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ZIMBABWE REVENUE AUTHORITY

ABRIDGED AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31, DECEMBER 2020

AUDITORS OPINION

Below are the External Auditors summarized report for the abridged audited Financial results for the year ended 31, December 2020. The audit was conducted by the Office of Auditor General as per Revenue Authority Act

1. Financial statements

Modified -Adverse opinion

- due to non-compliance with International Financial Reporting Standards (IAS 21 and 29)
- due to non-compliance with International Financial Reporting Standards (IAS 36)-assets impairment
- Clean opinion in respect of compliance with Laws and regulations.

2. Outstanding revenue return

Qualified Opinion

System challenges and Included in this return is ZWL\$ 707 648 618 that had not been appropriately classified due to insufficient deposit details. Lastly VAT refunds of ZWL\$6.4billion refunded to clients as stated in this return, are VAT refunds that were fraudulently processed. The process to quantify the extent of fraud is still in progress

3. Revenue returns

Basis for Qualified Opinion

- VAT fraudulently refunded included in VAT refunds of ZWL\$6.4billion refunded to clients as stated in this return, are VAT refunds that were fraudulently processed. The process to quantify the extent of fraud is still in progress.
- Included in this return is ZWL\$ 707 648 618 that had not been appropriately classified due to insufficient deposit details.

4. Receipts and Disbursements Return

Basis for Qualified Opinion

Included in VAT refunds of ZWL\$6.4 billion of this return are VAT refunds that were fraudulently processed. The process to quantify the extent of fraud is still in progress.

5. Revenue Written Off Return

Basis for Opinion

In my opinion, the Revenue Written Off Return presents fairly, in all material respects, the revenue written off for the year ended 31 December 2020.

6. Tax Reserve Certificates Return

Basis for Opinion

In my opinion, the Tax Reserve Certificates Return presents fairly, in all material respects, the Tax Reserves for the year ended 31 December 2020.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

| | Inflation adjusted | | Historical cost | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| ASSETS | | | | |
| Non current assets | 8 659 496 449 | 8 672 290 699 | 8 659 496 449 | 1 970 975 158 |
| Property, plant and equipment | 7 919 879 164 | 7 628 013 919 | 7 919 879 164 | 1 733 269 872 |
| Intangible assets | 645 228 441 | 980 112 949 | 645 228 441 | 222 752 943 |
| Biological assets | 17 404 | 2 437 054 | 17 404 | 553 876 |
| Right of use asset | 91 966 257 | 20 654 678 | 91 966 257 | 5 063 899 |
| Mortgage support investment | 2 405 183 | 41 072 099 | 2 405 183 | 9 334 568 |
| Current assets | 2 665 765 357 | 1 446 022 521 | 2 664 555 571 | 315 874 227 |
| Inventory | 57 749 611 | 88 578 095 | 56 539 826 | 7 364 130 |
| Accounts receivables | 62 830 153 | 101 915 572 | 62 830 153 | 23 162 630 |
| Assets held for sale | 9 500 | 41 800 | 9 500 | 9 500 |
| Investments | 33 759 570 | 68 988 814 | 33 759 570 | 15 679 276 |
| Cash and cash equivalents | 2 326 724 880 | 1 165 173 310 | 2 326 724 880 | 264 812 116 |
| Prepayments | 184 691 643 | 213 249 300 | 184 691 643 | 4 846 575 |
| Total assets | 11 325 261 806 | 10 118 313 220 | 11 324 052 020 | 2 286 849 385 |
| RESERVES AND LIABILITIES | | | | |
| Reserves | 9 211 846 416 | 8 814 024 365 | 9 210 636 631 | 1 990 420 098 |
| Non distributable reserve | 90 848 367 | 399 732 815 | 90 848 367 | 90 848 367 |
| Accumulated fund | 113 610 733 | (69 260 309) | 112 400 948 | (88 939 281) |
| Revaluation reserve | 9 007 387 316 | 8 483 551 859 | 9 007 387 316 | 1 988 511 012 |
| Deferred income | 917 583 321 | 174 401 225 | 917 583 321 | 39 636 642 |
| Non current liabilities | 1 195 832 069 | 1 129 887 630 | 1 195 832 068 | 256 792 644 |
| Lease liability | 82 286 622 | 12 392 807 | 82 286 621 | 2 816 322 |
| Current liabilities | 1 113 545 447 | 1 117 494 823 | 1 113 545 447 | 253 976 322 |
| Lease liability | 24 291 873 | 10 617 623 | 24 291 873 | 2 413 322 |
| Provisions | 541 244 572 | 676 689 812 | 541 244 572 | 153 793 139 |
| Payables | 548 009 002 | 430 187 388 | 548 009 002 | 97 769 861 |
| Total reserves and liabilities | 11 325 261 806 | 10 118 313 220 | 11 324 052 020 | 2 286 849 385 |



