



2027 Budget Analysis

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"Grow Zambia: From Stabilisation to Unlocking Opportunities, Creating Jobs and Improving Livelihoods for All"

Analysis of the 2027 National Budget presented to the National Assembly on 6 November 2026





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The 2027 Budget at a Glance

The 2027 Budget is the first of President Hakainde Hichilema's second term and the first framed around the Grow Zambia Agenda. It follows an election year of macroeconomic strength but fiscal pressure, and its central task is to repair the 2026 deficit while shifting the focus from stabilisation to growth.

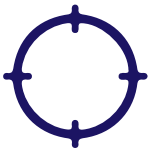
2026 Budget	Change	2027 Budget
ZMW 253.1bn (27.4% GDP)	Total expenditure **+12.5%**	ZMW 284.8bn (28.4% of GDP)
ZMW 206.5bn (22.3% of GDP)	Domestic revenue **+13.2%**	ZMW 233.7bn (23.3% of GDP)
ZMW 12.1bn	Grants **–23.7%**	ZMW 9.2bn
ZMW 34.5bn	Borrowing (financing) **+21.4%**	ZMW 41.9bn
2.1% of GDP (outturn est. 5.9%)	Fiscal deficit target **n/a**	3.0% of GDP
6.4% (outturn est. 5.3%)	Real GDP growth target **n/a**	at least 4.9%
ZMW 73.7bn	Debt service **–8.3%**	ZMW 67.6bn
ZMW 4.7bn	Dismantling of arrears	ZMW 4.7bn (Green Paper plan: ZMW 15.0bn)
n/a	Net new revenue measures	ZMW 10.8bn

Source: 2026 and 2027 Budget Addresses (including Annex); Hepta Advisory calculations.

Six things that matter



A revenue-led consolidation. The Budget seeks to halve the deficit from an estimated 5.9% of GDP in 2026 to 3.0% in 2027, financed mainly by ZMW 10.8 billion of net new revenue measures, led by value added tax (VAT) at 16.5%, a 39.5% pay-as-you-earn (PAYE) income tax band, higher reduced corporate income tax (CIT) rates, a 15% mining dividend tax and a doubled mobile money levy.



A more measured growth target. The 2027 target of 4.9% is below the 6.4% targeted for 2026 and the Green Paper's ~7% average, a prudent assumption given El Niño and the oil-price shock.



Debt service eases, but domestic debt is the constraint. Debt service falls to ZMW 67.6 billion; domestic debt service (ZMW 50.8 billion) remains about 1.7 times the health budget.



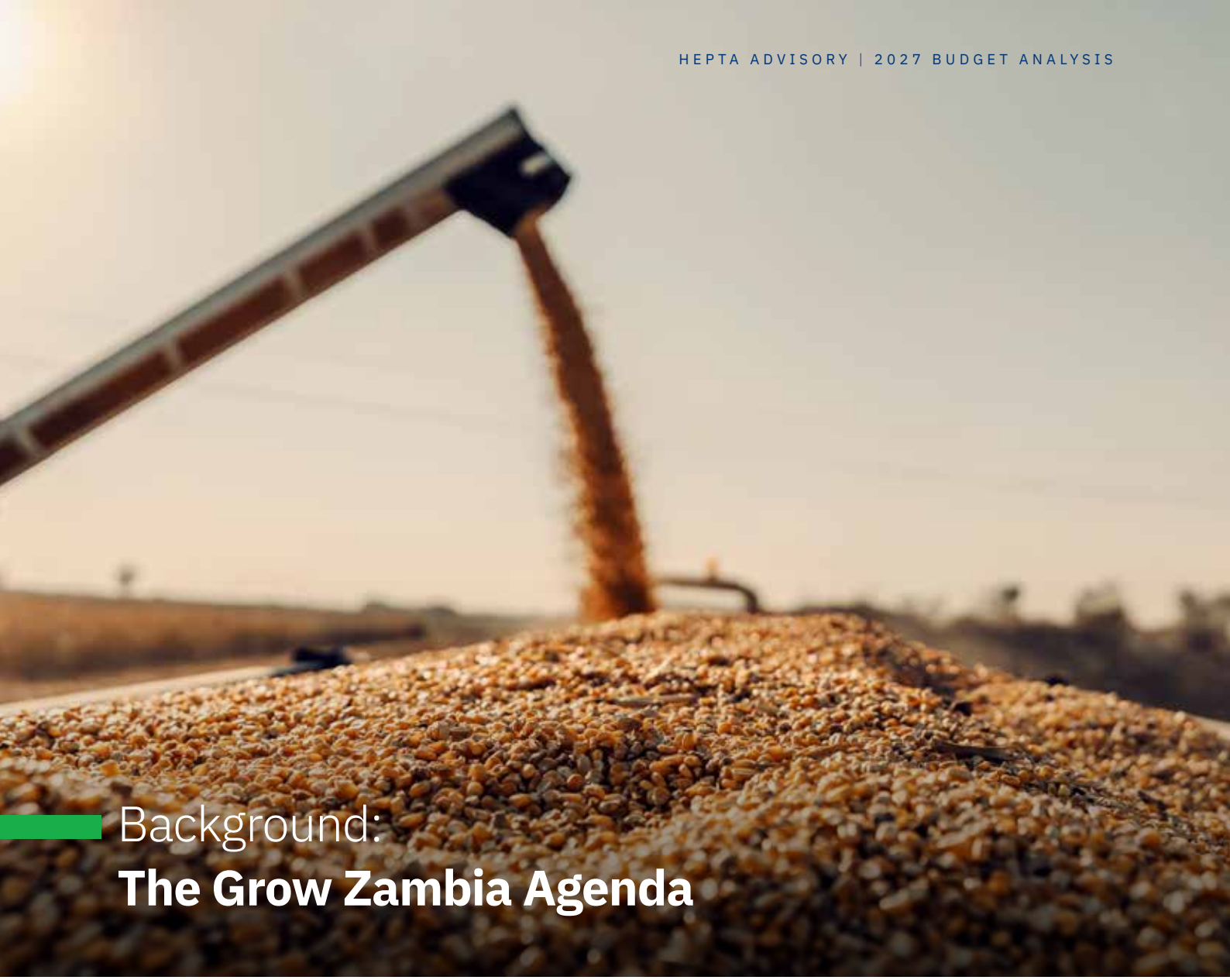
Spending is tilted to economic affairs. Economic affairs rises 30% to ZMW 75.9 billion (agriculture ZMW 22.7 billion, roads ZMW 18.1 billion); General Public Services falls slightly.



Arrears clearance is modest relative to the stock. ZMW 4.7 billion is allocated to clearing arrears, the same as in 2026 and less than a third of the ZMW 15 billion the Green Paper planned for 2027, against ZMW 51.4 billion owed to suppliers and contractors. Supplier and exporter liquidity is therefore likely to remain constrained.



Budget credibility is the main area to watch. The 2026 Budget required ZMW 46.2 billion of supplementary estimates. Against total 2026 spending authority (about ZMW 299 billion), the 2027 Budget is smaller. Delivery depends on Food Reserve Agency (FRA) discipline, VAT administration, the International Monetary Fund (IMF) programme and rainfall.



Background:
The Grow Zambia Agenda

The Grow Zambia Agenda is the Government's economic programme for President Hakainde Hichilema's second term, which began after the general election of 13 August 2026. The President set it out in his inaugural address and expanded on it when he opened the First Session of the Fourteenth National Assembly on 9 October 2026, under the theme **"Grow Zambia: an agenda for inclusive growth and opportunity for every Zambian."** The 2027 Budget is the first to be built around it, and the Ninth National Development Plan (2027–2031), now in preparation, will be anchored on it.

Objective: From Stabilisation to Growth

The Agenda marks a shift in emphasis. Between 2021 and 2026 policy focused on stabilisation: restructuring external debt, reducing inflation, rebuilding reserves and restoring investor confidence. The Government's stated objective now is to more than double the size of the economy by expanding production, raising productivity, adding value and increasing exports, with mining, agriculture, manufacturing and tourism as the priority sectors. The Minister set out four guiding principles:

- **Private-sector led and export oriented.** Growth must come from expanding exports, since target volumes of copper, maize, soya, wheat, sugar and beef exceed domestic demand.
- **Partnership with foreign investors.** Foreign direct investment (FDI) and cooperative models (such as out-grower schemes linking large estates with small-scale farmers) are preferred to the state "going it alone".
- **Skills for young people,** with technical education, vocational and entrepreneurship training (TEVET) bursaries realigned to agriculture, tourism, mining and manufacturing.
- **A conducive business environment,** with less red tape and some targets pursued through policy and legal reform rather than spending.



The 10-10-5-3-3-1-1-1 Targets

The Agenda is anchored on eight annual production targets, coded 10-10-5-3-3-1-1-1, to be reached by 2031. Five of the eight relate to agriculture and livestock, and other sectors are to set measurable benchmarks aligned with them.

Target	Goal by 2031	Latest baseline	Growth required	Implied annual growth
Maize	10 million tonnes	5.1 million tonnes (2025/26 season)	~2.0x	~14% a year
Electricity generation capacity	10,000 megawatts (MW)	4,722 MW installed (2026)	~2.1x	~16% a year
International tourist arrivals	5 million	2.3 million (2025)	~2.2x	~14% a year
Copper	3 million tonnes	930,000 t (2026 projected)	~3.2x	~26% a year
Soya beans	3 million tonnes	n/a	About 4x (per analysts)	n/a
Wheat	1 million tonnes	n/a	More than 10x (per analysts)	n/a
Sugar	1 million tonnes	n/a	About 2x (per analysts)	n/a
Beef exports	US$1 billion a year	Small base	New export industry	n/a

Five Pillars of Delivery

Pillar	Focus areas	Examples of 2027 initiatives
1. Growing the Economy	Mining, agriculture, livestock, fisheries, tourism, manufacturing, micro, small and medium enterprises (MSMEs)	Farm block development agency; Farmer Input Support Programme (FISP) transition to loans; gold trading agency; tourism duty relief; ZMW 5bn Bank of Zambia (BoZ) small and medium enterprise (SME) guarantee scheme
2. Connecting the Nation	Energy, transport and logistics corridors, information and communication technology (ICT)	1,400+ MW of new power; Lobito, Tanzania–Zambia Railway (TAZARA) and Nacala corridors; rail open access; new petroleum pipeline; smart border gates
3. Improving Living Standards	Education, skills, health, water and sanitation, social protection	Six new universities; 3,125 health workers; larger Social Cash Transfer (SCT); unified social registry
4. Effective, Efficient, Delivery-Oriented Public Sector	Fiscal and debt management, state-owned enterprises (SOEs), decentralisation, pensions, anti-corruption, environment	Deficit path to 1.2% of GDP by 2029; liability management; SOE restructuring; Constituency Development Fund (CDF) formula review
5. Financing Our Future	Long-term and blended finance	New development finance institution; public–private partnership (PPP) viability gap fund; green, disaster-risk and value-chain finance; capital markets reform

The Medium-Term Framework Behind the Agenda

The 2027–2029 Medium-Term Budget Plan (Green Paper) initially projected average real growth of about 7% over 2027–2029, with mining growth averaging 14.7% as brownfield and greenfield projects come on stream. In October the Government revised its outlook down to 4.9% for 2027 and 5% for 2028, citing the El Niño threat and the oil-price shock. The fiscal framework aims to reduce the deficit to 1.2% of GDP by 2029, contain the wage bill within 35% of domestic revenue and, under the new IMF programme, raise the primary surplus to 3% of GDP by 2029.



Hepta Advisory perspective on the Agenda

Strengths: the targets are specific, measurable and focused on tradable sectors where Zambia has comparative advantage. Positioning the state as a catalyst for private investment, rather than the main financier, is consistent with the limited fiscal space after debt restructuring.

Scale: the targets imply sustained growth of roughly 14–26% a year in the main sectors. Doubling the economy in real terms within five years would require growth of around 15% a year, against an official forecast of about 5%, so progress is more likely to be measured in output volumes and US dollar GDP than in real growth alone.

Binding constraints: power, transport, water and irrigation, land administration and long-term finance. Most are to be addressed through private investment, PPPs and regulatory reform, so the investment climate, including tax stability, will be central to delivery.

What to watch: annual progress against each target, private investment commitments in mining and energy, the 2026/27 harvest, and how the Ninth National Development Plan translates the Agenda into funded programmes.



Part I - Analysis of 2026 Economic Performance

2026 combined strong economic performance with fiscal pressures. On the monetary and external side, almost every indicator improved. On the fiscal side, an election, an oil-price shock linked to the Middle East conflict and heavy maize purchases by the Food Reserve Agency (FRA) resulted in a deficit well above its target.

