

Appendix 2: Applicable Incentives for Local Manufacturers

No	Incentive/Opportunities	Incentive Provider	Impact on Pharmaceutical Manufacturers	Source
1	Long Term Framework Contracting With Suppliers	MoH and DSBL	Reduced procurement lead-time and price stability Increase the involvement of the local private sector sources of supply to the MoH	Os, Van Aart, Private Sector Mapping Study, MeTA, 2009
2	Outsourcing the provision of basic ICT services to a private third-party agency	MoH	Up-grading to more sophisticated systems architecture for procurement, distribution, and financial management.	Os, Van Aart, Private Sector Mapping Study, MeTA, 2009
3	Emergency supply tenders	MoH	Guaranteed buyer of manufactured products	Os, Van Aart, Private Sector Mapping Study, MeTA, 2009
For companies approved under ZDA priority economic sectors and approved projects within the Multi Facility Economic Zones (MFEZ)				
4	Zero Tax on Profits made by companies in the priority Sector ¹⁷ for a period of 5 years from the first year profits are made. For years 6 to 8 only 50% of Profits should be Taxed and for years 9 and 10, 75% of Profit should be taxed	MCTI/ZDA Act	Improved cash flows and capitalisation of new entrants into the manufacturing sector	ZDA/JICA, Zambia: Africa’s New Frontier for Investment and Profits – An Investor’s Guide, MCTI, Lusaka
5	Zero percent tax rate on dividends of companies	MCTI/ZDA	Increased re-investment into the manufacturing	

¹⁷ The pharmaceutical manufacturers are included within the 13 priority sectors. It should be noted though that the incentives in 3 - 6 are mainly for new investors into the sector



	operating under the MFEZ/priority sector for a period of five years from the year of first declaration of dividends. From year 6 to 8, only 50% of the profits should be taxed and for years 9 and 10, 75% of profits should be taxed	Act	companies and profits for investors	
6	Zero percent import duty rate on raw materials, capital goods, machinery including trucks and specialized vehicles for five years for all priority sector	MCTI/ZDA Act	Lower production cost	
7	Deferment of VAT on machinery and equipment including trucks and specialized vehicles imported for investment in the MFEZ/priority sector	MCTI/ZDA Act	Lower production cost and improved competitiveness	
8	Customs duty exemptions on most machinery and equipment used in manufacturing	MCTI/ZDA Act	Lower production cost and improved competitiveness	
General Incentives/Opportunities				
9	Income from the export of non-traditional products (i.e. anything, other than copper and cobalt and electricity, produced or manufactured in Zambia but excluding services) is taxed at 15%.	MCTI/ZDA Act	Increased re-investment and liquidity of manufacturers	
10	Import VAT deferment on eligible plant/machinery of a capital nature	MCTI/ZDA Act	Lower production cost and improved competitiveness	
11	Zambian manufacturers can belong to the Southern African Generic Manufacturers Association, SAGMA	SAGMA	Opportunity to present a common front or position on issues of common interest as a region thereby amplifying voice	