ZAMBIA
CORPUS LEGAL PRACTITIONERS

FIRM INFORMATION

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COUNTRY INFORMATION

Zambia has a population of approximately 22.3 million (2026). Lusaka is the capital city. Other major cities

include Kitwe, Ndola, Livingstone and Chipata. Due to the Covid-19 Pandemic, Zambia had an economic recession that significantly affected the economy. However, as of January 2026, Zambia's economy has reached a significant turning point, marked by a return to single-digit inflation or the first time in over three years. This stabilization is supported by a strengthening Zambian currency, the Kwacha, and increased copper revenues. The Bank of Zambia equally reduced the Policy Rate by 75 basis points to 13.5% in early February 2026, citing the sharp drop in inflation and an improved outlook on the strength of the Kwacha.

With respect to trade, Zambia recorded a trade surplus of ZMW1 billion in December 2025, continuing a trend of surpluses driven by robust refined copper export earnings. In terms of GDP growth projection, the International Monetary Fund projects real GDP growth of 6.4% for 2026, a significant increase from the 5.2% estimated for 2025.

TYPE OF GOVERNMENT

The Government is headed by the President who is the head of the Executive and the State.

POLITICAL SYSTEM

Zambia has a multi-party democratic system. It is a unitary State headed by a President who is elected by universal suffrage for a term of 5 years. The President's cabinet is chosen from members of Parliament. All laws are subject to the Constitution of Zambia which is the supreme law of the land and contains all the fundamental freedoms of a modern democracy.

LEGAL SYSTEM

Zambia has a dual legal system. The first system is statutory law which consists of laws enacted by the Zambian Parliament as well as subsidiary legislation. This system is largely modelled on the English legal system and is based on common law. It also relies on many of the English civil procedures and practices. The second system is customary law which consists of unwritten practices of various Zambian tribal groups. It is administered by the local Courts to the extent that it does not contradict any written law and is not repugnant to natural justice.

TESTS FOR INSOLVENCY

What are the tests for insolvency? (i.e., liquidation)

Insolvency means having liabilities that exceed the value of assets, having stopped paying debts in the ordinary course of business or being unable to pay one's debts as they fall due. Under the Corporate Insolvency Act, No. 9 of 2017 ("Insolvency Act"), a company will be held to be unable to pay its debts if:

(1) the company owes a creditor a prescribed amount (yet to be prescribed); and
  (i) the creditor has, more than thirty days previously, served the company a written demand requiring the company to pay the amount due; and
  (ii) the company has failed to pay the sum or to secure or compound it to the reasonable satisfaction of the creditor; and
(2) execution or other process issued on a judgment, decree or order of any Court in favour of a creditor of the company is returned unsatisfied in whole or in part; or
(3) the company is unable to pay its debts as they fall due.

What are the tests for financial distress (i.e., business rescue)?

Under the Insolvency Act, a company is financially distressed if it is likely to be insolvent within the immediately ensuing 6 months. Notably, it is possible under Zambian law for a company in financial distress to enter into a compromise or arrangement with its creditors or any class of its creditors and its members or any class of its members in which an arrangement is made to pay off the full, or a partial amount, of a creditor's or member's claim.

INSOLVENCY AND RESTRUCTURING PROCEDURES

Formal insolvency procedures

Formal insolvency procedures under the Insolvency Act include receivership and winding up procedures.

Formal restructuring procedures

In Zambia, a restructuring may be effected through a scheme of arrangement and business rescue proceedings provided for in terms of the Insolvency Act.

Informal Insolvency or Restructuring Procedures

Informal insolvency procedures or restructuring procedures are available for distressed companies. Informal insolvency procedures or restructuring procedures include compromises, debt rearrangement, informal agreements with creditors, and alternative dispute resolution. Advantages of informal workouts compared to formal proceedings include: timing, cost and confidentiality.

LIQUIDATION

What is the aim of liquidation?