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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020.

| | Inflation adjusted | | Historical cost | |
|--|-----------------------|-----------------------|-----------------------|----------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| Income | 7 661 357 071 | 5 201 486 818 | 5 943 577 309 | 647 957 790 |
| | 6 712 454 979 | 4 680 646 994 | 4 997 716 514 | 555 646 568 |
| Government grant | 5 859 745 409 | 3 832 573 656 | 4 166 183 383 | 369 670 095 |
| Amortised capital grant | 765 438 286 | 784 830 534 | 765 438 286 | 178 370 576 |
| Interest earned | 81 531 450 | 56 714 899 | 61 506 417 | 7 122 096 |
| Rental income | 5 739 834 | 6 527 905 | 4 588 428 | 483 800 |
| Other income | 948 902 093 | 520 839 824 | 945 860 795 | 92 311 222 |
| Less operating expenses | (6953 757 748) | (5151 621 885) | (5732 713 158) | (748 779 858) |
| Employment cost | (3546 994 171) | (1990 074 362) | (2753 637 011) | (199 401 888) |
| Administrative costs | (3406 763 579) | (3161 547 523) | (2979 076 147) | (549 377 971) |
| Operating surplus / (deficit) | 707,599,322.77 | 49 864 933 | 210 864 151 | (100 822 069) |
| Finance costs | (24 887 545) | (5 254 002) | (23 711 745) | (804 622) |
| Surplus (deficit) for the year | 682 711 778 | 44 610 931 | 187 152 406 | (101 626 690) |
| Other comprehensive income | | | | |
| Net monetary (loss) /gain | (514 028 559) | (1265 217 763) | - | - |
| Revaluation surplus | 7 047 399 219 | 8 483 551 861 | 7 047 399 219 | 1 928 079 968 |
| Total comprehensive income for the year | 7 216 082 438 | 7 262 945 028 | 7 234 551 625 | 1 826 453 278 |

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 December 2020.

| | Inflation adjusted | | Historical cost | | Total |
|---|-------------------------|-------------------------|----------------------------|----------------------------------|----------------------|
| | Accumulated Fund ZWL | Accumulated Fund ZWL | Revaluation reserve ZWL | Non distributable reserve ZWL | |
| Balance at January 1, 2019 | 1 151 346 522 | 12 687 409 | 60 431 044 | 90 854 867 | 163 973 320 |
| Revaluation surplus / (deficit) | - | - | 1 928 079 968 | (5 700) | 1 928 074 268 |
| Net monetary (loss) /gain | (1265 217 763) | - | - | - | - |
| Surplus / (deficit) for the year | 44 610 931 | (101 626 690) | - | - | (101 626 690) |
| Balance at December 31, 2019 | (69 260 309) | (88 939 281) | 1 988 511 012 | 90 849 167 | 1 990 420 898 |
| Balance at January 1, 2020 | (69 260 309) | (88 939 281) | 1 988 511 012 | 90 849 167 | 1 990 420 898 |
| Revaluation surplus / (deficit) | - | - | 7 047 399 219 | - | 7 047 399 219 |
| Revaluation reversed through retirement | 28 522 915 | 28 522 915 | 28 522 915 | - | - |
| Reclass to deferred income | (14 335 092) | (14 335 092) | - | - | (14 335 092) |
| Net monetary (loss) /gain | (514 028 559) | - | - | - | - |
| Surplus / (deficit) for the year | 682 711 778 | 187 152 406 | - | - | 187 152 406 |
| Balance at December 31, 2020 | 113 610 733 | 112 400 948 | 9 007 387 316 | 90 849 167 | 9 210 637 431 |

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020.