Scorecard: 2026 Objectives versus Outturn

2026 objective	Target	Latest outturn / estimate	Assessment
Real GDP growth	6.4%	5.3% (Government); 5.6% (IMF)	Not met
Inflation	6–8% band	6.3% in Oct 2026 (food 5.7%; non-food 7.4%)	Met
Gross international reserves	Above 4 months of import cover	US$6.1bn (end-Aug 2026, as reported by the Minister)	Met
Fiscal deficit	2.1% of GDP	5.9% of GDP (projected)	Not met
Domestic revenue	22.3% of GDP	Revenue & grants ZMW 12.1bn below target at end-June	Below target
Primary surplus (IMF framework)	3.8% of GDP (Sixth Review)	1.1% of GDP (IMF, mid-2026)	Not met
Debt restructuring	Complete restructuring	~94% of perimeter; Afreximbank near final	Substantially advanced

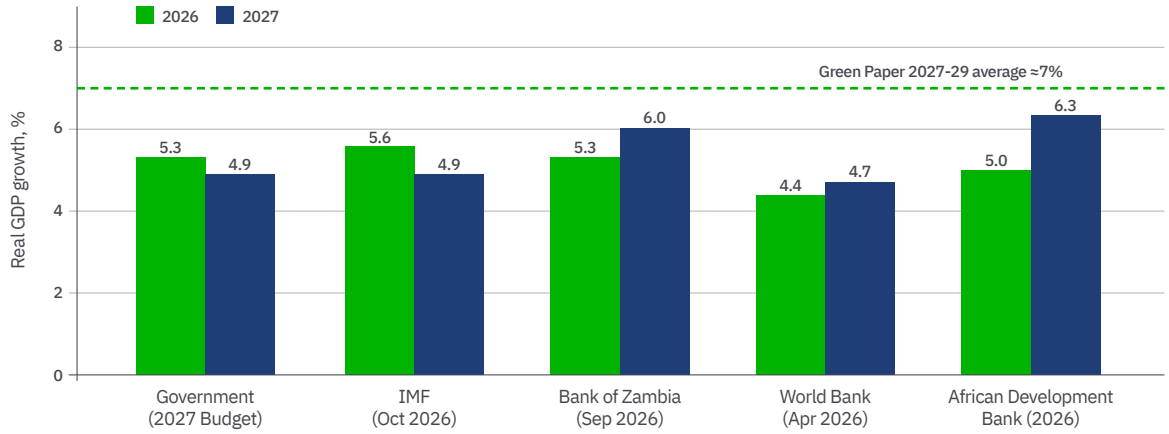
Source: 2026 and 2027 Budget Addresses; IMF staff statements (May, June and October 2026); Zambia Statistics Agency; Zambian Economist half-year analysis.

2026 Growth: Strong Start, Softer Finish

Real GDP growth averaged 7.4% in the first half of 2026 (7.7% in the first quarter), driven by agriculture after the bumper harvest, mining and ICT. However, the full-year picture is more modest. In March 2026 the Zambia Statistics Agency revised 2025 growth down to 3.8%, citing underperformance in ICT, wholesale and retail trade, and finance. For 2026 the Government now projects 5.3% and the IMF 5.6%, both below the 6.4% that underpinned the 2026 Budget. Mining output, energy constraints and spillovers from the Middle East conflict weighed on activity, while agriculture normalised after its exceptional 2025 rebound.

The Government has explicitly lowered its outlook. In mid-October, the Minister cut the 2027 forecast from 6% to 4.9% and the 2028 forecast from 7.5% to 5%, citing the El Niño threat and the prolonged impact of the oil shock. The IMF's October 2026 World Economic Outlook arrives at the same 4.9% for 2027.

Real GDP growth forecasts for 2026 and 2027



Source: Ministry of Finance and National Planning: IMF World Economic Outlook (Oct 2026): Bank of Zambia: World Bank: African Development Bank

Our view: the convergence of the Government and IMF on 4.9% is welcome, as it provides a shared and prudent basis for planning in a year of elevated climate and external risks. The gap between that 4.9% and the Green Paper's ~7% medium-term average, however, means the Grow Zambia Agenda's production targets are not yet reflected in the macro framework. We suggest that investors treat the targets as medium-term objectives rather than base-case assumptions.



Inflation and Monetary Policy: Back Within Target

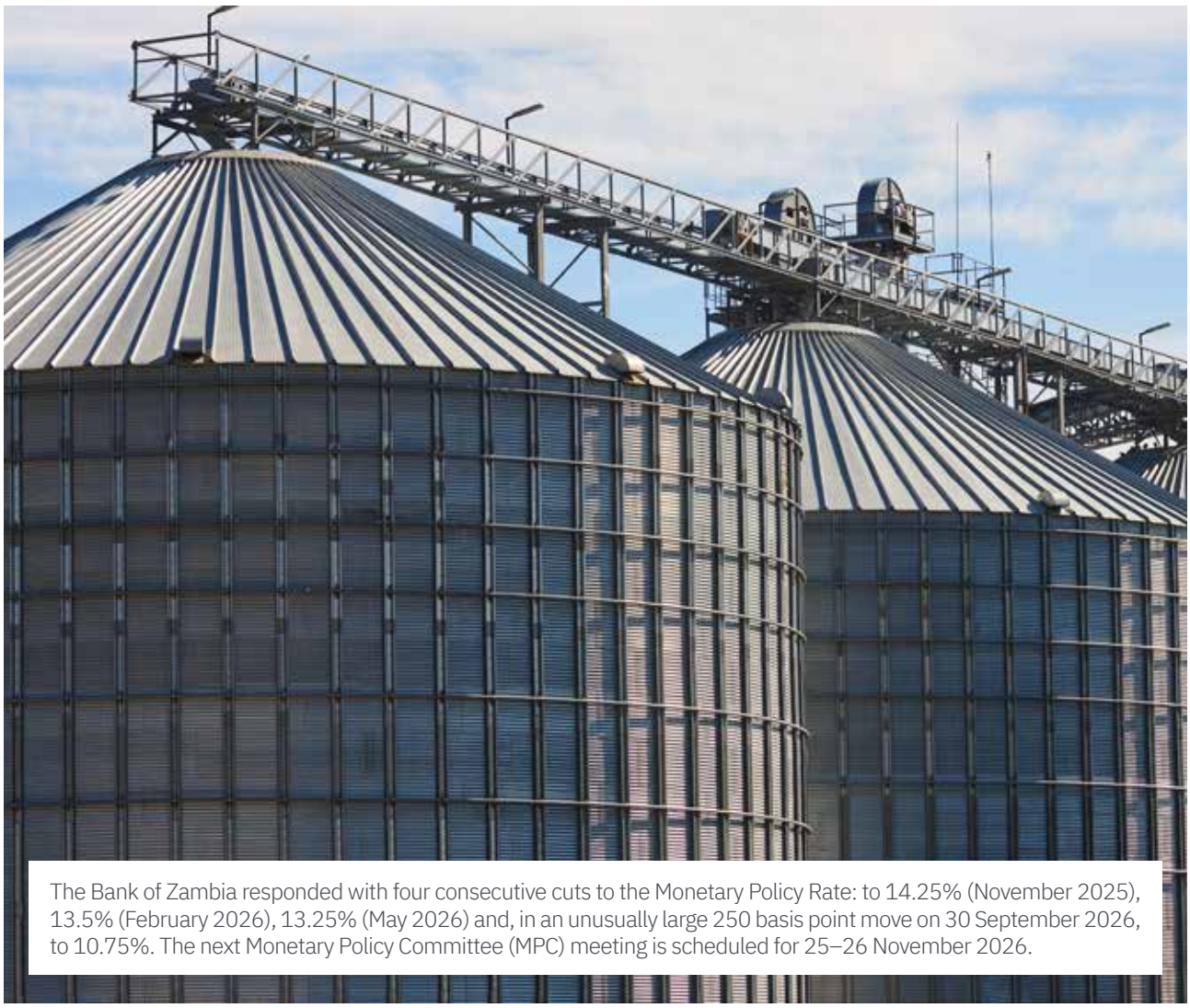
Reduced inflation was the standout achievement of 2026. Annual inflation fell from 16.7% in December 2024 and 11.2% in December 2025 into the Bank of Zambia's 6–8% target band by April 2026 (6.8%, the lowest since February 2018), reaching 6.1% in September 2026 before edging up to 6.3% in October 2026. Drivers included the strong 2025 harvest, a firm Kwacha and, from April 2026, the temporary suspension of excise duty on petrol and diesel and their zero-rating for VAT, extended through successive statutory instruments.

The Zambia Statistics Agency's (ZamStats) October 2026 bulletin shows that the October 2026 uptick was driven by fuel rather than food. Food inflation eased to 5.7% (from 5.8%), while non-food inflation rose to 7.4% (from 6.6%) and transport inflation nearly doubled to 10.8% (from 5.8%). Month-on-month, average pump prices rose by about 24%: diesel to ZMW 33.25 per litre and petrol to ZMW 31.46. Staple foods remain markedly cheaper than a year earlier, with roller mealie meal (25 kg) at ZMW 181.99, about 12% lower year-on-year. Lusaka, at 8.6%, is the only province above the target band.



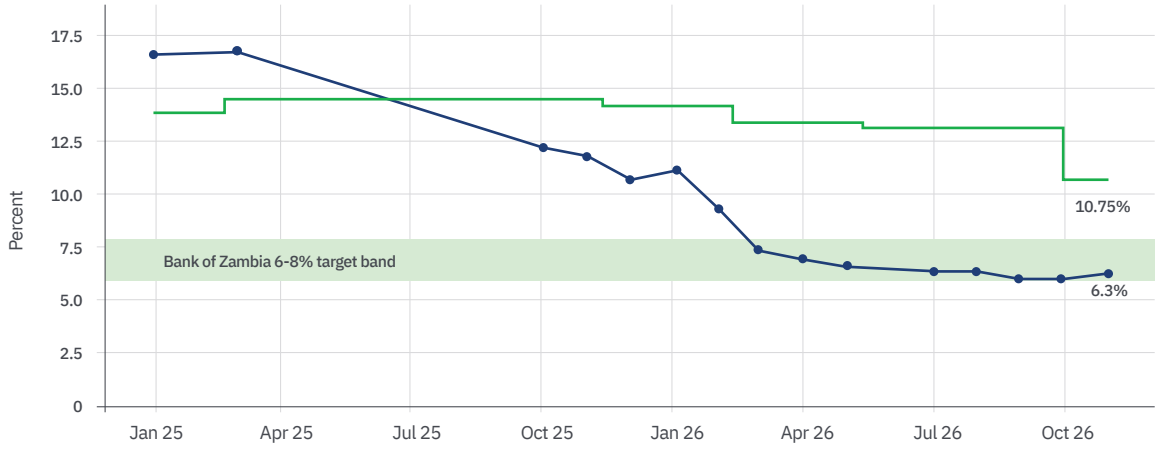
Latest data: ZamStats, The Monthly (October 2026)

Indicator	Latest	Previous	Comment
Annual inflation (Oct 2026)	6.3%	6.1% (Sep 2026)	Within 6–8% band; 11.9% a year earlier
Food / non-food inflation	5.7% / 7.4%	5.8% / 6.6%	Food contributes 3.4 percentage points, non-food 2.9
Transport inflation	10.8%	5.8%	Fuel pass-through from the oil shock
Monthly inflation	0.7%	0.4%	Non-food up 1.2% in the month
Diesel / petrol (per litre)	ZMW 33.25 / ZMW 31.46	ZMW 26.86 / ZMW 25.29	+24% month-on-month
Roller mealie meal (25 kg)	ZMW 181.99	ZMW 206.36 (Oct 2025)	–11.8% year-on-year
Lusaka provincial inflation	8.6%	8.1%	Only province above the band
Trade balance (Sep 2026)	–US$186.4m	+US$48.0m (Aug 2026)	Exports –8.1%; imports +5.4%
Refined copper exports (Sep 2026)	US$934.7m	–14.9% month-on-month	Volume 64,900 tonnes; London Metal Exchange (LME) price US$14,483 per tonne
Trade balance, Jan–Sep 2026	+US$277.0m	n/a	Exports US$13.7bn; imports US$13.4bn
Refined copper export volume, Jan–Sep	663,000 tonnes	623,800 tonnes (2025)	+6.3% year-on-year



The Bank of Zambia responded with four consecutive cuts to the Monetary Policy Rate: to 14.25% (November 2025), 13.5% (February 2026), 13.25% (May 2026) and, in an unusually large 250 basis point move on 30 September 2026, to 10.75%. The next Monetary Policy Committee (MPC) meeting is scheduled for 25–26 November 2026.

Reduced inflation and monetary easing, Dec 2024 - Oct 2026



Source: ZamStats. The Monthly (various issues to Oct 2026): Bank of Zambia Monetary Policy Committee statements)

Our view: the easing cycle should begin to lower lending rates and Treasury yields in 2027. However, October's data show fuel costs already feeding through to transport and non-food prices, and three 2027 Budget measures will add directly to prices: the VAT increase to 16.5%, the reinstatement of VAT on petrol and diesel from 1 December 2026 (and any later reinstatement of fuel excise duty, in line with the IMF programme), and the new excise duties on sugar, cooking oil inputs and plastics. Combined with a possible El Niño-related food shock, we see a risk of higher inflation in the first half of 2027 and would not expect further large rate cuts until that risk is clearer.

