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BUDGET SPECIAL EDITION | 2027 NATIONAL BUDGET | FREE COPY

Friday 6 November 2026 | Lusaka | zambianeconomist.com | Free to read and share

BUDGET 2027 SPECIAL EDITION

THE BUDGET IN ONE PAGE | GROW ZAMBIA

K284.8 billion to spend. K10.8 billion in new taxes.

Dr Situmbeko Musokotwane asked Parliament for more money than any Zambian budget before it. A higher VAT rate, a new top PAYE band and dearer company tax pay part of the bill. Borrowing and debt service take much of the rest.

K284.8bn	16.5%	39.5%	3.0%	K10.8bn
Total 2027 Budget	VAT, up from 16%	New top PAYE band	Deficit target, of GDP	New revenue measures

By The Zambian Economist Analyst

A growth budget that asks taxpayers to pay first

The theme is Grow Zambia: from stabilisation to unlocking opportunities. The Minister set five pillars around the 10-10-5-3-3-1-1-1 targets for copper, maize, power, soya, tourists, wheat, sugar and beef. The money tells a plainer story. Of every K100 the Government will spend in 2027, K24 goes on debt interest and repayment, K82 is raised at home and K15 is borrowed.

The revenue side carries most of the news. VAT rises half a point to 16.5 per cent. Income above K37,000 a month moves into a new 39.5 per cent band. Company income taxed at 20 per cent or below rises by five points, and mining dividends lose their zero withholding rate. Sugar, chocolate, plastics and mobile money transfers all cost more from 1 January 2027.

Households get some relief through the Social Cash Transfer, which rises to K450 a month, and a school feeding line that almost doubles. Constituencies keep K40 million each. The deficit is meant to fall from 5.9 to 3.0 per cent of GDP, which depends on revenue arriving as planned.

▶ READ THE FULL BUDGET ANALYSIS Every page of this special edition

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WHAT THE BUDGET MEANS FOR YOU

- Shopping: VAT adds about K4 to every K1,000 of VAT-able goods
- Sugar: K1 more on each kilogram
- Mobile money: higher levy on every band
- Cash transfer: K400 to K450 a month
- Earners above K37,000: higher tax on the excess only

OF EVERY K100 THE GOVERNMENT SPENDS IN 2027

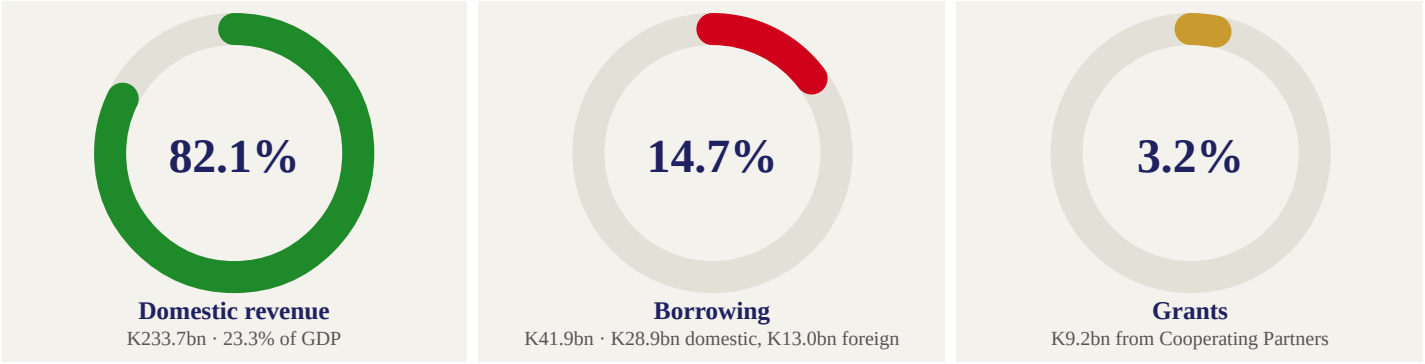
K23.70	K26.70	K13.40	K10.60	K5.70	K19.90
Debt service	Economic affairs	Education	Health	Social protection	Defence, order, admin and other

K40m	1,400 MW	787 km	3,125	6	100,000
Each of 226 constituencies	New power in 2027, none of it hydro	Roads to build or fix	Health workers to recruit	New universities to start	Extra TEVET places