Liquidation is aimed at taking the management of a company's affairs out of the hands of its directors and placing it in the control of the liquidator. The company's assets are collected and realised, its liabilities discharged and the net surplus (if any) is distributed in accordance with the provisions of the Insolvency Act and the company's Articles of Association. Such proceeds are used to settle a company's liabilities which generally fall into 3 categories (in descending order of priority) - preferential debts, secured debts and unsecured debts. The law tries to maintain equality between creditors of the company so that the assets are distributed proportionately according to the size of each creditors' claim. In essence, the aim of a liquidation is to enable the creditors to recover the full or partial amount of any debt owed to them by the company.

Process required to commence a liquidation

For the commencement of a voluntary winding up, a full inquiry must be conducted into the business and affairs of the company. Further, , the directors must make a written declaration that they are satisfied that the company meets the solvency test. To note that this declaration shall only have effect if it is made at a meeting of the directors, is made at least 30 days before the passing of the resolution to wind up the company by the shareholders, and lodged with the Registrar of Companies on or before the date on which the notice of the meeting at which the resolution is to be passed is issued. A statement of the company's assets and liabilities must be prepared by the directors and attached to the declaration. The significance of preparing a statement is that it constitutes an assurance, largely to a company's creditors, that its assets are sufficient to meet its liabilities. This is shown by demonstrating the ratio of a company's total assets to liabilities. A statement of solvency or insolvency must also be prepared by the board of directors of the company. Thereafter, a resolution is passed at an extraordinary general meeting of the company by the shareholders pursuant to which a liquidator may be appointed.

At what point does the liquidation process commence?

With respect to a Court-ordered liquidation, the liquidation commences when the petition is presented to the Court. However, where a resolution is passed for a voluntary winding up, liquidation is deemed to have commenced at the date of the passing of the resolution in accordance with the Insolvency Act.

Duration of the liquidation process

The liquidation and winding-up procedure takes approximately 6 to 9 months, depending on the speed with which hearing dates are granted by the Court. This time estimate also takes into account the fact that it takes approximately 21 days for a notice to be published in the Government Gazette. However, an application to abridge time with respect to the Court hearing dates can be made to the Court, though approval of the same is at the Court's discretion.

Extent of Court involvement in the liquidation process

The Court is largely involved in the liquidation process, especially with respect to an involuntary winding up, in which the proceeding is initiated by filing a petition with the Court. The Court is also responsible for granting a winding up order after hearing the petition. Further, the Court in its order may also appoint a liquidator. It also has the power to grant an order vesting all or any of the property belonging to a company or vested in its trustees, in the liquidator.

Management of the company whilst in liquidation

A liquidator may be appointed by an order of Court or by resolution of the company. Once a liquidator has been appointed, the powers of the directors of the company cease, unless the liquidator (or the members, by ordinary resolution, with the consent of the liquidator) requires the directors to continue exercising their powers in specified circumstances. The liquidator's role is to realise all the property of the company or so much thereof as can in his opinion be realised without protracting the liquidation process. The liquidator also has the power to distribute a final dividend to the creditors, if any and adjust the rights of the members among themselves and pay a final return to the members, if any. Shares generally grant rights which differ in terms of scope or priority. Therefore, the liquidator may elect to terminate the preferential treatment of certain shares or narrow down the scope of rights conferred by shares.

Filing of claims

In general terms, claims by creditors are proved by adducing any evidence of an instrument creating liability. Ordinarily, therefore, a debt may be proved by delivering or sending through the post in a prepaid letter to the liquidator, an affidavit verifying the debt. The affidavit referred to may be made by the creditor himself, or by some person authorised by or on behalf of the creditor. The affidavit will generally contain, among others, a statement of account showing the particulars of the debt, and shall specify the vouchers, if any, by which it can be substantiated. Apart from the affidavit, a claim may, in this regard, be submitted as soon as may be reasonably practicable, and there is no standard claim form which is prescribed for this purpose. Therefore, it would appear that any inscription disclosing, among others, the particulars of a debt would suffice for purposes of proving a debt.

Factors which influence the period of the administration in a liquidation

The length of the liquidation process is dependent upon the speed with which hearing dates and Court orders can be granted by the Court. In addition, it may also be influenced by delays in debtors paying up a debt once called upon to do so by the liquidator.