External Sector, Kwacha and Copper

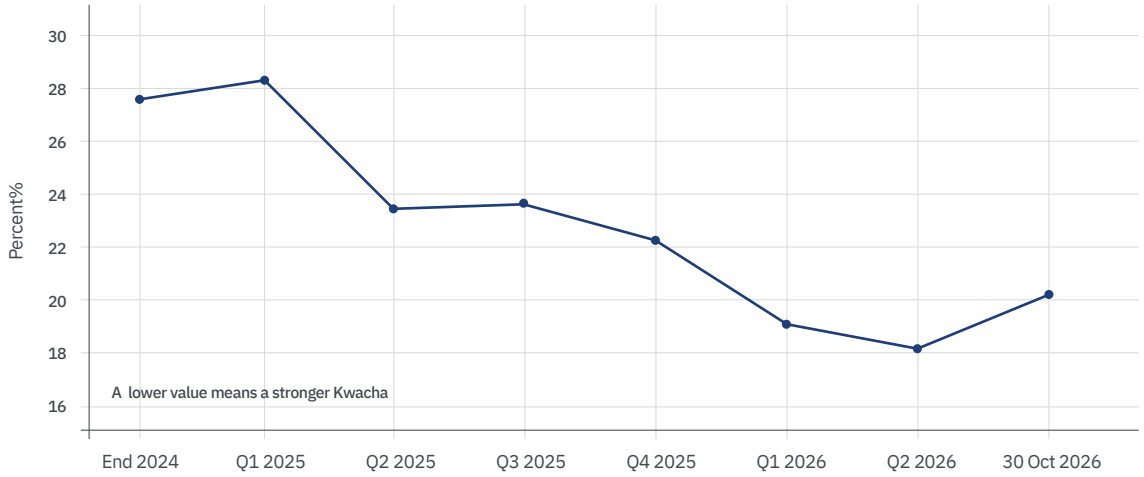
The external position strengthened over the year. According to ZamStats, exports reached US$13.7 billion in January–September 2026 against imports of US$13.4 billion, a cumulative surplus of US$277 million, with total trade up 43.4% on the same period of 2025 (the Minister reported exports of US$13.9 billion, of which non-traditional exports (NTEs) US$4.2 billion). Momentum softened in September, when the trade balance moved to a deficit of US$186.4 million as copper export earnings fell 14.9% and imports rose 5.4%; the cumulative refined copper export volume is nonetheless 6.3% higher than a year earlier. Copper hit a record US$14,850 per tonne in August, while crude oil spiked to US$114 a barrel in October from US$64.6 in January as a result of the Middle East conflict. The Minister reported that gross international reserves rose to US$6.1 billion at end-August 2026 from US$5.5 billion at end-December 2025, supporting stability in the exchange rate. Non-traditional exports have grown to US$4.3 billion in 2025 from US$2.5 billion in 2021, and agricultural exports now exceed US$1 billion. The IMF projects the current account to swing from a deficit of 5.5% of GDP in 2025 to surpluses of 2.3% in 2026 and 3.9% in 2027. The banking sector remains sound, with a non-performing loan ratio of 2.7% at end-September 2026.

Kwacha performance (Bank of Zambia data). The Kwacha strengthened markedly from end-2024 to mid-2026. According to the Bank of Zambia, the exchange rate moved from ZMW 27.88 per US dollar at end-2024 to ZMW 22.14 at end-2025, and then to ZMW 19.12 at end-March and ZMW 18.08 at end-June 2026. On a quarterly average basis, the Kwacha gained 14.8% in the first quarter of 2026 (average ZMW 19.43) and a further 8.3% in the second quarter (average ZMW 17.81). The Bank attributes the appreciation mainly to higher mining export earnings, inflows from foreign investors into government securities and the Currency Directives issued in December 2025.

The trend reversed in the third quarter. The Bank of Zambia reports that the Kwacha depreciated by 5.6% over the quarter to late September 2026, as demand for foreign exchange rose, mainly for petroleum imports, with outstanding demand orders averaging US$34 million a day against US$9 million in the previous quarter. The Bank's mid-rate stood at about ZMW 20.23 per US dollar on 30 October 2026: a rate about 9% lower (stronger) than at end-2025 but about 12% higher (weaker) than at end-June. Reserves nonetheless remain comfortable: the Minister reported reserves of US$6.1 billion at end-August 2026 (the Bank of Zambia last reported import cover of 4.5 months, in July), above the Government's target of more than four months.



Kwacha/US dollar exchange rate, end of period

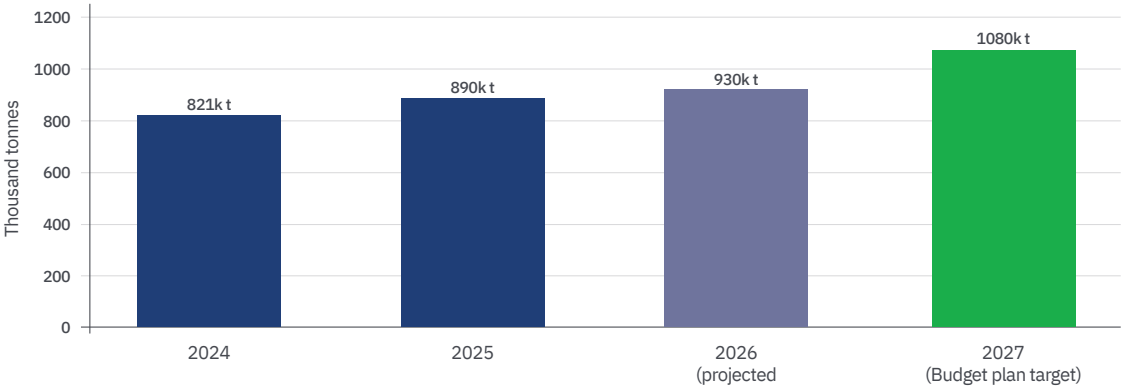


Source: Bank of Zambia, Monetary Policy Reports (February and August 2026): Bank of Zambia exchange rates (30 Oct 2026, mid-rate)

Our view: the recent weakening, alongside higher fuel prices, adds to the near-term inflation risks noted above and to the Kwacha cost of external debt service and imported inputs. Businesses with US dollar costs or liabilities should not assume a return to the mid-2026 exchange rate when budgeting for 2027.

Copper output is projected at a record 930,000 tonnes in 2026, up from about 890,000 tonnes in 2025. That is real progress, but it remains below the 1 million tonnes once targeted for 2025, and the 2027 Medium-Term Budget Plan target of 1.08 million tonnes implies a further 16% jump in a single year.

Copper production against the path to 3 million tonnes by 2031



Source: 2026 Budget Address: Ministry of Finance and National Planning: 2027 Budget Address; 2027-2029 Medium-Term Budget Plan

Fiscal Performance in 2026

The 2026 fiscal outturn is the most important context for the 2027 Budget. By end-June, revenue and grants were ZMW 95.2 billion against a target of ZMW 107.4 billion, while expenditure reached ZMW 139.7 billion against ZMW 127.7 billion. VAT showed the largest shortfall, partly by design: fuel VAT and excise relief cost about ZMW 1.3 billion a month between April and June, and the relief was subsequently extended. Grants arrived at less than half the planned level.

On the spending side, two supplementary estimates were required: ZMW 26.3 billion in May and ZMW 19.9 billion in October, the latter including about ZMW 14.7 billion for FRA payments to farmers. The deficit is now expected at 5.9% of GDP, against the 2.1% target. The IMF had warned as early as March 2026 of slippage from the wage bill, agricultural support and election-related spending, and by mid-year projected the primary surplus to fall to 1.1% of GDP from 3.1% in 2025.

Why this matters for 2027

The 2027 Budget of ZMW 284.8 billion is 12.5% larger than the original 2026 Budget, but it is roughly 5% lower than total 2026 spending authority once the ZMW 46.2 billion of supplementaries is included (about ZMW 299.3 billion).

In other words, 2027 is a fiscal consolidation year. Every kwacha of new priority spending must be found by cutting elsewhere or by raising revenue, which is exactly what the tax package does.

Public Debt and the New IMF Programme

Debt restructuring agreements now cover about 94% of the restructuring perimeter, with an agreement with Afreximbank reported by the IMF to be close to formalisation. In June 2026, bondholders approved (97.85% acceptance) a US$1.36 billion debt buyback structured as a debt-for-energy swap, which retired the contingent "Bond B" and redirected resources to the power sector. Central government external debt fell to US$15.46 billion at end-June 2026 from US$16.15 billion at end-2025, largely because of the buyback.

The main pressure is now in the domestic market. Domestic debt stock rose from ZMW 193.0 billion in 2021 to ZMW 253.7 billion at end-2025, and the stock of government securities and loans jumped to ZMW 280.9 billion by end-June 2026, an increase of ZMW 27.2 billion in six months. Arrears on goods and services stood at ZMW 51.4 billion (down from ZMW 57.1 billion), and outstanding VAT refund claims stood at ZMW 60.3 billion at end-September 2026. Public and publicly guaranteed debt of 91.5% of GDP at end-2025 remains above the 65% ceiling in the Public Debt Management Act.

On 9 October 2026 the IMF reached a staff-level agreement on a new 36-month Extended Credit Facility (ECF) of 1.076 billion Special Drawing Rights (SDR) (about US$1.47 billion), with Board consideration expected around December. The programme is "revenue-led": the primary surplus is to rise gradually from 2027 to 3% of GDP by 2029, alongside reversal of temporary fuel-tax relief, cuts to non-priority capital spending, a Medium-Term Revenue Strategy, fewer tax exemptions, tighter oversight of the FRA, SOEs and PPPs, clearance of VAT refund arrears and restoration of transparent access to the TAZAMA (Tanzania–Zambia) oil pipeline. Moody's upgraded Zambia from Caa2 to Caa1 (positive outlook) on 30 October 2026, following earlier upgrades by S&P Global Ratings and Fitch Ratings.

Our view: many of the 2027 tax measures should be read as prior actions or early deliverables under the new IMF programme. Businesses should expect the revenue-led direction to persist through 2029, with further base-broadening and exemption reviews in the 2028 and 2029 Budgets.



Closing the Eighth National Development Plan (8NDP) Period

2026 is the final year of the Eighth National Development Plan (2022–2026). The Ninth National Development Plan (2027–2031), now in preparation, will be anchored on the Grow Zambia Agenda and include a stronger monitoring and evaluation framework. Our assessment of the four Strategic Development Areas (SDAs), based on Ministry of Finance and National Planning (MoFNP), IMF and World Bank data, follows.

8NDP pillar	Progress by end-2026	Remaining gap
SDA 1: Economic transformation and job creation	Record copper output; first-half 2026 growth of 7.4%; NTEs up to US$4.3bn; reserves and Kwacha strengthened; credit ratings upgraded.	Growth still below 8NDP ambition; manufacturing share small; no recent labour force data to confirm formal job creation.
SDA 2: Human and social development	Inflation in target band; SCT reaches 1.5 million households; free education now in law; medicine availability 83% (from 35%); maternal mortality down to 187 per 100,000.	Poverty still about 70% at the US$3.00/day line (World Bank); outcome data for health and education quality remain limited.
SDA 3: Environmental sustainability	Grid additions from solar and other non-hydro sources; debt-for-energy swap.	Continued exposure to drought: a 2026/27 El Niño threatens both maize and hydropower.
SDA 4: Good governance	Completed ECF programme; transparent monthly releases; SOE Act enacted in 2026.	Fiscal performance came under pressure in the election year; reliance on supplementary budgets, including for FRA, affects budget predictability.





Part II - Analysis of the 2027 National Budget

The 2027 National Budget, presented on 6 November 2026 under the theme "Grow Zambia: From Stabilisation to Unlocking Opportunities, Creating Jobs and Improving Livelihoods for All", proposes expenditure of ZMW 284.8 billion, equivalent to 28.4% of GDP. It is the largest budget in Zambia's history in nominal terms and the first to be anchored on the Grow Zambia Agenda's production targets.

How the 2027 Budget Supports the Grow Zambia Targets

The Grow Zambia Agenda is summarised in the Background section. The table below maps each target to the main 2027 allocations and revenue measures that bear on it. Some measures support a target and others may work against it.

Grow Zambia target	2027 allocations and policy actions	2027 revenue measures bearing on the target
Maize, soya, wheat and sugar	ZMW 22.7bn for agriculture, incl. ZMW 9.1bn FISP (moving to loans); farm block development agency; 500,000 ha irrigation and six mechanisation centres per district by 2031; TAZARA/Lobito production corridors	Corporate Income Tax (CIT) on farming and agro-processing 10%→15% (works against); duty and surtax on crude edible oils (supports local soya crushing); ZMW 1/kg sugar excise (may work against the 1 million tonne sugar target)
US$1bn beef exports	ZMW 100m for disease-free beef compartments; ZMW 822.5m animal health; cold chain and abattoir partnerships	Meat and offal import surtax raised to 30% (protects local market)
3 million tonnes of copper	ZMW 1.21bn for mining, incl. ZMW 467m geological mapping; gold trading agency; digitised licensing; commitment to a stable fiscal regime	15% withholding tax (WHT) on mining dividends; higher licence fees and area charges; CIT on cathode value addition 20%→25%
10,000 MW of generation	1,400+ MW of non-hydro capacity expected in 2027; ZMW 391.3m Grid Resilience Programme; Mission 300 compact; transmission interconnectors	Withdrawal of duty exemption and VAT zero-rating on energy-saving appliances (works against)
5 million tourists	ZMW 1.36bn tourism; ZMW 2.35bn provincial airports; destination marketing and conference bidding	Customs duty suspended on safari vehicles, hospitality equipment and communications infrastructure (supports)
Cross-cutting enablers	ZMW 18.1bn roads (787 km); ZMW 507.3m PPP viability gap fund; ZMW 400m new development finance institution; ZMW 5bn BoZ SME guarantee scheme	PPP contractor VAT zero-rating (supports); customs self-clearance and bonding facilitation (supports)

Source: 2027 Budget Address and Annex; Zambia Revenue Authority (ZRA) 2027 Budget Highlights; Hepta Advisory assessment.