NEXT ▶ Page 2 | Where the money comes from

K82 of every K100 is raised at home

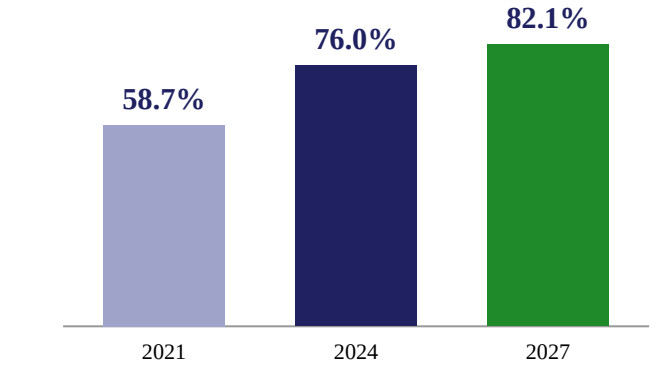
Domestic revenue covers more of the Budget than at any point since 2021. The rest is borrowed or given.



▤ WHAT EACH TAX BRINGS IN, 2027 (K BILLION)

Income tax	K104.3bn	Company tax K42.7bn, PAYE K35.4bn, withholding K26.2bn
Non-tax revenue	K55.6bn	Mineral royalty K22.0bn; fees, fines and charges K32.3bn
VAT	K44.3bn	
Customs and excise	K29.1bn	Customs K15.4bn, excise K13.7bn
Grants	K9.2bn	
Export duties	K0.4bn	

📈 DOMESTIC REVENUE AS A SHARE OF THE BUDGET



Source: Budget Address, paragraph 99.

Our reading. Less reliance on borrowing is welcome. But the higher share also reflects K10.8 billion in new taxes, so households and firms carry more of the load. The IMF programme loan of K6.7bn is still pending Board approval.

K178.1bn	K22.0bn	K6.7bn	K6.3bn
Tax revenue	Mineral royalty	IMF programme loan	Project loans

▤ WHERE EACH K100 OF TAX COMES FROM (K178.1BN)

58%	25%	16%
Income tax	VAT	Customs and excise

Export duties add 0.2 per cent. Income tax alone raises more than VAT, customs and excise put together.

📊 THE ECONOMY THE BUDGET INHERITS: DECEMBER 2025 AGAINST LATEST 2026

Inflation	Policy rate	Reserves	External debt	Arrears
~~11.2%~~ →6.3%	~~14.25%~~ →10.75%	~~US$5.5bn~~ →US$6.1bn	~~US$16.15bn~~ →US$15.46bn	~~K57.1bn~~ →K51.4bn
October 2026	*September 2026*	*August 2026*	*June 2026*	*June 2026*

⚖ BEFORE AND AFTER THIS BUDGET

VAT rate	16%	**16.5%**
Company tax, preferential rate	20%	**25%**
Cash transfer, a month	K400	**K450**
CDF total	K6.2bn	**K9.0bn**

❝ THE MINISTER IN HIS OWN WORDS

"In the development process, there is no such thing as a finishing line."

Dr Situmbeko Musokotwane, paragraph 6

The test of that line is the 2031 target sheet on page 5.

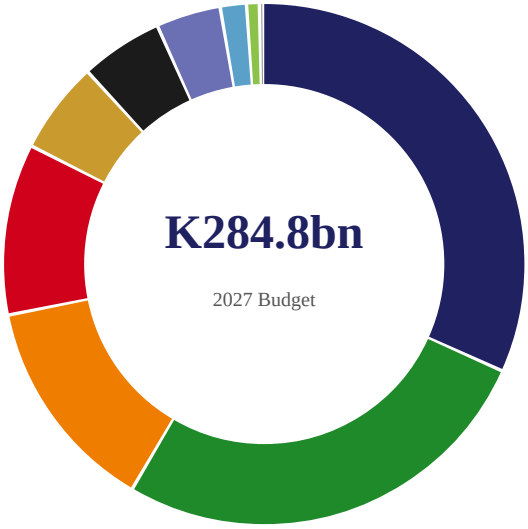
NEXT ▶ **Page 3 | Where the money goes**

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■ WHERE THE MONEY GOES | SPENDING BY FUNCTION PAGE 3

Debt and the economy take nearly six kwacha in ten

General public services, mostly debt service, is the largest line. Economic affairs, which holds FISP, roads and CDF, is second.



