform program included a major overhaul of revenue administration through the establishment of the Zambia Revenue Authority (ZRA), on April 1, 1994, as a semi-autonomous agency under the ZRA Act, now Chapter 321 of the Laws of Zambia. That culminated in the merging of the former Departments of Income Tax and Customs and Exercise of the then Ministry of Finance to form the Zambia Revenue Authority.

Consequently, at inception, ZRA had two operating divisions named the Direct Taxes Division, and the Customs and Excise Division. A third operating division called the Value Added Tax (VAT) Division was later created to prepare for the introduction of VAT which replaced Sales Tax. The Value Added Tax division became operational following the enactment of the VAT Act in July 1995. This important development along with policy

Draft version, not yet officially authorized for quoting.

measures on income tax rates and customs tariff reform, as well as the introduction of VAT saw the contribution from tax collections rise to more than 18% of GDP.

The rationale behind tax administration reforms in Zambia was to remove taxes and customs administration from the constraints of normal civil service, thus paving way for the hiring and remuneration of staff on a more competitive and market based criteria. It was also envisaged that the reformed body would use more modern management methods leading to increased professionalism and efficiency in tax collection.<sup>5</sup>

#### **4 Literaturverzeichnis**

Central Statistics Office. (2010). *Living Conditions Monitoring Survey*. Lusaka: Central Statistics Office.

---

<sup>5</sup> Retrieved on 27<sup>th</sup> June 2015 from <https://www.zra.org.zm/commonHomePage.htm?viewName=History>