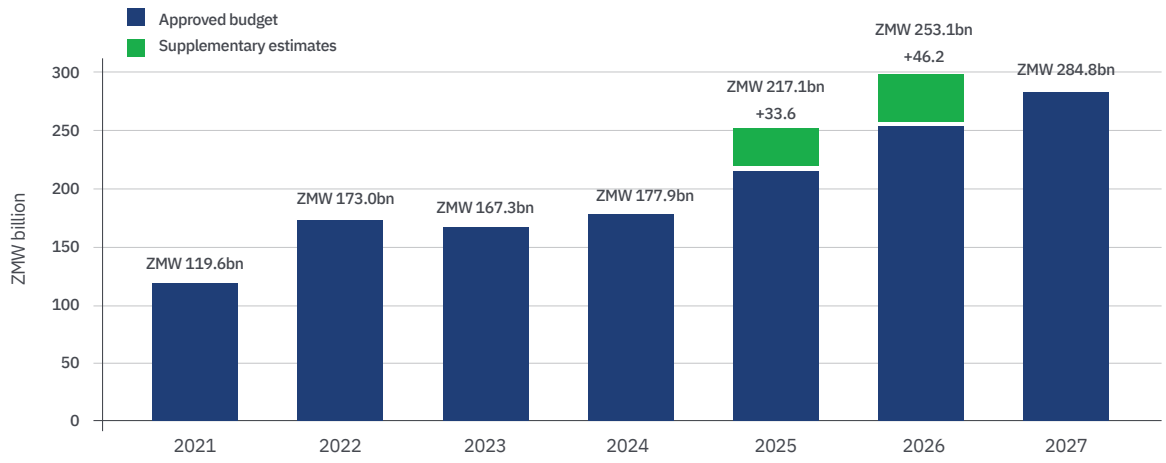
Our view: clear, quantified targets are a strength, as they make the Government accountable. The 2027 allocations, however, are modest relative to the scale of transformation implied, and the 2027 growth target of 4.9% does not assume the targets are on track. The binding constraints, power, logistics, land, water and finance, are mostly addressed through private investment and PPPs rather than budget money. We recommend that the Ministry publish an annual Grow Zambia scorecard alongside the Budget, showing progress, funding and responsible institutions for each target.

Budget Evolution, 2021–2027

Year	Theme	Size (ZMW)	Key macro objectives	Key policy initiatives
2021	Stimulate Economic Recovery and Build Resilience	119.6bn	Growth 1.8%; deficit 9.3% of GDP	COVID-19 response; tax relief
2022	Growth, Jobs and Taking Development Closer to the People	173.0bn	Growth ≥3.5%; deficit ≤6.7%	First New Dawn budget; CDF expansion
2023	Stimulating Economic Growth for Improved Livelihoods	167.3bn	Growth 4.0%; inflation 6–8%	Post-IMF deal; free education; Comprehensive Agriculture Support Programme
2024	Unlocking Economic Potential	177.9bn	Growth 4.0%; deficit 4.8%	Debt restructuring; private-sector growth
2025	Building Resilience for Inclusive Growth and Improved Livelihoods	217.1bn + 33.6bn supp.	Growth 6.6%; deficit 4.6% (revised)	Drought response; arrears clearance
2026	Consolidating Economic and Social Gains	253.1bn + 46.2bn supp.	Growth 6.4%; deficit 2.1%	Fiscal consolidation; mobile money levy; incentives for completely knocked-down (CKD) vehicle assembly
2027	Grow Zambia: From Stabilisation to Unlocking Opportunities...	284.8bn	Growth ≥4.9%; deficit 3.0%; revenue ≥23.3% of GDP	VAT 16.5%; 39.5% PAYE band; mining dividend WHT; FISP to loans

Source: Budget Addresses 2021–2027; MoFNP.

National budget size, 2021-2027 (ZMW billion)



Source: Budget Addresses 2021-2027: Ministry of Finance and National Planning supplementary estimates (2025, 2026)

The 2027 Macro-Fiscal Framework

Macroeconomic objective	2026 Budget	2027 Budget	Hepta Advisory comment
Real GDP growth	6.4%	at least 4.9%	Realistic; aligned with IMF World Economic Outlook
Inflation	6–8%	6–8%	Achievable, although VAT, fuel and El Niño could push inflation higher
Gross international reserves	Above 3 months	Above 4 months	Comfortable at ~US$6bn
Domestic revenue	≥22.3% of GDP	≥23.3% of GDP	Ambitious after 2026 shortfall
Fiscal deficit	2.1% of GDP	3.0% of GDP	Credible only with FRA and supplementary discipline
Net domestic borrowing	n/a	≤2.9% of GDP	Key for crowding-in private credit
Medium-term anchors	n/a	Deficit 1.2% of GDP by 2029; wage bill ≤35% of domestic revenue	Welcome; needs a legal fiscal rule

Source: 2026 and 2027 Budget Addresses.

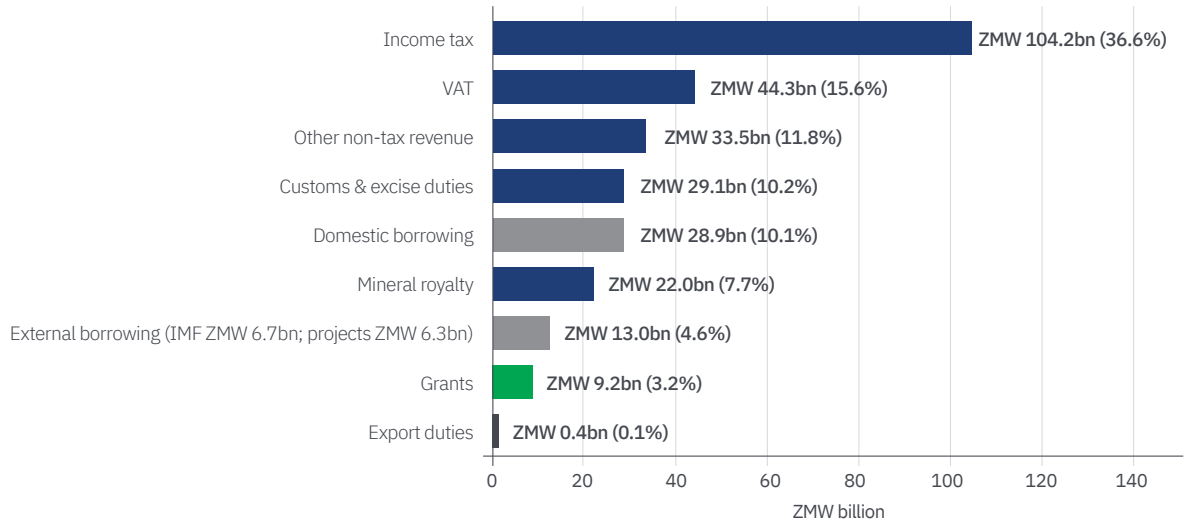
The 2027 objectives reflect the changed environment: the growth target takes account of El Niño and oil-price risks, the deficit target allows for the 2026 outturn, and the reserve target has been raised to reflect the stronger external position. The revenue target is likely to be the most demanding. Moving domestic revenue from roughly 22% of GDP in 2026 (after the shortfall) to 23.3% in 2027 requires both the new measures to perform as costed and a recovery in VAT collections, which the IMF has identified as an area for strengthening, alongside clearance of the VAT refund backlog.

Financing the Agenda

Item	Amount (ZMW billion)	Share of Budget	Share of GDP
Tax revenue	178.1	62.5%	17.8%
of which: Income tax	104.3	36.6%	10.4%
Company tax	42.7	15.0%	4.3%
PAYE	35.4	12.4%	3.5%
Withholding tax and other	26.2	9.2%	2.6%
Value Added Tax	44.3	15.6%	4.4%
Customs and excise duties	29.1	10.2%	2.9%
Export duties	0.4	0.1%	0.04%
Non-tax revenue	55.6	19.5%	5.5%
of which: User fees, fines and charges	32.3	11.3%	3.2%
of which: Mineral royalty	22.0	7.7%	2.2%
Domestic revenue	233.7	82.1%	23.3%
Grants	9.2	3.2%	0.9%
Domestic revenue and grants	242.9	85.3%	24.2%
Gross financing	41.9	14.7%	4.2%
Domestic financing	28.9	10.1%	2.9%
Foreign financing	13.0	4.6%	1.3%
of which: IMF programme loans	6.7	2.4%	0.7%
of which: Project loans	6.3	2.2%	0.6%
Total resources	**284.8**	**100.0%**	**28.4%**

Source: 2027 Budget Address. Shares of GDP for sub-items are Hepta Advisory calculations using the implied 2027 GDP of about ZMW 1.0 trillion.

How the ZMW 284.8 billion 2027 Budget is financed



Source: 2027 Budget Address, resource envelope table. Navy = domestic revenue; green = grants: grey = borrowing

Three features stand out:

- **Self-financing reaches a new high.** Domestic revenue funds 82.1% of the Budget, up from 58.7% in 2021 and 76% in 2024. This is a genuine structural achievement, although it partly reflects falling grants (down 24% to ZMW 9.2 billion), consistent with declining donor support globally.

- **Income tax carries the load.** Income tax (ZMW 104.3 billion) is more than twice VAT. Company tax alone (ZMW 42.7 billion) depends significantly on mining profitability and copper prices, and mineral royalty adds a further ZMW 22.0 billion. Together, mining-sensitive revenue is a large share of the envelope.

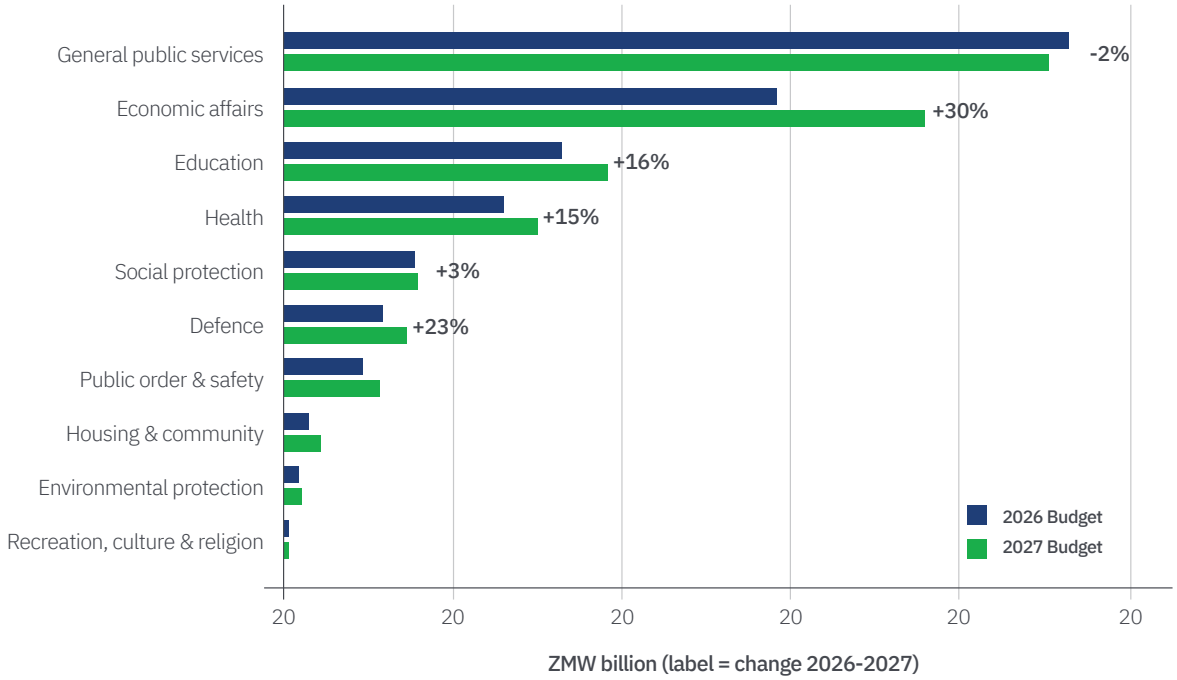
- **Borrowing exceeds the deficit, and leans on the IMF.** Gross financing of ZMW 41.9 billion is larger than a 3.0% deficit (about ZMW 30 billion) because it also refinances maturing debt. Domestic financing is ZMW 28.9 billion (2.9% of GDP, in line with the net domestic borrowing ceiling), lower than the ZMW 37.3 billion floated at the budget hearings. Foreign financing of ZMW 13.0 billion includes ZMW 6.7 billion of IMF programme loans, so timely Board approval and successful six-monthly reviews of the new ECF are now a direct Budget financing requirement, not just a confidence signal.