General public services	K90.5bn · 31.8%
Economic affairs	K75.9bn · 26.7%
Education	K38.2bn · 13.4%
Health	K30.3bn · 10.6%
Social protection	K16.2bn · 5.7%
Defence	K14.6bn · 5.1%
Public order and safety	K11.4bn · 4.0%
Housing and amenities	K4.6bn · 1.6%
Environment	K2.3bn · 0.8%
Recreation, culture	K0.7bn · 0.3%

▤ THE LINES THAT REACH HOUSEHOLDS (K BILLION)

Road infrastructure	787 km of roads to be built, upgraded or rehabilitated	K18.1bn
Social Cash Transfer	Over 1.6 million households, up from 1.5 million	K10.4bn
Farmer Input Support	Moves towards a loan scheme from 2027	K9.1bn
Constituency Development Fund	K40 million for each of 226 constituencies	K9.0bn
Drugs and medical supplies		K6.4bn
Public service pensions	To cut the wait for pensions to three months	K5.2bn
Dismantling arrears		K4.7bn
Education infrastructure		K3.2bn
Airports	Mansa, Mfuwe, Nakonde, Choma, Chipata, Mongu, Solwezi	K2.4bn
Water and sanitation		K2.1bn
School feeding	Up from K523 million, a 91 per cent rise	K1.0bn

+45% CDF, K6.2bn to K9.0bn

+91% School feeding

3,125 Health workers to hire

31 Secondary schools to finish

⏱ ONE DAY OF THE 2027 BUDGET

K780m Spent each day

K185m Paid to creditors each day

K50m On roads each day

K28m On the cash transfer each day

K2.7m On school meals each day

Annual allocations divided by 365. Our calculation.

▲ THE BIGGEST JUMPS ON 2026

Mining regulation	K75.9m to K171.7m	+126%
Airports	Allocation more than doubled to K2.4bn	+100%
School feeding	K523m to K1.0bn	+91%
Constituency Development Fund	K6.2bn to K9.0bn	+45%

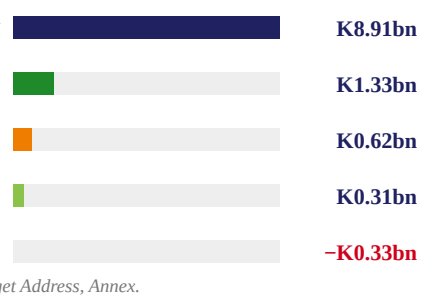
NEXT ▶ Page 4 | Tax changes and your pocket

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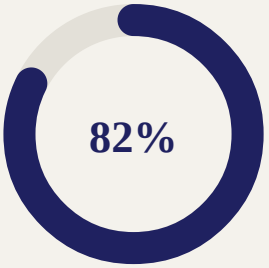
Five measures raise most of the K10.8 billion

VAT, company tax, the new PAYE band, mining dividends and the sugar levy sit in one annex group worth K8.9 billion.

ESTIMATED REVENUE GAIN BY GROUP (K BILLION)



Net gain K10.84bn. Source: Budget Address, Annex.



K8.9bn of K10.8bn

comes from one group of measures: higher VAT, company tax, PAYE, mining dividends and sugar excise. These are broad taxes that most people and firms will feel.

VAT 16% → 16.5%

A K1,000 shop bill on standard-rated goods rises by about K4.31 if passed on in full.

New PAYE band 39.5%

Only income above K37,000 a month. Below that threshold, nothing changes. Someone on K50,000 pays the new rate on K13,000.

Company tax +5 points

All income now taxed at 20 per cent or below. Targets preferential rates and arbitrage between sectors.

Sugar K1 a kg

A 2 kg packet costs about K2 more. Chocolate and sweets attract a 20 per cent excise.

Mining dividends 0% → 15%

Brings mining into line with dividends from other sectors.

Mobile money levy

Raised across all bands. Rates were not given in the speech.

Plastics

Single-use plastics 200 per cent excise. 80 ngwee on each plastic bottle.

Imports that compete locally

Tiles 40%, aluminium 25% plus 20% surtax, crude cooking oils 15% plus 10% surtax.

Relief

No duty or VAT on sanitary product inputs. Duty suspended on safari vehicles. Gold royalty halved for small miners selling to approved aggregators.

Also in the Annex. Higher passport, permit, civil registration, NGO and mining licence fees. Mechanical horses move into the heavy vehicle toll class. Minimum alternative tax now applies only after three straight years of losses.

THE NEW PAYE BAND: INCOME TAXED AT 39.5%

Monthly pay	Income in new band	Tax on that slice
K30,000	K0	K0
K37,000	K0	K0
K45,000	K8,000	K3,160
K60,000	K23,000	K9,085
K100,000	K63,000	K24,885

Uses the K37,000 threshold in the speech. The Annex says K34,000.

