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Zambian Government asked to cut mining taxes and energy prices by foreign mining companies

Foreign owners of Zambian copper mines have asked the government to cut fuel prices and mining taxes introduced this year to help them survive a commodities downturn, Mines Minister Maxwell Mwale said on Sunday, 21 December 2008.

Mwale said the mine owners were pressing the government to reduce electricity tariffs, fuel prices and to cut some taxes, including a 25 percent windfall tax introduced in April.

Copper is Zambia's biggest export and mines are a major employer in the southern African country. Mwale and Labour Minister Austin Liato held crisis talks at the weekend with owners of some copper and cobalt mines.

"They want reductions in electricity tariffs, taxes and also referred to removal of some levies on fuel," Mwale told Reuters.

Zambia has some of the highest fuel prices in southern Africa at nearly \$2 per litre while mining companies have complained of higher electricity tariffs.

Mwale said the government wanted to keep mines operational but said more consultation was needed.

As well as the 25 percent windfall tax, the government in April introduced a 15 percent variable profit tax on income above 8 percent of sales, raised mineral royalties to 3 percent from 0.6 percent and corporate tax to 30 percent from 25 percent.

This prompted some mining firms to threaten litigation, saying the government had reneged on development agreements it signed with them to maintain lower taxes.

The chief executive officer of the country's largest copper producer, the Konkola Copper Mines (KCM), said the mine would seek ways of reducing operational costs rather than cutting jobs. Konkola is majority owned by London-listed Vedanta Resources Plc.

"We have made representations through the Chamber of Mines, especially in relation to duties (taxes) and mineral royalty," R. Kishore Kumar told privately owned Radio Phoenix.

Kumar said the Konkola Deep Mining Project (KDMP), which is due to come on stream in 2010, was on schedule.

The KDMP is due to start producing 150,000 tonnes of copper cathode per year and will together with other KCM new operations help raise the firm's total output to 500,000 tonnes from the current 200,000 tonnes, Kumar said.

[*source Reuters*]