Strategic Expenditure by Function

Function	2026 Budget (ZMW bn)	2027 Budget (ZMW bn)	Change	2027 share
General public services	92.6	90.5	−2.2%	31.8%
Economic affairs	58.6	75.9	+29.5%	26.7%
Education	33.0	38.2	+15.9%	13.4%
Health	26.2	30.3	+15.5%	10.6%
Social protection	15.7	16.2	+3.1%	5.7%
Defence	11.9	14.6	+23.1%	5.1%
Public order and safety	9.6	11.4	+18.3%	4.0%
Housing and community amenities	3.2	4.6	+44.7%	1.6%
Environmental protection	1.6	2.3	+43.1%	0.8%
Recreation, culture and religion	0.7	0.7	+5.2%	0.3%
Total	**253.1**	**284.8**	**+12.5%**	**100.0%**

Source: 2026 and 2027 Budget Addresses; Hepta Advisory calculations from unrounded 2027 figures.

Expenditure by function: 2026 and 2027 (ZMW billion)



Source:: 2026 and 2027 Budget Addresses; Hepta Advisory calculations

In real terms, with inflation expected around 6–8% in 2027, the 12.5% nominal increase represents real growth of roughly 4–6%. Social protection (+3.1%) is broadly flat to slightly negative in real terms at the function level, although the Social Cash Transfer line itself rises sharply (see below). General Public Services falls, almost entirely the effect of lower debt service.

Insights from the Yellow Book (Detailed Estimates)

The 2027 Yellow Book provides the detailed estimates behind the Budget Address. Classified by economic type, it shows where the ZMW 31.7 billion increase goes:

Economic classification	2026 Budget (ZMW bn)	2027 Estimate (ZMW bn)	Change	2027 share
Personal emoluments	65.0	74.4	+14.6%	26.1%
Use of goods and services	33.2	44.3	+33.6%	15.6%
Debt service (financial liabilities)	73.7	67.6	–8.3%	23.7%
Transfers	41.0	49.5	+20.7%	17.4%
Social benefits	9.5	10.6	+11.5%	3.7%
Assets, capital expenditure	28.2	34.1	+21.2%	12.0%
Financial assets (investments)	2.6	4.2	+60.6%	1.5%
Total	253.1	284.8	+12.5%	100.0%

Source: Ministry of Finance and National Planning, 2027 Output Based Annual Budget (Yellow Book); Hepta Advisory aggregation across all Heads of Expenditure.

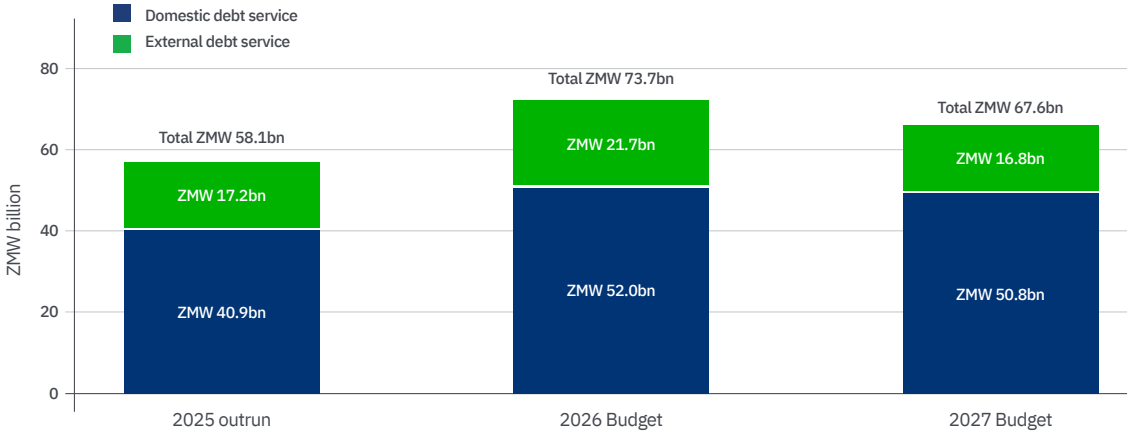
- **Wage bill:** personal emoluments rise 14.6% to ZMW 74.4 billion, about 31.9% of domestic revenue, within the Government's 35% ceiling, but rising faster than the Budget overall. The centrally held Public Service Pay Policy provision increases to ZMW 4.0 billion from ZMW 2.5 billion.
- **Contingency:** a centrally held contingency of ZMW 1.37 billion (2026: ZMW 0.57 billion) is a welcome, if modest, buffer against in-year shocks that previously required supplementary budgets.
- **Government restructuring:** the estimates reflect a reorganised Cabinet, with new Heads for Electricity, Petroleum, Industry, Trade and Exports, Housing, Culture and Arts, Skills and Higher Education (ZMW 5.4 billion) and a Zambia Cyber Security Agency. CDF and the Local Government Equalisation Fund now sit in a new Intergovernmental Transfers Head (ZMW 12.1 billion), which explains the apparent 90% fall in the Ministry of Local Government's own budget. Year-on-year comparisons by ministry should therefore be read with care.



General Public Services and Debt Service (ZMW 90.5 billion; 31.8%)

Debt service is budgeted at ZMW 67.6 billion: ZMW 50.8 billion domestic and ZMW 16.8 billion external, down from ZMW 52.0 billion and ZMW 21.7 billion in 2026. Debt service falls from 29.1% to 23.7% of total spending, and from about 36% to 29% of domestic revenue. This is the first tangible "restructuring dividend" and it is the main reason other functions can grow.

Debt service: domestic now dominates (ZMW billion)



Source: Ministry of Finance and National Planning 2025 outturn: 2026 and 2027 Budget Addresses

However, the dividend is narrower than it appears. Domestic debt service is barely lower and still 1.7 times the entire health budget, and the 2027–2029 Green Paper projects ZMW 212.2 billion of debt service over three years. Government plans liability management operations, a shift to fixed-rate securities and consolidation of benchmark bonds (including the 20-year bond) to reduce refinancing risk.

Arrears clearance. ZMW 4.7 billion is provided for dismantling arrears, unchanged from 2026 and well below the ZMW 15 billion the Green Paper had pencilled in for 2027, against a stock of ZMW 51.4 billion in supplier arrears and ZMW 60.3 billion in VAT refund claims. The Budget proposes to address legacy arrears, including VAT refunds, mainly through liability management operations rather than cash payments. For suppliers and exporters, this suggests that recovery of amounts owed may remain gradual in 2027.

Arrears: the allocation versus the stock

Allocation for dismantling arrears in 2027: ZMW 4.7 billion, unchanged from 2026.

Green Paper plan for 2027: ZMW 15.0 billion (part of ZMW 37.8 billion planned over 2027–2029). The Budget provides less than a third of this.

Stock of arrears on goods and services: ZMW 51.4 billion at end-June 2026. The allocation covers about 9% of it; at this pace, and with no new arrears, clearance would take around 11 years.

Outstanding VAT refund claims: ZMW 60.3 billion at end-September 2026, to be addressed through liability management operations rather than cash. Including these, the allocation covers about 4% of amounts owed to the private sector.

Implication: contractors, suppliers and exporters may wish to plan on the basis that settlement will not accelerate significantly in 2027. The arrears stock also remains a fiscal risk outside the 3.0% deficit target.

Other notable General Public Services allocations are ZMW 1.7 billion for digitalisation of government services (including ZMW 367.8 million for the Integrated National Registration Information System (INRIS) digital national identity, up from ZMW 217.8 million, and ZMW 205.5 million for the land administration system) and ZMW 1.5 billion for the Local Government Equalisation Fund.

Economic Affairs (ZMW 75.9 billion; 26.7%)

Economic affairs receives the largest increase, rising by ZMW 17.3 billion. Key allocations include:

Programme	2027 allocation	Comment
Agriculture, fisheries and livestock	ZMW 22.7bn (2026: ZMW 15.5bn)	Largest single increase; five of eight Grow Zambia targets relate to the sector
of which FISP	ZMW 9.1bn (2026: ZMW 9.2bn)	Transition from subsidy to an agricultural loan scheme begins in 2027
of which beef compartments	ZMW 100m	Supports US$1bn beef export target; disease-free zones
of which animal health	ZMW 822.5m	Critical for beef exports
Road infrastructure	ZMW 18.1bn (2026: ZMW 14.5bn)	787 km to be built, upgraded or rehabilitated; feeder roads
Constituency Development Fund	ZMW 9.05bn (2026: ZMW 6.2bn)	+45%; classified under economic affairs; ZMW 40m per constituency (see below)
Provincial airports	ZMW 2.35bn (more than doubled)	Mansa, Mfuwe completed; Choma, Chipata, Mongu, Solwezi works start
Tourism programmes	ZMW 1.36bn	5 million arrivals target
Mining	ZMW 1.21bn	ZMW 467.2m geological mapping; ZMW 450.7m artisanal and small-scale mining (ASM); ZMW 171.7m mining standards (2026: ZMW 75.9m)
PPP viability gap financing	ZMW 507.3m	Makes PPP infrastructure bankable
New development finance institution	ZMW 400.0m	Replaces the Development Bank of Zambia (in possession)
Grid Resilience Programme	ZMW 391.3m	Funded from Eurobond buyback savings
Energy (policy-led)	n/a	1,400+ MW from non-hydro sources in 2027; cost-reflective tariffs; open access; reform of ZESCO, the state power utility; regional interconnectors

Source: 2026 and 2027 Budget Addresses.

Structural agriculture reforms accompany the higher allocation: a farm block development agency to partner credible investors with smallholders (modelled on Nakambala), large-scale production zones along the TAZARA and Lobito corridors, six mechanisation centres per district and 500,000 hectares under irrigation by 2031, bulk export permits that recognise rail wagons, and commencement of the Food Reserve Agency Act, Agricultural Marketing Act and Agricultural Credit and Warehouse Receipts Act (all 2026).

FISP reform is the most consequential policy shift. Converting inputs support from a subsidy to a loan scheme could improve targeting and reduce fiscal cost over time, but repayment risk is significant in a drought year, and the loan book will need credible collection mechanisms. Repayment performance on CDF empowerment loans (about 17% of amounts due collected by October 2025) is a cautionary benchmark. We recommend a phased pilot with clear eligibility, insurance linkages and transparent reporting of the loan portfolio. The Yellow Book shows that the ZMW 7.2 billion increase in agriculture is more than accounted for by National Strategic Food Reserves, budgeted at ZMW 9.45 billion (2026: ZMW 2.1 billion), while FISP is broadly unchanged at about ZMW 9.0 billion. Budgeting FRA purchases upfront rather than through supplementaries is a welcome step for budget credibility, although it means the increase in agricultural spending is largely for food security rather than productive investment. The repositioning of the FRA to focus on strategic reserves is welcome given that FRA overruns drove the 2026 supplementaries, but it requires a functioning private grain market and a clear, rules-based crisis protocol.

Energy relies largely on private investment. Installed capacity has risen 42% to 4,722 MW since 2021, mostly from private investment, and over 1,400 MW of non-hydro capacity is expected in 2027. But direct appropriation is small (ZMW 391.3 million for grid resilience), and the 10,000 MW target relies on Mission 300, open access, tariffs and transmission projects (Zambia–Tanzania, Zambia–Malawi, Kalumbila–Kolwezi). The Yellow Book also includes a new ZMW 1.075 billion recapitalisation of ZESCO, while the ZMW 500 million Electricity Fund provided in 2026 is not repeated. With an El Niño forecast, timely delivery of the non-hydro pipeline is a key risk to monitor in 2027.

Transport and logistics. Beyond roads, the Budget commits to repeal the Railways Act and adopt a vertical-separation, open-access rail model; groundbreaking on the Lobito railway is expected in the fourth quarter of 2027; TAZARA rehabilitation with a Kapiri Mposhi dry port; €60 million secured for the Kapiri Mposhi–Ndola section of Zambia Railways; a new multi-product petroleum pipeline with Tanzania under a PPP; and smart border gates starting at Kazungula. Detailed estimates show increased capitalisation of Zambia Railways (ZMW 553.9 million, from ZMW 100 million) and a new ZMW 237.2 million allocation to TAZARA. Mining policy adds a planned gold trading agency to formalise ASM gold sales.

Human Capital: Education (ZMW 38.2 billion) and Health (ZMW 30.3 billion)

Education (ZMW 38.2bn; 13.4%)

- **ZMW 3.2bn** for school and university infrastructure, including six new universities (partly PPP) and 31 secondary schools
- **ZMW 2.8bn** for school operations under free education (2026: ZMW 2.4bn)
- **ZMW 1.9bn** for Higher Education Loans and Scholarships Board (HELSB) loans and scholarships (2026: ZMW 1.4bn)
- **ZMW 1.0bn** for the Home-Grown School Feeding Programme (2026: ZMW 523m, +91%)

Health (ZMW 30.3bn; 10.6%)

- **ZMW 6.4bn** for drugs and medical supplies, flat in nominal terms versus 2026, a reduction in real terms
- **ZMW 866.7m** for district and mini-hospital infrastructure; ZMW 360m to support the National Health Insurance Scheme
- **3,125 health workers** to be recruited in 2027 (21,500 since 2021)
- **Donor grants for health** ran at 45% of plan in H1 2026, a gap to watch

Source: 2026 and 2027 Budget Addresses; Zambian Economist.