VAT AT 16.5%: WHAT A SHOP BILL BECOMES

Bill today	From 1 January	Extra
K100	K100.43	K0.43
K500	K502.16	K2.16
K1,000	K1,004.31	K4.31
K5,000	K5,021.55	K21.55
K20,000	K20,086.21	K86.21

VAT-inclusive bills, assuming the full rise is passed on.

HOW BIG IS K10.8 BILLION IN NEW TAXES?

1.2 x
The whole Farmer Input Support Programme (K9.1bn)

1.2 x
The entire CDF for 226 constituencies (K9.0bn)

16%
Of the K67.6bn going to debt service

4.6%
Of all domestic revenue in 2027

26%
Of what the Government plans to borrow (K41.9bn)

Our calculations from the Budget Address and Annex.

NEXT ▶ Page 5 | The five Grow Zambia pillars

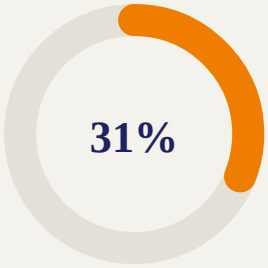
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Eight targets for 2031, five pillars to reach them

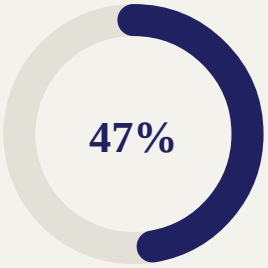
Five of the eight targets are agricultural. The Budget funds some steps directly; others need only a law, a policy or a private investor.

10	10	5	3	3	1	1	1
10m t Maize	10,000 MW Power	5m Tourist arrivals	3m t Copper	3m t Soya beans	1m t Wheat	1m t Sugar	US$1bn Beef exports

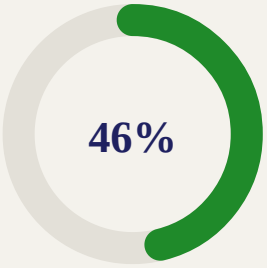
◉ HOW FAR ALONG ARE WE? CURRENT LEVEL AGAINST THE 2031 TARGET



Copper
930,000 t in 2026 of 3m t



Power
4,722 MW of 10,000 MW



Tourists
2.3m in 2025 of 5m

1. Growing the economy

Farm block agency. FISP becomes a loan scheme. K100m for beef disease free compartments. Gold trading agency. K1.2bn for mining, K467m of it for geological mapping. K5bn MSME guarantee scheme through the Bank of Zambia.

2. Connecting the nation

1,400 MW added in 2027, all non-hydro. K18.1bn for roads. Lobito rail ground breaking in late 2027. €60m for Kapiri Mposhi to Ndola rail. Smart gate at Kazungula.

3. Living standards

Cash transfer to K450 and K650. Six new universities started. 100,000 more TEVET places. 3,125 health workers. Unified social registry.

4. Public sector

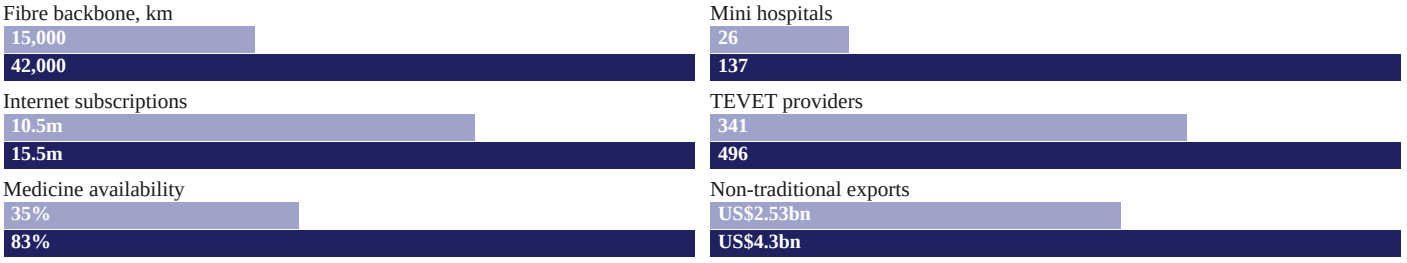
Wage bill held within 35% of revenue. ACC Act amended for independence. CDF formula reviewed for equity. Pension wait cut to three months.

5. Financing the future

K400m for a new development finance institution. K507m viability gap fund for PPPs. Capital Markets Master Plan. Securities Act amended.

Our reading. Copper is about a third of the way to target and power under half. The 2031 targets need private and foreign capital far beyond what any line in this Budget provides. Most of the Agenda is a plan, not yet a financed programme.