Effect of liquidation on employees

When a company goes into liquidation and ceases to continue to trade as a going concern, the contracts of employment concluded between the company and its employees may be terminated. The general position is that employment contracts terminate upon commencement of the liquidation process unless the liquidator determines otherwise. For instance, where the employment contracts are necessary for the interim management of the company for the purposes of winding up, the liquidator may require that the contracts of employment not terminate. Any money recoverable by the employees will be treated as a debt in the liquidation recoverable in accordance with the order of priority as provided in the Insolvency Act.

Effect of liquidation on contracts

The liquidator may cancel any unprofitable contracts and may continue with those contracts entered into by the company before the liquidation commenced in as far as they are necessary for the beneficial winding up of the company.

Effect of liquidation on shareholders

Upon winding up of a company limited by guarantee, an unlimited company and a company having shares which are not fully paid up, every member at the time of winding up shall be liable to contribute to the assets of the company for the payment of its debt and liabilities. For a public company or a private company with limited shares, a member's liability will be limited to any unpaid amounts on the shares held by that member. In a company limited by guarantee, the liability of the member is limited to the amount guaranteed. Further, in an unlimited company the member is liable for the full extent that the company is unable to settle its debts. The liability of a member gives rise to a debt that is payable when calls are made for enforcing the liability.

Effect of liquidation on creditors

Creditors are paid out in order of priority, based on a strict legal hierarchy. Priority shall be given to secured debts (those creditors who have taken security or a lien over the company's property) over unsecured debts (those that have not obtained security over any of the company's property) in terms of payment. A creditor that has issued execution against property of the company or has attached any debt due to the company, and where the company is subsequently wound up, shall not be entitled to execute such property unless the execution was completed before the commencement of the winding up.

Pending claims, litigation and arbitration

After the commencement of a winding up process, no action or proceedings shall be proceeded with or commenced against the company except with the leave of the Court. Where any action or proceeding against the company is pending at the time of a winding-up, an application may be made by the company, a creditor, a member, or any other person with standing, to the Court to stay or restrain further proceedings in respect of the action or proceeding. Further, any attachment, sequestration, distress or execution put in force against the estate or effects of the company after the commencement of the creditors' voluntary winding-up shall be void.

Voidable Transactions

Any act relating to the property of a company, done by or against a company, which, had it been done by or against an individual, would be void or voidable in bankruptcy law, would, if the company is wound-up, be void or voidable in the same way. Further, any disposition of property belonging to the company including things in action (i.e.: non-tangible assets) and any transfer of shares or alteration of the status of the members made after the commencement of the winding up shall be void unless the Court otherwise orders.

Transactions entered into prior to insolvency that may be challenged or voided include:

- A transfer or assignment by a company of all its property to trustees with the intention to defraud the company's creditors is void.
- Where the acquisition of property or an undertaking by a company, within the period of 2 years before the commencement of the winding up, from -
  - person who, at the time of the acquisition was a director of the company; or
  - another company which, at the time of the acquisition, had a director who was also a director of the first company, and a valuation report shows that the consideration given in respect of the acquisition exceeded the value of the property. The liquidator will recover the difference from the director or company.
- Where the property of a company consists of -
  - an estate or interest in land which is encumbered with onerous covenants;
  - shares in a corporate that are subject to restrictions on transfer;
  - unprofitable contracts; or
  - property that cannot be sold, or is not readily saleable, because it binds the possessor to the performance of an onerous act, or to the payment of a sum of money,
  - the liquidator may with the leave of the Court or the consent of committee in writing, disclaim the property at any time within 12 months after the commencement of the

winding-up, or within such extended period as allowed by the Court.
- a floating charge on property of a company, created within one year before the commencement of the winding-up, is void, unless it is proved that the company, immediately after the creation of the charge, was solvent.

How is the liquidation process terminated?