The near-doubling of school feeding (ZMW 300 million for early childhood education, ZMW 500 million for primary and a new ZMW 200 million secondary programme, per the Yellow Book) is one of the Budget's best-targeted measures: it supports attendance and nutrition and creates local demand for farmers. In health, flat drug funding at a time of declining external support merits attention. The 2026 Budget increased drug funding by 30% to replace withdrawn donor support; holding it flat in 2027 may make it harder to sustain the drug availability gains the Government highlights (83% availability, from 35%). As we noted in our 2026 analysis, allocations remain largely input-based, and the Budget would be strengthened by publishing outcome indicators (learning levels, stock-out rates, waiting times) alongside spending.

Social Protection (ZMW 16.2 billion; 5.7%) and the CDF

The Social Cash Transfer rises to ZMW 10.4 billion (2026: ZMW 7.6 billion), almost entirely Government-funded, as the Yellow Book shows donor funding falling to ZMW 129 million from ZMW 910 million, extending coverage from 1.5 million to more than 1.6 million households and raising the monthly transfer to ZMW 450 (from ZMW 400) and ZMW 650 for households with persons with disabilities (from ZMW 600). A further ZMW 5.2 billion goes to public service pensions, with the aim of cutting the wait for pension payment from over a year to three months. A unified national social registry will be operationalised in 2027, SCT beneficiaries will be enrolled in the National Health Insurance Scheme, and the Food Security Pack will be folded into other programmes. Given the El Niño risk, a larger, faster-scalable SCT is a sound investment in resilience, as the 2024 drought demonstrated.

The Constituency Development Fund rises 45% to ZMW 9.05 billion from ZMW 6.2 billion. The per-constituency amount is unchanged at ZMW 40 million; the increase reflects the expansion from 156 to 226 constituencies, and the Minister emphasised completing ongoing projects. The increase absorbs about ZMW 2.8 billion of new money at a time when the Treasury said only about ZMW 6.9 billion of discretionary space was available. Absorption remains the core issue: in 2024 only about 55% of the CDF provision was released and 526 of 4,879 projects had not started. We welcome the Minister's commitment to review the CDF allocation formula on the basis of equity rather than equality, and recommend that the new formula also links part of each allocation to absorption and audit performance, for example through a base allocation plus a performance-linked top-up.

Public Order, Defence, Housing and Environment

Public order and safety receives ZMW 11.4 billion (+18%), including ZMW 1.2 billion for law enforcement agencies; defence ZMW 14.6 billion (+23%). Housing and community amenities (ZMW 4.6 billion) and environmental protection (ZMW 2.3 billion) grow strongly from a small base, with ZMW 2.1 billion for water supply and sanitation and the Budget prioritising water harvesting, dam construction and rehabilitation, and faster, digitalised environmental licensing. These are appropriate climate-adaptation priorities, though environmental protection at 0.8% of the Budget remains small relative to Zambia's climate exposure.

Key Risks to Budget Implementation

Risk	Likelihood	Impact	What to watch
El Niño drought in 2026/27 season	High	High: maize, hydropower, inflation, FRA and SCT costs	Rainfall Jan–Mar 2027; Kariba levels; maize prices; adequacy of ZMW 1.37bn contingency and ZMW 317m disaster risk management budget
Revenue shortfall (VAT administration, refunds)	Medium-High	High: deficit target, arrears	Quarterly ZRA collections against target; VAT refund backlog
Further supplementary budgets (FRA, wages)	Medium	High: credibility, IMF reviews	FRA spending against its ZMW 9.45bn provision; supplementary estimates tabled in 2027
Copper price or production disappointment	Medium	High: company tax and mineral royalty total ZMW 64.7bn	LME copper; quarterly output against the 1.08mt path
Oil price and Middle East conflict	Medium	Medium: fuel prices, inflation, Kwacha	Pump prices (diesel ZMW 33.25 per litre in Oct 2026, +24% month-on-month); VAT on fuel from 1 Dec 2026; timing of excise reinstatement; transport inflation (10.8%)
Domestic debt rollover and yields	Medium	Medium-High: interest bill, private credit	Bond auction subscription rates and yields
IMF programme delays	Low-Medium	High: ZMW 6.7bn of 2027 financing is IMF programme loans	Board approval (expected December 2026); first review
Arrears and VAT refunds	High	Medium: supplier liquidity, exporter cash flow	Liability management operations; refund payments against the ZMW 60.3bn backlog

Source: Hepta Advisory assessment.

Synthesis and Strategic Outlook

The 2027 Budget adopts a cautious framework suited to the current risks. It sets a growth target aligned with independent forecasts, acknowledges the 2026 fiscal outturn, and funds its priorities mainly through new revenue measures. It shifts spending towards production, expands effective social programmes (SCT, school feeding) and reflects the first dividend from debt restructuring.

There are, however, several areas that merit attention. The tax package relies significantly on broad consumption taxes (VAT, sugar, mobile money) that fall disproportionately on lower-income households; drug funding is flat in nominal terms; arrears clearance is funded at ZMW 4.7 billion against ZMW 51.4 billion owed to suppliers, below the Green Paper's ZMW 15 billion; the CDF expands faster than its absorption capacity; and the use of supplementary budgets in recent years, driven by FRA and other pressures, is addressed mainly through the IMF programme rather than through explicit fiscal rules. A poor rainy season would also place the deficit target under pressure. On balance, we view the 2027 Budget as appropriately prudent, while subject to execution and climate risks.



Part III: Commentary on the 2027 Tax Measures

The Minister announced revenue measures expected to raise a net ZMW 10.8 billion, to take effect on 1 January 2027 subject to the enabling amendments to the Income Tax Act, Value Added Tax Act, Customs and Excise Act, Mobile Money Transaction Levy Act and related legislation. The Minister described the objective as balancing support for productive activity with the need for individuals and businesses to contribute fairly.

Estimated revenue effect by measure group (Budget Annex)

Measure group	Estimated effect (ZMW million)
Rationalisation of tax incentives and domestic resource mobilisation (VAT, CIT, PAYE, mining WHT, sugar, zinc, energy-saving appliances, fringe benefits)	+8,906.6
Non-tax revenue measures (mobile money levy, passport, permit, civil registration, non-governmental organisation (NGO), toll and mining licence fees)	+1,325.7
Protection of local manufacturing and promotion of tourism	+623.3
Environmental protection and green economy (plastics)	+311.8
Support to artisanal and small-scale gold miners	−325.5
Total net revenue gain	+10,841.9

Source: 2027 Budget Address, Annex. The plastics figure is printed as "ZMW 311,8090,090" in the Annex; we infer ZMW 311.8 million from the stated total.

Over 82% of the net gain comes from one group of broad-based measures. The Annexure to the Budget Speech classified the mobile money levy as a non-tax measure, which matters for how its yield and incidence are reported.

Income Tax Measures

Proposed measure	Hepta Advisory analysis
Introduce a new top PAYE band of 39.5% on monthly income above ZMW 37,000	The measure adds 2.5 percentage points to the current top rate of 37% for high earners only, and the Minister stressed that most salaried workers are unaffected. We note, however, that no adjustment has been made at the bottom of the scale despite cumulative inflation since the bands were last revised, so lower-paid workers face higher VAT and levies with no offsetting PAYE change. We note that gratuity paid under fixed-term employment contracts is currently exempt from income tax. We consider that high-income earners may therefore defer a significant portion of their earnings into tax-free gratuity, so the 39.5% band may raise less than expected while widening the gap between employees who can use such arrangements and those who cannot. The impact of these measures may therefore fall disproportionately on middle management employees.
Increase Corporate Income Tax by 5 percentage points on all income currently taxed at 20% and below	This has been framed as rationalising a regime "characterised by preferential rates and arbitrage", with ZRA stating the medium-term intention to harmonise all CIT rates. The relative increase is significant: a farm's tax bill rises by 50% (see table below). This may be difficult to reconcile with the five agriculture-linked Grow Zambia targets and the 2025 increase in the rate on non-traditional exports. The principle of fewer preferential rates is sound and consistent with the IMF's exemption-reduction agenda, but we recommend a transparent tax-expenditure statement showing which regimes are affected and their estimated cost, and a phased transition for agriculture.
Reform the Minimum Alternative Tax (MAT): apply only where a business has declared losses for three consecutive years	This is a welcome change to the MAT regime. MAT currently applies whether a business declares profits or losses (except presumptive/turnover taxpayers and railway special purpose vehicles (SPVs)). Restricting it to persistent loss-makers targets the base-erosion risk while allowing businesses in a temporary downturn to recover. The Bill should define "consecutive", the treatment of start-up and capital-intensive projects, and how prior MAT credits are handled.
Increase the employer disallowed amount on non-cash fringe benefits: motor vehicles by 10%; housing to 40% from 37%	Raises the tax cost of providing company cars and housing, a common feature of senior packages. Combined with the 39.5% band and higher permit fees, the cost of senior skills rises on three fronts at once. Employers should re-model total-reward structures.
Increase withholding tax on dividends paid by mining companies from 0% to 15%	This measure aligns mining with other sectors (for resident shareholders) and has been widely called for given record copper output and strong prices. The 15% rate is still lower that the 20% applicable to non-residents. The Government has consistently stated that the mining tax regime would remain stable, and the Minister reaffirmed in his Address a "stable, predictable and competitive mining fiscal regime". Removing the long-standing dividend exemption therefore appears to be a step back from that commitment. Mining investments are evaluated over long horizons, and a 15% tax on dividends directly reduces the net returns received by shareholders, and therefore the attractiveness of equity investment in the sector. The change may require revisions to project forecasts, valuations and funding models, including dividend and equity-return assumptions in projects already under development, at the very time the sector is being asked to triple output to 3 million tonnes. We recommend that the Government clarify whether the measure will be grandfathered for existing development agreements and confirm that no further changes to the mining regime are planned over the medium term. Treaty relief may reduce the effective rate for some foreign shareholders.

Categories affected by the 5-point CIT increase

Category of income	Current rate	Proposed rate
Farming / agro-processing, or export of non-traditional products from farming/agro-processing	10%	15%
Producers of organic and chemical fertilisers	15%	20%
Export of non-traditional products	20%	25%
Companies adding value to copper cathode	20%	25%

Source: ZRA 2027 Budget Highlights. The NTE rate was raised from 15% to 20% in 2025; this is a second consecutive increase.

Worked example: the new PAYE band

Gross monthly income	Income above ZMW 37,000	Additional PAYE per month	Additional PAYE per year
ZMW 30,000	ZMW 0	ZMW 0	ZMW 0
ZMW 40,000	ZMW 3,000	ZMW 75	ZMW 900
ZMW 50,000	ZMW 13,000	ZMW 325	ZMW 3,900
ZMW 75,000	ZMW 38,000	ZMW 950	ZMW 11,400
ZMW 100,000	ZMW 63,000	ZMW 1,575	ZMW 18,900

Source: Hepta Advisory calculations: 2.5% (39.5% less 37%) applied to income above ZMW 37,000, the threshold in the speech and ZRA guidance. If the Annex threshold of ZMW 34,000 were enacted, add ZMW 75 per month.

Value Added Tax Measures

Proposed measure

Increase the standard VAT rate to 16.5% from 16%

Hepta Advisory analysis:

The single broadest measure. On a full pass-through, a ZMW 1,000 (pre-VAT) purchase rises from ZMW 1,160 to ZMW 1,165. Based on the ZMW 44.3 billion VAT estimate, we estimate the rate change alone is worth roughly ZMW 1.3–1.4 billion a year (Hepta estimate, before behavioural effects). VAT is regressive in incidence, and its yield depends as much on compliance as on the rate: in the second quarter of 2026 VAT collections were ZMW 5.9 billion against ZMW 11.3 billion expected, partly reflecting the temporary fuel VAT relief.

Usage of Smart Invoice remains low, particularly in the retail and wholesale trade, where many traders do not issue receipts or invoices at all. There are also reports of "defeat" systems in use: devices or software that generate dummy invoices so that sales are not properly recorded. Building on ZRA's ongoing roll-out, broader compliance could raise as much as the 0.5 percentage point rate increase: improving VAT collection by just 3% of the ZMW 44.3 billion estimate would yield about ZMW 1.3 billion, broadly the same as the rate change, without adding to prices for compliant businesses and consumers.

We recommend that extending Smart Invoice compliance in retail and wholesale, supported by taxpayer education, affordable invoicing solutions for small traders, data analytics to detect defeat systems and dummy invoices, higher penalties for fraudulent invoicing practices, and consistent enforcement, be prioritised ahead of further rate increases. We further recommend that the manufacture, supply or use of defeat devices and software for Smart Invoice be treated as an economic crime, attracting severe financial and custodial penalties. Businesses must update invoicing systems, ZRA Smart Invoice configurations and contracts with VAT-inclusive pricing before 1 January 2027.