📈 THE RECORD THE BUDGET BUILDS ON: 2021 AGAINST LATEST



Light bar: earlier year. Dark bar: latest. Source: Budget Address, paragraphs 16, 55, 62 and 63.

🛠 THE BUILDING PROGRAMME FOR 2027

✈ Airports · K2.4bn

Finish: Mansa, Mfuwe
Continue: Nakonde
Start: Choma
Upgrade: Chipata, Mongu, Solwezi

⚡ Power lines

Regional: Zambia to Tanzania 330KV, Zambia to Malawi 400KV, Kalumbila to Kolwezi 330KV
Inland: Kafue West to Muzuma, Muzuma to Nambala, Lusaka West to Kabwe

🛣 Roads · K18.1bn

Kazungula to Sesheke, Kisasa to Mwinilunga, Chipata to Lundazi, Chipata to Chadiza, Nchelenge to Kaputa, Mufumbwe to Kabompo, Mbesuma bridge

🚆 Rail and borders

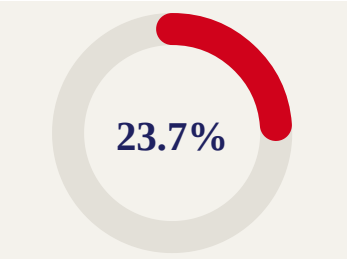
Lobito line ground breaking Q4 2027. €60m for Kapiri Mposhi to Ndola. TAZARA dry port at Kapiri. Smart gate at Kazungula, then Kasumbalesa, Mokambo, Nakonde, Sakania.

NEXT ▶ **Page 6 | Debt, deficit and arrears**

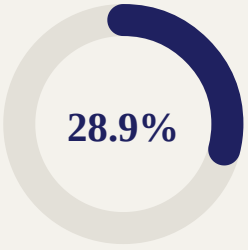
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K67.6 billion for debt, before a single new road

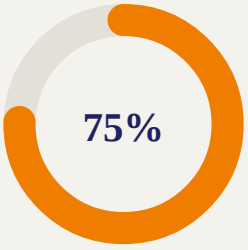
Debt service takes almost a quarter of the Budget and close to three in every ten kwacha the Government collects.



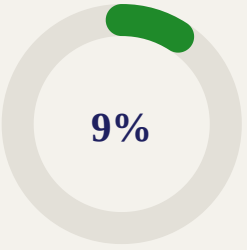
Debt service
K67.6bn of K284.8bn



Of domestic revenue
Goes to creditors

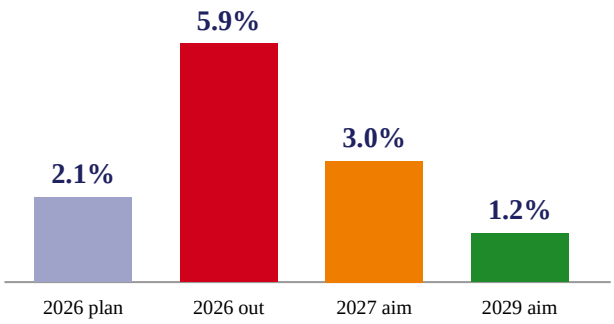


Domestic share
K50.8bn of debt service



Arrears cleared
K4.7bn of K51.4bn stock

FISCAL DEFICIT, PER CENT OF GDP



Source: Budget Address, paragraphs 12, 18 and 73.

WHAT THE STATE OWES (LATEST)

Domestic securities and loans	Up from K253.7bn in December 2025	K280.9bn
VAT refunds owed	End September 2026	K60.3bn
Arrears, goods and services	Down from K57.1bn	K51.4bn

External debt fell to **US$15.46bn** after the Eurobond buyback.

THE DEFICIT PROMISE, STEP BY STEP

2.1% — 2026 target set a year ago

5.9% — 2026 outturn after fuel tax suspension and FRA costs

3.0% — 2027 target

1.2% — 2029 target

Our reading. The 2026 deficit came in nearly three times the plan. Hitting 3.0 per cent in 2027 depends on the new taxes yielding K10.8bn, VAT on fuel returning in December, and no repeat of the 2026 supplementary spending. A forecast drought is the main risk.

THE RATING LADDER: ZAMBIA IS SEVEN NOTCHES FROM INVESTMENT GRADE

Caa3	Caa2	**Caa1**	B3	B2	B1	Ba3	Ba2	Ba1	**Baa3**

Moody's scale. Caa2 was the previous rating; Baa3 is the first investment grade step.