With regard to a winding-up by Court, where the Court makes an order that a company be dissolved, the Registrar of Companies must, on lodgement of a copy of the order, strike the name of the company off the register and cause a notice of this to be published in the Government Gazette, and the company will be dissolved as at the date of the Court order. With regard to a members' voluntary winding-up and creditors' voluntary winding up, once the affairs of the company are fully wound up, the liquidator prepares a report indicating how the winding up has been conducted. A general meeting of the company, or a meeting of the creditors of the company, respectively, is then convened at which this report is explained. In the case of a creditors' voluntary winding-up, the meeting of the company must be held within 1 month after the meeting of creditors. Within 21 days after the meetings above, the liquidator must lodge a return in the prescribed form with the Registrar of Companies and the official receiver. The Registrar then strikes the name of the company off the register and publishes notice in the Government Gazette thereof. The company shall stand dissolved as of the date of publication of the notice in the Government Gazette.

Director or officer liability

Directors may be liable for their failure to fully reveal to the liquidator all the real and personal property of the company, and when, how, to whom and for what consideration the company disposed of the same (except such property as has been disposed of in the ordinary way of business of the company); failure to deliver up to the liquidator all the real and personal property of the company under their control or custody and all the books and documents in their custody or under their control and which belongs to the company.

In addition, they may be liable for making any material omission in any statement relating to the affairs of the company; failing to inform the liquidator of a false claim proved by any person; preventing the production of any book or paper affecting or relating to the company; accounting for the property of the company stating fictitious losses or expenses; and other offences relating to fraud and fraudulent representations in respect of the company or winding up and other proceedings, for purposes of obtaining the consent of the creditors or a party to an agreement as provided for under the Insolvency Act.

Directors could be both civilly and criminally liable even prior to the commencement of the liquidation process.

Consequences of Director or Officer Liability Civil consequences

Civil liability may accrue to a director in the course of the winding up, receivership or business rescue proceedings or in any other proceedings against a company, if a Court is satisfied that a person was knowingly a party to the carrying on of any business of the company for a fraudulent purpose. The director may be held personally responsible without limitation of liability, for the debts or other liabilities of the company or for such of those debts or other liabilities as the Court directs.

Further, directors and officers transacting on behalf of the company may be held liable for trading while the company is in financial difficulty. Directors or officers may be liable for fines ranging from ZMW 80,000 to 150,000 (approximately US$ 4,186 to US$ 7,849, as at the average exchange rate on 18 February 2026), or to imprisonment for periods ranging from two years to five years, or to both. Such director or officer may also be found to be personally liable without any limitation for the debts or other liabilities of the company; and such liability may be a charge on any obligation due from the company to such person.

Criminal consequences

Generally, a director may be criminally liable for fraudulent, dishonest, or negligent actions that exacerbate the company's financial distress. While corporate insolvency itself is not a criminal offense, actions taken by directors that lead to or worsen the insolvency can result in fines and imprisonment. These offences include fraudulent or reckless trading, false declaration of solvency, misconduct during the course of the winding up and non-compliance with corporate insolvency laws. Penalties include fines as well as imprisonment for up to two years, or both.

Further, where an offence under the Insolvency Act is committed by a company or unincorporated body, and where the penalty for an offence is specified, and the director, manager or shareholder of that entity is suspected to have committed the offence and is charged with that offence, that director, manager or shareholder of the company or unincorporated body is liable, upon conviction, to the penalty specified for the offence, unless the director or manager proves to the satisfaction of the Court that the act constituting the offence was done without the knowledge, consent or connivance of the director or manager or that the director or manager took reasonable steps to prevent the commission of the offence.

BUSINESS RESCUE

The Insolvency Act provides that the members may by special resolution, resolve that the company voluntarily begins business rescue proceedings and place the company under supervision, if the board has reasonable grounds to believe that the company is financially distressed; and there appears to be a reasonable prospect of rescuing the company; and there is a need to maintain the company as a going concern; and there is a need to achieve a better outcome for the company's creditors as a whole than is likely to be the case if the company were to be liquidated; or to realise the property of the company in order to make a distribution to one or more secured or preferential creditors.

To commence business rescue proceedings, an affected person including a regulator, shareholder, member, director, creditor or an employee, a former employee of a company, registered trade union representing employees of the company and the Registrar, may apply to the Court for an order to place the company under supervision and begin business rescue proceedings, unless a company has adopted a resolution to commence business rescue proceedings.

