



GENERAL MANAGER

BANK OF ZAMBIA

P.O. Box 30080 Lusaka
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9 March 1994

C B Circular No 2/94

To : All Authorised Dealers in Foreign Exchange

Dear Sirs

EFFECT OF THE CESSATION OF THE EXCHANGE CONTROLS

Following the announcement by the Minister of Finance that the Exchange Control Act ceased to be effective from midnight on January 28, 1994, all the exchange control measures which hitherto had been put into place both relating to all current and capital transactions lapsed except for the specific items outlined in the new Statutory Instrument No. 44 dated 4th March 1994 issued by the Minister of Finance and as amplified in the Bank of Zambia C B Circular No. 1/94.

2. In order to further guide the operations of commercial banks and other dealers in foreign exchange this circular amplifies on the following transactions on which restrictions do not apply any longer.

Dividend Remittances

3. Dividends are now remittable by Commercial Banks at any frequency permitted by the Minister of Finance, subject to the following guidelines:-

- (i) Request for each interim dividend remittance should be supported by:
 - (a) a statement from the applicant company showing its profit for the relevant period and how the dividend amount to be remitted has been arrived at after making provision for withholding tax;
 - (b) resolution from the company's Board of Directors declaring the dividend; and
 - (c) tax receipt from the Department of Taxes evidencing payment of withholding tax on the dividend declared.
- (ii) Request for the final dividend remittance must be supported by the company's audited Profits and Loss Account and Balance Sheet for the relevant year, and other documents as may be specified from time to time.

Foreign Exchange Incentives for Farmers

4. The incentives for expatriate (non-Zambian) farmers, as outlined in paragraph 6 of A D Circular No. 9/93 will henceforth cease to apply.

Director's Fees

5. The annual monetary limit of US\$2,500 previously prescribed for transfer of fees to a non-resident Director of a Zambian company has been revoked. Commercial Banks may therefore transfer Director's fees as determined by the Board of Directors of a company on submission of a certified copy of the board resolution to declare the fees payable and a tax receipt from the Department of Taxes evidencing payment of tax on the director's fees.

Inducement Allowances for non-Government Employees

6. The limit of US\$2,000 per month on remittance of inducement allowances on existing contracts for expatriates employees with non-Government establishments has been withdrawn. Accordingly, commercial banks may remit inducement allowances as fixed by the employers on submission of a valid contract of employment and a work permit. Since inducement allowances are now taxable the application by the employer for permission to externalise the inducement allowances should also be accompanied by a letter confirming that necessary provision/arrangement has been made for payment of applicable taxes.

Emigration Facilities

7. (i) Emigration Allowance

The limit on emigration allowance which an expatriate may transfer from Zambia on emigration has been removed. Commercial banks may externalise emigration allowance without reference to the Bank of Zambia provided the prescribed emigration form is duly completed giving details of the emigrants assets to be transferred together with supporting documents and evidence of payment of applicable taxes.

(ii) Export of Personal Effects

Commercial banks may approve requests from emigrating expatriates to externalise personal effects upon providing proof of ownership and giving the value of the items to be exported.

Externalisation of Funds from Blocked Kwacha Accounts

8. It has been decided to unblock all blocked accounts and permit externalisation of the existing balances. Commercial banks may therefore transfer these funds from Zambia upon demand to externalise by the account holders.

Insurance, Assurance and Re-insurance Transactions

9. All exchange control restrictions on insurance, life assurance and re-insurance transactions and related payments have been lifted. Resident individuals and companies are free to obtain life or non-life insurance and re-insurance policies written in any convertible foreign currency, from local or foreign insurance companies. Remittance of insurance or re-insurance premiums to foreign insurance companies will be made against supporting vouchers, bills or such other documentary evidence, without reference to the Bank of Zambia.

Contributions to Overseas Pension Funds and Pension Remittances

10. Commercial banks may transfer at the request of subsidiaries or associates in Zambia of foreign business organisations, recurring contributions of local staff to the pension funds administered outside Zambia. Applications from companies or other organisations to remit pension payments to their former employees who are permanently resident abroad may also be approved by commercial banks without reference to the Bank of Zambia.

Remittances by Foreign Airlines

11. Airlines and their agents are currently permitted to book freely passages for residents of Zambia wishing to travel abroad and accept payments for such bookings either in Kwacha or in foreign currency. Where passage fare and freight charges are received by foreign airlines in Kwacha, commercial banks may externalise the surplus funds without reference to the Bank of Zambia, provided the application is supported by the following documents:-

- (i) Form SF (Surplus Funds) duly completed by the applicant airline giving details of ticket and freight sales excess baggage charges, total passage and freight collections, local disbursements towards expenses, etc., and the net amount to be transferred abroad;
- (ii) Certified copy of the passenger manifest which should show the name of each passenger, ticket number, flight number and date, route, the class of travel and the cost of ticket.

Commercial banks should verify the Form SF with reference to the passenger manifest and ensure that the net amount to be remitted has been correctly determined.

Chartered hire of Foreign Aircraft/Vessels

12. Remittances of charter hire of foreign aircraft or vessels by companies and other organisations in Zambia may be made by Commercial banks upon submission of the relevant charter hire agreement without reference to the Bank of Zambia.

Clearing and Forwarding Charges

13. Clearing and forwarding charges payable by residents of Zambia to non-resident beneficiaries on imports into or exports from Zambia may be remitted by commercial banks upon presentation of the supporting vouchers or bills.

Earnings of visiting artists, entertainers and golf players

14. Commercial banks may make remittances of the earnings from above listed activities without reference to the Bank of Zambia on submission of a tax receipt from the Department of Taxes evidencing payment of applicable taxes.

Payments/remittances by ZCCM and Zambia Airways

15. Zambia Consolidated Copper Mines (ZCCM) will be allowed to make all types of external payments without restriction. Similarly, Zambia Airways will be permitted to purchase foreign exchange from the local exchange market for settlement of its external obligations without restriction.

Foreign Investment in Zambia

16. It has been decided to remove previously existing exchange controls on foreign investment in Zambia to the extent indicated below:-

- (i) Once any foreign equity investment is approved under the Investment Act, no other separate permission for the investment will be required. Accordingly, Zambian companies can issue shares to non-resident investors on the basis of the approval granted under the Investment Act without reference to the Bank of Zambia.
- (ii) Non-residents are free to participate without restriction in the Treasury bill and Government bond markets. Commercial banks may externalise, without reference to the Bank of Zambia, the maturity value of the Treasury bills issued to the non-resident investors after deducting applicable taxes.

17. The decisions outlined in the above paragraphs come into effect immediately.

18. Commercial banks are requested to bring the contents of this Circular to the attention of their concerned customers.

Yours faithfully



G B MBULO
GENERAL MANAGER