DEBT SERVICE AGAINST THE SERVICES PEOPLE USE (K BILLION)

Debt service	K67.6bn
Education	K38.2bn
Health	K30.3bn
Social protection	K16.2bn
Roads	K18.1bn
CDF	K9.0bn

Debt service is larger than education and health combined (K68.5bn) by less than K1bn.

+K27.2bn	−US$0.69bn	K60.3bn	Caa1
Domestic debt added, Dec 2025 to Jun 2026	External debt cut by buyback	VAT refunds still owed	Moody's, positive outlook

NEXT ▶ **Page 7 | Winners, losers and the fine print**

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■ WINNERS, LOSERS AND THE FINE PRINT PAGE 7

Who gains, who pays, and what to check

An early reading of the speech and its Annex. Final rates will appear in the Finance Bills.

▲ GAINS

- 1.6 million cash transfer households: K50 more a month
- Households with disabled members: K600 to K650
- Learners: school feeding up to K1.0bn
- Constituencies: K9.0bn CDF, emphasis on finishing projects
- Small gold miners: royalty halved to 3 per cent
- Local makers of tiles, aluminium, cooking oil, meat and sanitary products
- Tourism operators: duty suspended on safari vehicles and equipment
- Loss-making firms: minimum alternative tax eased

▼ PAYS MORE

- Every consumer: VAT at 16.5 per cent
- Sugar, sweets and chocolate buyers
- Mobile money users, across all bands
- High earners above K37,000 a month
- Firms on 20 per cent or lower company tax rates
- Mining shareholders: 15 per cent dividend tax
- Zinc exporters: 5 per cent export duty
- Travellers, migrants and NGOs: higher fees
- Employers giving cars and housing as perks

⚠ THE FINE PRINT: POINTS THAT NEED CLARIFYING

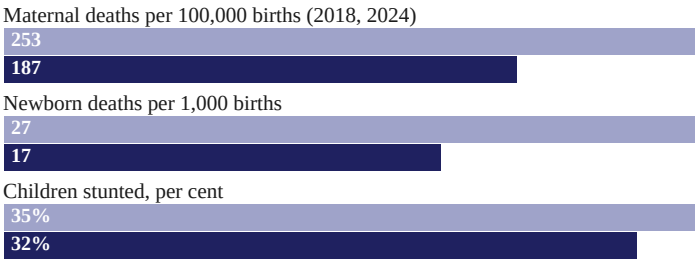
1. **PAYE threshold.** The speech, paragraph 118, says K37,000 a month. Annex item 25 says K34,000. The Finance Bill must settle which figure applies.
2. **Ceramic tiles.** Paragraph 111 says duty rises from 25 per cent. Annex item 1 says from 5 per cent.
3. **Annex numbering.** Items 18, 21 and 23 are missing, and the environment group total is printed as "K311,8090,090".
4. **Mobile money levy.** No new rates were stated. The effect on the poorest users is unknown until they are published.
5. **Our pre-Budget estimate.** Last week we reported a K271.9bn envelope. The Budget presented is K284.8bn, K12.9bn more.

Wage bill watch. The Government will hold the public sector wage bill within 35 per cent of domestic revenue. On K233.7bn, that ceiling is about K81.8bn. Any salary review in 2027 has to fit inside it.

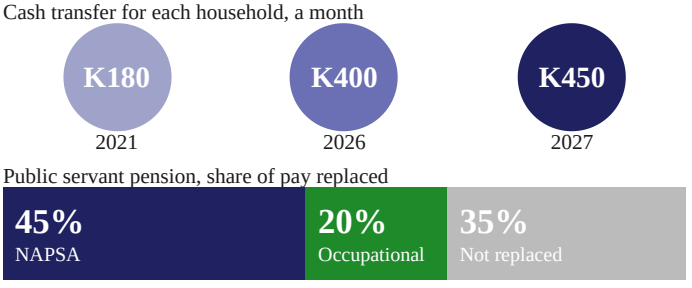
❓ FIVE QUESTIONS FOR THE BUDGET COMMITTEES

1. What will the new mobile money levy bands cost a user sending K100?
2. How will FISP loans be recovered from small farmers, and at what interest?
3. What happens to the 3.0 per cent deficit target if the drought arrives?
4. Which K4.7bn of arrears are paid first, and are VAT refunds included?
5. How will the new CDF formula weigh equity against equal shares?

♥ THE SOCIAL SCORECARD: WHAT HAS CHANGED SINCE 2018 AND 2021



Lower is better. Source: paragraph 64.