During business rescue proceedings there is a general moratorium on legal proceedings against the company. Further, during business rescue proceedings, the transfer of securities other than during the ordinary course of business will be invalid.

Regarding administration, a business rescue administrator may be appointed to administer assets of a company on behalf of debenture holders. On the appointment of a business rescue administrator, the directors' powers to control the company are significantly curtailed. While the directors remain in office, the exercise of their powers is subject to the authority and direction of the appointed business rescue administrator. A receiver appointed on behalf of the company's debenture holders is entitled to take possession of all assets over which they hold security. This right prevails over that of a judgment creditor who has taken goods in execution but has not actually sold them.

SECURITY

Types of security

The types of security available in Zambia include a mortgage, a fixed charge, a floating charge, an assignment by way of security, a pledge, letters of hypothecation or a bill of sale.

Taking of security

Security may be taken over various assets which include fixed and floating assets, intangible movable assets as well as immovable assets. This usually avoids the need for litigation, may ensure priority over other creditors, and will almost certainly hasten the recovery of debt.

Security trustees or special purpose vehicles

Special purpose vehicles may be set up in Zambia for a specific purpose and are therefore regulated by general company law as well as sector specific legislation governing the field in which they operate.

Most robust form of security

The most robust form of security in Zambia is a mortgage. It does not operate as a transfer or lease of the estate or interest thereby mortgaged. But the mortgagee shall have, and shall be deemed always to have had, some protection, powers and remedies (including the power to sell the asset mortgaged) as if the mortgage had so operated as a transfer or lease of the estate or interest mortgaged.

Registration of security

Security interests are generally registered at 2 public registries in Zambia: The Collateral Registry which is operated by the Patents and Companies Registration Agency (PACRA) and the Lands and Deeds Registry. At the Collateral Registry, a mortgage or charge obtained from any institution is required to be registered with it in the prescribed forms.

Stamp duty

Stamp duty is no longer applicable in Zambia following the repeal of the Stamp Duty Act, Chapter 664 of the Laws of Zambia in 1994. However, there are various registration fees payable at the Government registries such as PACRA and the Lands and Deeds Registry. The party responsible for payment of the registration fee is normally the party borrowing. However, this is subject to the agreement reached between the parties.

Registration costs

The registration fee for a mortgage, debenture or other charge at PACRA is 1 per cent of the amount being borrowed, with a maximum cap of ZMW 4,500 (approximately US$ 235.48 as at the average exchange rate on 18 February 2026). At the Lands and Deeds Registry, the registration fee for a mortgage is one per cent of the total value, with a maximum fee of ZMW 4,000 (approximately US$ 209.31 as at the average exchange rate on 18 February). The party responsible for payment of the registration fee is normally the party borrowing. However, this may be subject to agreement between the parties.

Requirements for the assignment or transfer of security

Registered security may be transferred or assigned by agreement between the parties. The security documents will normally provide whether it is transferable or not and if it is, whether consent of either the borrower or the lender is necessary. Once the conditions agreed upon by parties to the registered security have been satisfied, the security is transferable by way of an agreement which must be registered with the Collateral Registry and/or the Lands and Deeds Registry, as the case may be.

Instances in which securities might be vulnerable to attack

Under the Lands Acquisition Act, Chapter 189 of the Laws of Zambia, the President is empowered to compulsorily acquire any property of any description whenever he is of the opinion that it is desirable or expedient in the interests of the Republic to do so.

In this respect, property that is subject to a security agreement may be vulnerable. However, the Lands Acquisition Act, Chapter 189 of the Laws of Zambia does not indicate what constitutes 'public purpose'.

The other instances in which one's security may be vulnerable to attack include:

- a floating charge created within 12 months of the commencement of liquidation is presumed invalid, unless it is shown that the company was solvent immediately after the creation of the charge; and
- every right acquired under a charge on property, or obligation incurred thereon by any person unable to pay his debts as they become due, having a preference over other creditors shall be deemed fraudulent and therefore null and void against the liquidator, as the case may be, if such a person taking, making, paying or incurring an obligation is held to be bankrupt or insolvent on presentation of the petition for bankruptcy or insolvency, presented before, or within 6 months after the date of acquiring such a right or incurring an obligation. However, this will not affect the rights of any person acquiring rights or incurring an obligation in good faith and for valuable consideration through or under the creditor.