Value Added Tax Measures

Proposed measure	Hepta Advisory analysis
Discontinue VAT zero-rating (and the customs duty exemption) on energy-saving appliances	Removes reliefs introduced in response to the drought-driven power crisis. ZRA's stated rationale is that traders did not pass the benefit on, as prices of solar panels, inverters, batteries and solar geysers have not fallen significantly. That is a reasonable concern, although the timing may be challenging if El Niño reduces hydropower in 2027. We recommend retaining relief for solar and high-efficiency products that directly reduce grid demand.
VAT exemption and 100% customs duty suspension on imported raw materials for locally manufactured sanitary products	A welcome, well-targeted measure supporting girls' school attendance and local manufacturing. Strict end-use controls will be needed to prevent diversion.
Housekeeping: zero-rating extended to contractors of PPP concessionaires/SPVs; clarification of cross-border electronic services; Commissioner General may waive Smart Invoice fines	See our measure-by-measure analysis of housekeeping measures below.

Customs and Excise Measures

Proposed measure	Hepta Advisory analysis
Increase customs duty on ceramic tiles (HS 69.07) to 40% (from 25%)	Protects the local ceramics industry. Expect higher construction costs where local supply is insufficient; developers should review procurement and contract escalation clauses.
Aluminium bars, rods and profiles: 20% Selected Goods Surtax and 25% customs duty	Supports local extrusion and fabrication; raises costs for construction and window/door manufacturers using imported profiles; expect higher construction costs where local supply is insufficient.
Increase surtax on imported meat and edible offal (beef, sheep, goat) to 30% from 20%	Builds on the 2026 increase on processed meat; consistent with the US$1bn beef export target. Watch consumer price effects.
Crude soya bean and sunflower oils (and crude palm oil for duty): 15% customs duty plus 10% surtax	Intended to encourage local crushing and the soya target. In the short run, refiners and consumers will pay more for cooking oil until local crushing capacity expands.
Harmonise surtax at 30% on imported cement packaging and woven bags; float glass harmonised at 25%	Protectionist measures for local packaging and glass users; adds to construction and agro-processing input costs.
Suspend customs duty on safari vehicles, hospitality equipment and communications infrastructure	Directly supports the 5 million tourist target. Suspension (rather than permanent removal) gives investors limited certainty; the period should be specified.
Increase excise duty on single-use plastics to 200% (from 100%); 80 ngwee per plastic bottle; plastics articles harmonised at 30% (from 15%)	Doubles a duty that was raised from 30% to 100% only a year ago. As with other "green taxes", these levies have in practice become revenue-raising measures, with little done to curb the actual use of plastics. Plastic waste remains among the most visible forms of environmental pollution in many Zambian cities, and blocked drainage caused by plastic waste has contributed to urban flooding. Without affordable alternatives, a ring-fenced use of the proceeds for waste management, and stronger incentives for recycling, such as tax relief for recycling plants, deposit-return schemes for bottles and extended producer responsibility, the levies are unlikely to change behaviour. The bottle levy will affect beverage, water and edible-oil producers directly.

Customs and Excise Measures

Proposed measure	Hepta Advisory analysis
Introduce excise duty on sugar at ZMW 1 per kilogram and 20% on chocolate and sugar confectionery	The ZRA budget analysis frames this as consistency: sugar-based drinks already attract excise while sugar itself did not. Sugar is a staple: at the ZamStats October 2026 average price of ZMW 68.29 for 2 kg, the duty alone adds ZMW 2, or about 2.9%, before any VAT effect. It adds to household costs and to inputs for bakers, beverage and food processors. The excise may also work against the Grow Zambia target of 1 million tonnes of sugar a year, roughly double current output. As sugar is an essential commodity, domestic demand is unlikely to fall significantly; the main risk lies with producers. A large portion of output is exported, and domestic sales are often made at contractually agreed prices, so producers may be unable to pass the additional cost on and may have to absorb it in their margins. Lower margins reduce the cash flow available to fund expansion at the very time producers are being asked to invest to double output. The measure therefore risks discouraging the investment the sugar target relies on; any health objective could be pursued through the existing excise on sugar-sweetened drinks instead.
Introduce a 5% export duty on zinc concentrates	Closes an anomaly: zinc ores and other concentrates (including copper) already attract export duty while zinc concentrates did not. ZamStats data show zinc concentrates are both a notable NTE export (7.1% of non-agricultural NTEs in September 2026) and the main import from the Democratic Republic of the Congo (DRC) (61.2% of imports from that source), so the Bill should clarify the treatment of imported or transiting concentrates. Encourages local processing, but where no domestic smelting capacity exists the duty is effectively a tax on exports.
Exclude second-hand clothing and handbags from Public Benefit Organisation (PBO) duty relief	Narrows PBO relief to critical relief goods and protects local clothing retail; raises costs for charities that distribute clothing.

Housekeeping Measures: Measure-by-Measure Analysis

ZRA's guidance lists 39 housekeeping measures across income tax, VAT, Betting Levy, customs and excise, and cross-cutting legislation. Although presented as administrative, several have a material effect on cash flow, compliance cost or tax payable. We have grouped them into three categories: concessions and facilitation (measures that reduce cost or give relief), compliance and enforcement, and technical corrections. References are to ZRA's 2027 Budget Highlights.

A. Concessions and facilitation measures

Measure		Hepta Advisory analysis
4.3.4	Direct bonding of imported goods into a Licensed Bonded Warehouse without first processing a Removal in Bond (RIB) declaration	A welcome and practical concession. Where the final destination is already known, importers currently pay for and process an RIB declaration simply to move goods into a warehouse. Removing this step saves processing fees, agent charges and transit time, and reduces demurrage risk at the border. The benefit will depend on how quickly ZRA's systems and border posts are configured to accept direct bonding; implementation guidance early in 2027 would help.
4.3.7	Consolidated Guarantee for principals using RIB and/or operating a licensed bonded warehouse	One of the more valuable measures for importers and warehouse operators. Separate guarantees for each procedure tie up bank facilities and incur duplicate guarantee fees. A single guarantee frees working capital and lowers financing costs. We recommend that the guarantee amount be risk-based, with lower cover for compliant operators, so that the saving is real rather than a consolidation of the same total security.

Housekeeping Measures: Measure-by-Measure Analysis

A. Concessions and facilitation measures

	Measure	Hepta Advisory analysis
4.3.18	Warehouse bond extended to cover export goods, where the exporter owns the warehouse or has an agreement with the operator	A useful concession for exporters, particularly manufacturers and traders consolidating cargo for regional markets. It avoids the need for a separate export bond. Exporters relying on third-party warehouses will need clear written agreements with operators, as the operator's bond is put at risk by the exporter's compliance.
4.3.27	Structured self-clearance for low-risk, compliant traders, and a clarified procedure for appointing clearing agents	Potentially the most significant facilitation measure in the package and consistent with authorised economic operator practice in the region. Self-clearance can cut clearance times and agent costs substantially. Its value will depend on the eligibility criteria, which the Commissioner General (CG) will set. We encourage ZRA to publish transparent, objective criteria and to consult the private sector, so that access is not limited to a small number of large firms.
4.3.11	Express power for the CG to remit all or part of customs interest and fines	We welcome this. Taxpayers have previously faced uncertainty about whether customs interest and fines could be remitted, even where errors were genuine or caused by system failures. The measure brings customs into line with domestic taxes. To support consistency and fairness, we recommend that ZRA publish guidance on the circumstances in which remission will be considered and the application process.
2.2.2	CG may waive Smart Invoice fines in lieu of prosecution	A pragmatic tool that allows ZRA to settle first-time or minor non-compliance without court proceedings, which are costly for both sides. It should be applied to genuine errors and smaller traders moving into compliance. Consistent with our recommendations on Smart Invoice fraud, we suggest that the waiver should not be available for deliberate evasion, including the use of defeat devices.
2.2.3	VAT zero-rating extended to contractors of PPP concessionaires and special purpose vehicles (SPVs)	A meaningful concession for public–private partnership (PPP) projects. At present the zero-rating benefits the concessionaire or SPV but not the contractor that actually buys and imports the goods, creating a VAT cost or a refund cash-flow burden that is priced into project bids. Extending relief to contractors lowers project costs and complements the PPP viability gap fund. ZRA will need a simple certification process linking contractors to approved projects to prevent leakage.
4.3.14	Duties and taxes based on rates at the time of declaration, subject to post-importation adjustment	Largely positive for certainty: importers can now cost consignments using the rate in force when they lodge a pre-arrival declaration, which supports faster clearance. However, it may remove the ability to claim the benefit of a duty suspension that takes effect after declaration but before arrival. Importers should time declarations carefully and monitor the risk of adverse expected rate changes.
4.3.2	Hydrocarbon return and payment dates aligned to the fifth day after the accounting period	A modest simplification for oil marketing companies, removing a mismatch between filing and payment dates. Note that it may shorten the effective time available to prepare returns if the filing date was previously later.
5.1.1	Electronic service of notices and official communications	A sensible modernisation that reduces delays and cost. Taxpayers should, however, keep their registered email addresses and TaxOnline contact details up to date, as electronic service is likely to start time limits for objections and appeals. We suggest ZRA confirm delivery through a portal record so that disputes over receipt are avoided.
3.1.2	CG may require Betting Levy agents to remit withheld betting levy within a set period	Mainly an enforcement measure, but it gives agents certainty about remittance deadlines, which were previously unclear.

Housekeeping Measures: Measure-by-Measure Analysis

B. Compliance and enforcement measures

	Measure	Hepta Advisory analysis
4.3.16	Export goods must exit within five days of the final export document (T1 transit declaration or release order); Smart Invoice to be the only invoice accepted for export declarations, with CG power to exempt or to decline a declaration	Moving the five-day clock to the date the final document is issued is fairer to exporters, since delays in Customs processing no longer count against them. The Smart Invoice requirement will improve the integrity of export data and support VAT refund verification. Exporters, especially mining and agricultural exporters, should confirm that their invoicing systems are integrated before 1 January 2027, as a declined declaration could delay shipments and contractual deliveries.
4.3.21	Drawback claim window cut from two years to six months	A significant tightening. Goods imported and re-exported unused often take several months to reach the point of re-export, and claims are prepared after export. Six months is short for businesses with long supply chains. We recommend that ZRA allow a transitional period for goods imported before 1 January 2027, and consider extensions on application where delays are outside the claimant's control.
4.3.23	Penalty for late exit applies even where an extension of transit time has been granted	This appears to reduce the value of an extension. If an extension is granted for a legitimate reason, such as a breakdown or border congestion, a penalty seems inconsistent. We suggest the penalty apply only to exit after the extended period.
4.3.8, 4.3.9	CG may redeem a bond where warehoused goods are not cleared within 10 days after the one-year period; daily penalty on expired bonding entries	Reasonable measures to clear long-outstanding entries. Warehouse operators and importers should review aged stock now, as goods approaching the one-year limit will need to be cleared, re-exported or extended before penalties and bond calls arise.
4.3.10	Re-warehousing of previously exported goods restricted to one year from export	Targets the practice of nominal exports used to restart the warehousing period. Genuine businesses are unlikely to be affected.
4.3.1, 4.3.15	Offence and penalty for transporters failing to submit the inward report (form CE 1)	Improves reconciliation of cargo. Transport operators will need to ensure drivers and agents file CE 1 reports on time.
4.3.5, 4.3.6	CG rules on risk goods (such as alcohol above 80% strength); mandatory declaration of gold imports and exports	Proportionate controls on high-risk goods. The gold declaration supports the Government's gold sector reforms and the fight against illicit flows.
3.1.1	Betting Levy scope broadened to airtime-based lotteries and gaming without betting accounts	Brings promotions run through mobile networks into scope. Mobile network operators and promoters running airtime-entry competitions should assess whether their schemes are now caught.
3.1.3	Penalty of 10,000 penalty units per day for late remittance by appointed Betting Levy agents	A substantial daily penalty. Agents should set up automated remittance processes.
5.1.4	CG, with the Zambia Development Agency (ZDA), may recommend suspension or withdrawal of ZDA incentives where pledged investment or employment is not met	Reasonable in principle, as incentives should be tied to commitments. However, investors need certainty: we recommend that the law set out a notice period, an opportunity to explain shortfalls caused by market conditions, and a right of appeal. Investors holding ZDA incentives should check their compliance with pledges now.

Housekeeping Measures: Measure-by-Measure Analysis

B. Compliance and enforcement measures

Measure		Hepta Advisory analysis
1.3.2, 5.1.2	Legal framework for Automatic Exchange of Information (AEOI) under Global Forum standards; offences for unlawful access to tax information	Zambia joined the Global Forum on Transparency and Exchange of Information for Tax Purposes in 2024. AEOI will give ZRA data on Zambian residents' offshore financial accounts. Individuals and companies with foreign accounts should ensure they are correctly declared. The confidentiality provisions are welcome and necessary safeguards.

Source: ZRA 2027 Budget Highlights; Hepta Advisory analysis.