➜ FROM SPEECH TO LAW: WHAT HAPPENS NEXT

1. **Speech** — 6 November
2. **Debate** — MPs debate the policy
3. **Committees** — Ministries defend each line
4. **Votes** — Appropriation Bill passed
5. **Finance Bills** — Tax rates set in law
6. **1 January** — Measures take effect

NEXT ▶ Page 8 | Money markets and the Budget

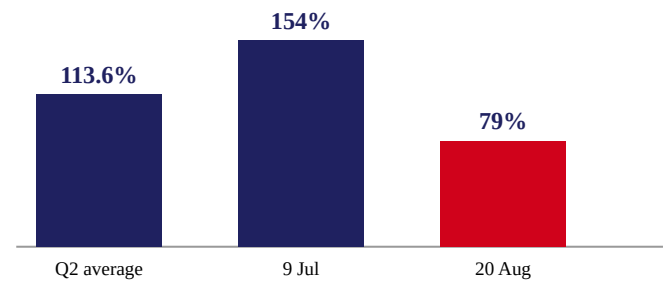
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Can the banks fund the deficit without starving business?

The 2027 Budget plans K28.9bn of domestic borrowing, after K18bn of the 2026 supplementary was raised mostly at home. The money markets decide how easily that happens.

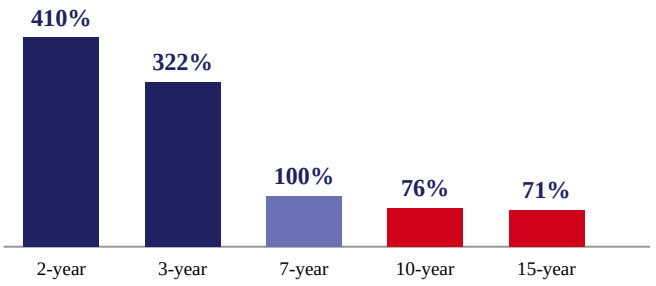
10.75%	21%	13.2%	4.5 months	12.9%
Policy rate, cut 250 points, Sep 2026	Kwacha reserve ratio, from 26%	Overnight interbank rate, 24 Sep	Import cover, July 2026	Private credit growth, June

▤ TREASURY BILL AUCTIONS: BIDS AGAINST AMOUNT OFFERED



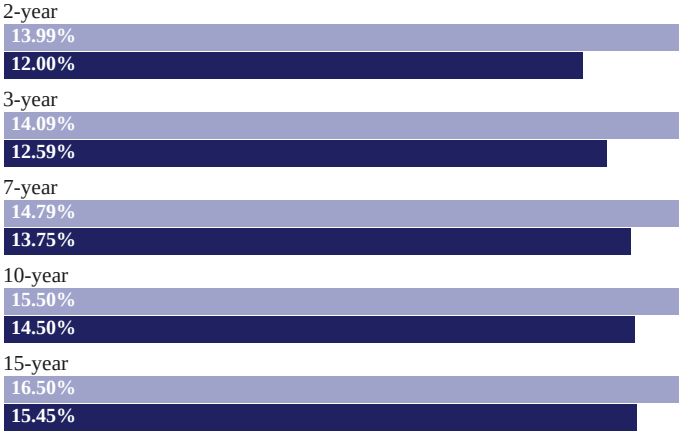
K2.2bn offered at each tender. The 29 October tender (K2.2bn, settled 2 November) results were not available to us at press time.

▤ BOND AUCTION, 25 SEPTEMBER: DEMAND BY TENOR



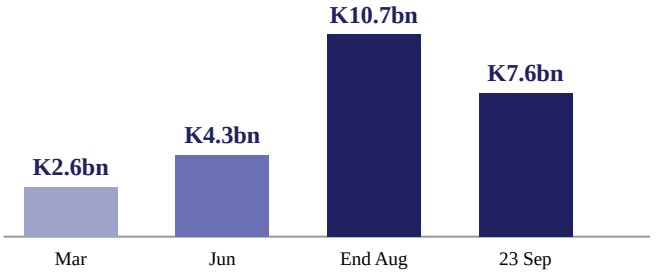
K8.63bn bid for K6.3bn offered, about 137% overall. Seven-year shown at 100%: bids exceeded the offer but were not stated.

📉 BOND CUT-OFF YIELDS, AUGUST TO SEPTEMBER 2026



Light bar: August. Dark bar: September. Yields fell at every tenor.

💧 BANK LIQUIDITY: CURRENT ACCOUNT BALANCES (K BILLION)



The jump follows the cut in the kwacha reserve ratio on 3 August. Overnight lending facility use fell from K14.5bn in Q1 to K7.4bn in Q2.