Methods of enforcement of security

One method to enforce security is through the statutory power of sale (for mortgages). Security may also be enforced by foreclosure proceedings in which the mortgagee or chargee as the case may be confiscates the mortgagors or chargor's interest in the property. Another form of enforcement is that of taking over possession of the security. A receiver may also be appointed with management powers to collect rentals and profits. Lastly, as with any other contract where money is lent and there is a default, the mortgagee or chargee, as the case may be, may sue for the money lent.

Problems experienced when enforcing security

Where a creditor has issued execution against the goods or land of a company or has attached any debt due to the company, and the company is subsequently wound up, he is not entitled to retain the benefit of the execution or attachment against the liquidator unless he has completed the execution before the winding up commences.

Financial assistance requirements

A company or any of its subsidiaries is prohibited from giving direct financial assistance to a person acquiring or proposing to acquire any shares in a company. This prohibition also extends to the giving of financial assistance for the purpose of reducing or discharging liability incurred by reason of shares acquired in a company. However, the restrictions on the provision of financial assistance do not extend to the lending of money by a company in the ordinary course of its business, if the lending of money is part of the ordinary business of the company or the making, by a company, of loans to persons, other than directors, employed in good faith by the company, with a view to enabling those persons acquire fully paid-up shares, other than as nominees of the company. Financial assistance may only be given if it is an incidental part of some larger purpose of the company and if the assistance is given in good faith and in the interests of the company. Financial assistance must be preceded by a shareholders' resolution and there are generally no prescribed tests applicable in this regard.

RECOGNITION OF FOREIGN JUDGMENTS

Instances in which your court will recognize a foreign judgment

Foreign judgments may be enforced using two principal methods in Zambia. Firstly, the Insolvency Act provides for the recognition of foreign proceedings. Secondly, the Foreign Judgments (Reciprocal Enforcement) Act, Chapter 76 of the Laws of Zambia (the "Foreign Judgements Act") provides for the registration of a foreign judgment. Recognition outside these Acts is limited to mere evidence of a claim or defence which is to be re-litigated in Zambia.

Requirements for recognition of a foreign judgment

Under the Insolvency Act, an insolvency practitioner may apply to the Court, in the prescribed manner, for an order for recognition of a foreign proceeding. An application for an order for recognition of a foreign proceeding must be accompanied by an order of the foreign Court confirming the existence of the foreign proceeding before the foreign Court, and appointment of the foreign representative. An application for recognition must also be accompanied by a statement, made in the prescribed manner, of all foreign proceedings in respect of a debtor that are known to the foreign representative.

Under the Foreign Judgements Act, an application for registration of a foreign judgment may be made to the Court by the judgment creditor within 6 years of the date of the original judgment. Further, the judgment must not be wholly satisfied at the time of the application and must not be capable of execution in the country of the original Court.

Requirements for the recognition of a foreign trustee, business rescue practitioner or insolvency practitioner

An individual who wishes to perform the functions of an insolvency practitioner in Zambia, which includes the Official Receiver or a person who is qualified to be appointed as a receiver, receiver manager or judgment receiver, a liquidator, or a business rescue practitioner, may apply for accreditation with the Registrar of Companies in the prescribed form. However, a person will not be eligible for accreditation in Zambia unless that person meets the qualifications for appointment as provided for in the Insolvency Act. A person will not be eligible for appointment as an insolvency practitioner in Zambia if that person, among other things, is not resident in Zambia, is prohibited or disqualified from so acting by an order of a Court of competent jurisdiction, is a body corporate, is not qualified to be appointed as a director of a company, or is no longer in good standing with that person's recognised professional body, as a result of professional misconduct. Furthermore, the person must be either a qualified accountant (under the Accountants Act No. 13 of 2008) or a legal practitioner (under the Legal Practitioners Act, Chapter 30 of the Laws of Zambia) with at least 7 years of practice.


Compare
Indicator
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