C. Technical corrections and clarifications

4.3.25	Hatchback (1,001–1,500cc, HS 8703.50.19) specific customs duty corrected from ZMW 6,129.30 to ZMW 16,129.30	Described as a typographical correction, but in practice it is a substantial increase of ZMW 10,000 per vehicle for importers who have been paying the published rate. Motor dealers should reprice stock arriving from 1 January 2027.
4.3.26	Hatchback (HS 8703.50.39) customs duty from ZMW 22,094.65 to ZMW 23,794.24; excise duty from ZMW 28,723.05 to ZMW 30,932.51	Also presented as a correction, but it raises the combined duty by about ZMW 3,909 per vehicle (around 7.7%).
4.3.20	Regulation 96(7)(4): "shall include" replaced by "shall be"	Narrows the rebate to goods expressly listed. Businesses claiming the rebate on unlisted goods should review their position.
1.3.1	Online betting income subject to Betting Levy, not income tax	Confirms the 2026 policy and removes the risk of double taxation.
2.2.1	Cross-border electronic services defined as services supplied in Zambia by non-resident suppliers	Clarifies the scope of the digital services VAT regime.
4.3.3, 4.3.17, 4.3.19, 4.3.22, 4.3.24, 5.1.3	Defence Forces supplier list updated; calendar days replace working days in Regulation 31; ATA Carnet amendments (SI 16 of 2026) reconciled; Regulation 127 renumbered; HS 8703.70.00 description aligned to HS 2022; references to the Mines and Minerals Development Act 2015 replaced by the Minerals Regulation Commission Act 2024	Tidying measures with limited business impact. The change to calendar days slightly shortens deadlines that previously excluded weekends and public holidays, so businesses should update their compliance calendars.

Source: ZRA 2027 Budget Highlights; Hepta Advisory analysis. The combined change for HS 8703.50.39 is our calculation.

OUR VIEW: the concessions are welcome and, taken together, could noticeably reduce the cost of importing and exporting, particularly the consolidated guarantee, direct bonding and self-clearance. Their value will depend on clear implementing rules and timely system changes. The enforcement measures are generally proportionate, although the shorter drawback window and the late-exit penalty where an extension is granted may warrant reconsideration. We also note that two vehicle duty "corrections" are, in effect, increases and should be recognised as such in pricing.

Mining and Non-Tax Revenue Measures

Proposed Measure	Hepta Advisory analysis
Reduce the gold mineral royalty to 3% (from 6%) for artisanal and small-scale miners selling to approved aggregators	A formalisation incentive aimed at drawing gold out of informal and smuggling channels. Its effectiveness will depend on how accessible approved buyers are and on the prices they offer relative to informal markets.
Revise upwards mining, exploration and mineral processing licence fees, area charges and related fees	Fees, unchanged since 2016, move to a cadastre-unit basis (1 unit = 3.34 ha) with lower rates for Zambian-owned holders. Increases are substantial. The fee for a large-scale exploration licence rises from ZMW 4,000 to between ZMW 32,000 and ZMW 320,000, and for a small-scale exploration licence from ZMW 1,200 to between ZMW 7,500 and ZMW 90,000. The fee for a large-scale mining licence rises from ZMW 64,000 to between ZMW 128,000 and ZMW 1,536,000, while the fee for a small-scale mining licence rises from ZMW 6,000 to between ZMW 20,000 and ZMW 140,000. The aim of discouraging speculative holding is sound, but junior explorers will face materially higher holding costs. A reliable cadastre will be important: the 2025 portal outage illustrated how administrative disruption can affect investor confidence.
Increase immigration permit fees (employment, investor's, residence, cross-border, spouse, temporary)	Typically +25%: employment permit issuance ZMW 24,000→ZMW 30,000 and renewal ZMW 28,000→ZMW 35,000; investor's permit ZMW 16,000→ZMW 20,000. Adds to the cost of foreign skills alongside the PAYE and fringe-benefit changes.
Introduce and increase passport, civil registration and NGO registration fees	Passport fees, last revised in 2008, rise significantly (a first-time 32-page passport from ZMW 666.68 to ZMW 1,000; new 2-day premium service at ZMW 5,000), while the application-form fee is abolished. Replacing a lost birth certificate rises from ZMW 8 to ZMW 300. Fees for documents that underpin identity, social protection and INRIS enrolment should remain affordable; we recommend waivers for SCT beneficiaries.
Reclassify the mechanical horse as a heavy vehicle (4+ axles) for tolls	Raises the toll for truck heads from 500 to 750 fee units at National Road Fund Agency (NRFA) toll stations (1,000 to 1,500 at Michael Chilufya Sata). Adds to haulage costs, which feed into goods prices and export competitiveness.



Mobile Money Transaction Levy

For the second consecutive year the levy rises in every band, this time it doubles across the board:

Transaction amount (ZMW)	Current levy (ZMW)	Proposed levy (ZMW)	Proposed levy as % of top of band
0–150	0.32	0.64	0.43%
150–300	0.40	0.80	0.27%
300–500	0.80	1.60	0.32%
500–1,000	2.00	4.00	0.40%
1,000–3,000	4.00	8.00	0.27%
3,000–5,000	7.50	15.00	0.30%
5,000–10,000	8.00	16.00	0.16%

Source: ZRA 2027 Budget Highlights; Hepta Advisory calculations.

The observations in our 2026 analysis remain relevant. The levy continues to weigh more heavily on smaller transactions: a ZMW 150 transfer now pays 0.43% while a ZMW 10,000 transfer pays 0.16%. A trader making ten ZMW 50 payments (ZMW 500 in total) will pay ZMW 6.40 in levies, four times the ZMW 1.60 paid on a single ZMW 500 transfer. Combined with the 2026 extension of the levy to transfers between a person's own wallet and bank account, a doubling may encourage some small traders to return to cash, which could affect the financial inclusion gains highlighted by the Minister (80.1% in 2025), the cashless agenda it promotes, and the digital traceability on which Smart Invoice and INRIS depend. We recommend that Government (i) exempt transactions below ZMW 150, (ii) remove own-account wallet-to-bank transfers from the levy, and (iii) publish transaction-volume data since the 2026 increase before enacting a further rise.



Do the Tax Measures Support the Grow Zambia Theme?

We tested the package against the three goals in the Budget's own theme. Four measures are genuine reliefs: the 3% gold royalty for ASM, duty and VAT relief on sanitary-product inputs, duty suspension for tourism equipment, and the narrowing of MAT. Many of the remaining measures may work against at least one goal, as summarised below.

Theme goal	Measures that may work against it	Measures that support it
Unlocking opportunities	CIT +5 pts on reduced-rate sectors (agriculture, NTEs, cathode value addition); 15% mining dividend WHT; zinc export duty; much higher mining licence and permit fees	MAT narrowed; tourism duty suspension; PPP zero-rating; gold royalty cut; self-clearance and bonding facilitation
Creating jobs	39.5% PAYE band; higher fringe-benefit charge; import duties on building and processing inputs; plastics excise on packaging	Protection for local tiles, aluminium, meat, edible oils and packaging; sanitary-product input relief
Improving livelihoods	VAT at 16.5%; sugar excise; edible-oil and meat duties; doubled mobile money levy; passport and civil registration fees; energy-saving appliance relief withdrawn	Larger SCT (ZMW 450/ZMW 650); school feeding nearly doubled (funded on the spending side)

Source: Hepta Advisory assessment.

Our view: the package is understandable in the context of fiscal consolidation, and several measures (mining dividends, the top PAYE band, closing the zinc and PBO anomalies) improve equity. However, a significant share of the burden falls on consumption and on sectors central to the Grow Zambia Agenda: agriculture, non-traditional exports and mineral beneficiation, at a time when the Ministry has also emphasised the value of a stable, predictable tax regime for investors. We recommend a published Medium-Term Revenue Strategy that sets out the path for CIT harmonisation, so that investors can plan.

Areas for Further Consideration

- **PAYE tax-free threshold.** The Budget does not adjust the threshold, so lower-income workers receive no offset for the VAT and excise increases.
- **Tax Administration Bill.** We note and welcome the Tax Administration Bill, which has been undergoing public and stakeholder consultation. A comprehensive Tax Administration Act, as we called for in our 2026 analysis, would balance the expanded enforcement powers granted to ZRA in 2026 (restraining notices, refund suspensions, credit bureau reporting) with statutory taxpayer rights and time limits. We encourage the Government to take account of stakeholder submissions and to prioritise enactment of the Bill in 2027.
- **Fuel-tax timing.** The excise suspension on petrol and diesel remains in place, but their VAT zero-rating under Statutory Instrument No. 67 of 2026 expires on 30 November 2026, so VAT will apply from 1 December 2026 (at 16%, then 16.5% from January 2027 if enacted). After the roughly 24% rise in pump prices in October (ZamStats), this is likely to add further to fuel and transport costs. The IMF programme commits to reversing the remaining relief; clear advance notice of when excise duty will be reinstated would help businesses plan.
- **Tax-expenditure statement.** With exemptions under review, a statement of the cost of tax incentives would make the 5-point CIT increase and future reforms more transparent and predictable.



Part IV: Implications for Business

Sector Impact Summary

Sector	Net impact	Key drivers
Mining	Mixed	15% dividend WHT (a departure from stated regime stability; affects project funding models); much higher licence fees and area charges; zinc export duty; cathode value-addition CIT 20%→25%; no windfall levy; stable regime commitment; gold royalty cut for ASM
Agriculture and agro-processing	Mixed	CIT 10%→15%; FISP to loans; ZMW 22.7bn sector allocation; road spending; protection on meat and crude oils
Manufacturing (tiles, aluminium, packaging, sanitary)	Positive	Higher import protection; duty and VAT relief on sanitary inputs
Food and beverage, fast-moving consumer goods (FMCG)	Negative	Sugar excise; plastic bottle levy; crude oil duties; VAT increase
Construction and real estate	Negative	Tiles, aluminium, float glass and packaging duties; offset partly by ZMW 18.1bn roads programme
Tourism and hospitality	Positive	Duty suspension on safari vehicles and equipment; airports; 5 million tourist target
Banks and fintech	Mixed	Lower policy rate and IMF anchor; ZMW 5bn BoZ SME guarantee scheme; doubled mobile money levy may reduce volumes; heavy domestic borrowing
Transport and logistics	Mixed	Higher tolls on truck heads; Lobito/TAZARA corridors and rail open access; stricter export exit and drawback rules
Employers of senior and expatriate staff	Negative	39.5% PAYE band; higher fringe-benefit charges; ~25% higher permit fees
Energy (solar, independent power producers)	Mixed	1,400 MW target and cost-reflective tariffs; loss of zero-rating on energy-saving appliances
Retail and households	Negative	VAT, sugar, mobile money and fee increases; partly offset by SCT and school feeding

Source: Hepta Advisory assessment.

Action Checklist for Businesses

#	Action area	What to do	Who it applies to	When
1	Monitor the Bills	Review the Income Tax, VAT, Customs and Excise and Mobile Money Levy Amendment Bills when tabled.	**All businesses**	Now, during the Budget debate
2	Budget for fuel VAT	Allow for VAT on petrol and diesel from 1 December 2026 in transport, logistics and operating cost budgets	**All businesses, especially transport, logistics, mining and agriculture**	Before 1 December 2026
3	Update systems	Reconfigure enterprise resource planning (ERP), point-of-sale and Smart Invoice systems for 16.5% VAT; update payroll for the 39.5% band	**All VAT-registered businesses and employers**	Before 1 January 2027
4	Re-price contracts	Check VAT-inclusive contracts, long-term supply agreements and tender bids spanning 1 January 2027	**Suppliers, contractors and bidders**	Before 1 January 2027
5	Re-model tax positions	Recompute 2027 provisional tax for income taxed at 10%, 15% or 20%; review dividend timing and treaty eligibility for mining groups	**Agriculture, agro-processing, fertiliser, NTE exporters, copper value addition, mining**	Before the first 2027 provisional tax return
6	Review MAT exposure	Identify any entity with three consecutive loss years and plan accordingly	**Loss-making and early-stage businesses**	2027 tax planning
7	Re-cost people	Re-model packages for the 39.5% band, higher car and housing fringe-benefit charges and permit renewals due in 2027	**Employers of senior and expatriate staff**	Before January 2027 payroll
8	Tighten export and customs processes	Ensure every export declaration carries a Smart Invoice; plan for the five-day exit rule; lodge drawback claims within the new six-month window	**Exporters, importers and clearing agents**	From 1 January 2027
9	Budget for mining licence fees	Provide for the new cadastre-unit fees and review whether all holdings are worth retaining	**Mining and exploration licence holders**	Before licence renewals in 2027
10	Review supply chains	Compare local sourcing costs for tiles, aluminium, meat, crude edible oils, packaging and plastics	**Importers and manufacturers using these inputs**	Before 2027 procurement
11	Engage	Submit evidence-based representations to the Ministry and the Parliamentary Committee on Estimates, particularly on agricultural CIT, mobile money and energy-saving appliances	**Businesses and industry associations**	During the Budget debate

Source: Hepta Advisory. Measures remain subject to the enabling Bills; effective dates should be confirmed when the Bills are published.

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