🏦 PRIVATE SECTOR CREDIT, ANNUAL GROWTH



Public sector credit rose to 16.0% in June, mainly from a K9.6bn Bank of Zambia loan for the external debt buyback.

💱 FOREIGN EXCHANGE MARKET

Net FX flow, Q1	Net FX flow, Q2
+US$230.2m	**−US$119.1m**
Net supply	*Net demand*
BoZ net FX, Q2	**Kwacha, Q2 average**
US$72.0m sold	**K17.81 per US$**
After US$196.4m bought in Q1	*Then weaker from July*

Oil importers kept dollar demand high into October, when the kwacha lost more than 3 per cent.

Our reading. Short-term paper sells; long-term paper struggles. Banks bid heavily for two and three year bonds but left the ten and fifteen year lines short, and the August bill tender drew only 79 per cent. Cheaper reserves and a lower policy rate have put more kwacha in the system and pulled yields down. That helps the Treasury borrow its K28.9bn in 2027. The risk is crowding out: if banks keep finding government paper safer than lending, private credit growth of 12.9 per cent could slow just as Grow Zambia asks business to invest.

Sources: BoZ Monetary Policy Report, August 2026; Zambia Monitor, July to October 2026; ZamCalc; Bloomberg. Watch: 29 Oct bill results, 25 to 26 Nov MPC, December bond tender.

NEXT ▶ **Page 9 | The Budget in numbers**

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Read the figures with their dates and sources

Targets are not results and allocations are not spending. Each figure is from the Budget Address of 6 November 2026.

Figure	Measure	Note
K284.8bn	Total 2027 Budget	28.4% of GDP
K233.7bn	Domestic revenue	82.1% of the Budget
K41.9bn	Borrowing	Domestic K28.9bn, foreign K13.0bn
K67.6bn	Debt service	Domestic K50.8bn, external K16.8bn
K10.8bn	Net new revenue measures	From 1 January 2027
4.9%	Real GDP growth target	H1 2026 averaged 7.4%
6 to 8%	Inflation target band	6.3% in October 2026
3.0%	Deficit target, of GDP	5.9% projected for 2026
US$6.1bn	Gross reserves	End August 2026
930,000 t	Copper output, 2026 projection	A national record
10.75%	Monetary Policy Rate	From 14.25%, December 2025
80.1%	Financial inclusion, 2025	69.4% in 2020

📅 DATES TO WATCH

Nov to Dec Finance Bills and committee hearings
25 to 26 Nov Monetary Policy Committee
1 Dec VAT on fuel scheduled to return
1 Jan 2027 Revenue measures take effect
2027 IMF Board decision; Ninth National Development Plan to Parliament
Q4 2027 Lobito railway ground breaking

SOURCES

2027 Budget Address by Hon. Dr Situmbeko Musokotwane, MP, Minister of Finance and National Planning, delivered to the National Assembly on Friday 6 November 2026, including its Annex of proposed revenue measures. Percentages and per household figures are The Zambian Economist's calculations from the published figures.

📖 BUDGET WORDS MADE SIMPLE

Fiscal deficit What the Government spends beyond what it collects in a year, shown as a share of the economy.

Arrears Bills the Government owes suppliers and has not yet paid.

Excise duty A tax on particular goods such as sugar, plastics or fuel.

Withholding tax Tax taken at source, for example from dividends, before payment.

Grants Money from Cooperating Partners that does not have to be repaid.

Debt service Interest and repayments on money already borrowed.

Supplementary budget Extra spending Parliament approves after the main Budget.

Selected goods surtax An extra tax on certain imports to protect local producers.

Minimum alternative tax A floor tax on firms that keep declaring losses.

Mineral royalty A charge on the value of minerals mined, paid to the State.

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- Economists and business react to the 2027 Budget
- The Finance Bills, line by line
- What the mobile money levy costs you
- Ministry allocations in the Yellow Book

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📍 WHERE THE BUDGET LANDS: NAMED PROJECTS BY PROVINCE

Eastern
Chipata airport upgrade, Chipata to Lundazi and Chadiza roads, new university

Luapula
Mansa airport, Nchelenge to Kaputa road, new university, Kawambwa skills centre

North-Western
Solwezi airport, Kisasa to Mwinilunga and Mufumbwe to Kabompo roads, new university

Southern
Choma airport, Kazungula smart gate, Livingstone cancer hospital, new university

Western
Mongu airport, Kazungula to Sesheke road, new university

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