| | Inflation adjusted | | Historical cost | |
|---|-------------------------|-----------------------|----------------------|---------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| CASH FLOWS FROM OPERATING ACTIVITIES | 1 615 444 794 | 807 065 216 | 1 119 885 422 | 78 207 439 |
| Net cash generated / (utilised) by operating | 1 333 893 940 | 916 237 748 | 838 334 568 | 128 501 006 |
| Operating loss before working capital changes | 682 711 778 | 44 610 931 | 187 152 406 | (101 626 690) |
| Adjustments to reconcile profit to net cash flows: | 651 182 162 | 871 626 818 | 651 182 162 | 230 127 697 |
| Loss on disposal of biological assets | 508 875 | - | 508 875 | - |
| Profit or loss on disposal | 115 686 625 | (2 946 505) | 115 686 625 | (522 225) |
| Depreciation of property, plant and equipment | 662 537 968 | 471 956 809 | 662 537 968 | 107 262 911 |
| Amortisation of intangible assets | 102 900 318 | 301 761 295 | 102 900 318 | 68 582 112 |
| Depreciation right of use assets | 27 778 177 | 11 112 429 | 27 778 177 | 2 525 552 |
| Write down of consumables to net realisable value | 69 569 | 71 593 | 69 569 | 12 441 |
| Amortised grant | (765 438 286) | (784 830 533) | (765 438 286) | (178 370 576) |
| Unrealised exchange gain | (925 014 613) | (288 671 332) | (925 014 613) | (65 607 121) |
| Increase/decrease in provisions | 583 683 079 | 273 425 527 | 583 683 079 | 93 636 061 |
| Allowance for credit loss | 167 413 | 250 782 | 167 413 | 43 578 |
| Exchange loss | 909 776 188 | 922 476 697 | 909 776 188 | 209 653 795 |
| Gain on price differences | (15 617) | (1 924 205) | (15 617) | (15 617) |
| Obsolete stock written off | 48 882 | 281 306 | 48 882 | 48 882 |
| Interest earned | (61 506 417) | (31 337 224) | (61 506 417) | (7 122 096) |
| Working capital adjustments | 281 550 854 | (109 172 532) | 281 550 854 | (50 293 567) |
| (Increase)/decrease in accounts receivables | (39 667 522) | (13 707 110) | (39 667 522) | 18 932 253 |
| (Decrease) in prepayments | (179 845 068) | 1 064 175 | (179 845 068) | 4 105 279 |
| Assets held for sale | - | (25 080) | - | 5 700 |
| Decrease/(increase) in consumables | (49 175 696) | 14 203 122 | (49 175 696) | 4 642 914 |
| Decrease/(increase) in payables | 550 239 141 | (110 707 638) | 550 239 141 | (77 979 714) |
| CASH FLOWS FROM INVESTING ACTIVITIES | (506 210 868) | (19 867 607) | (506 210 868) | (19 867 607) |
| Interest received | (66 839 031) | (37 984 733) | (66 839 031) | (8 632 894) |
| Proceeds from sale of property, plant and equipment | - | 2 863 679 | - | 650 836 |
| Purchase of financial investments | (17 001 558) | (12 921 541) | (17 001 558) | (2 936 714) |
| Proceeds from financial investments | 11 302 999 | 2 758 997 | 11 302 999 | 627 045 |
| Purchase of intangible assets | (30 186 506) | - | (30 186 506) | - |
| Purchase of property, plant and equipment | (403 486 773) | (42 133 872) | (403 486 773) | (9 575 880) |
| CASH FLOWS FROM FINANCING ACTIVITIES | 1 448 238 212 | 630 516 686 | 1 448 238 212 | 143 299 247 |
| Government capital grant | 1 447 159 476 | 570 297 571 | 1 447 159 476 | 129 613 084 |
| Clearance fees (Commission) | 1 078 736 | 60 219 115 | 1 078 736 | 13 686 162 |
| Net increase in cash and cash equivalents | 2 557 472 139 | 1 350 164 434 | 2 061 912 765 | 201 639 079 |
| Net monetary (loss) /gain | (495 559 376) | (1911 606 976) | - | - |
| Cash and cash equivalents at beginning of the year | 264 812 116 | 1726 615 853 | 264 812 116 | 63 173 037 |
| Cash and cash equivalents at year end | 10 2 326 724 880 | 1 165 173 310 | 2 326 724 880 | 264 812 116 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

1. NATURE OF BUSINESS

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in terms of the Zimbabwe Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond. ZIMRA is funded by the Government of Zimbabwe through grants.

2. BASIS OF PREPARATION
1.1 Statement of compliance

The financial statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

1.2 Basis of measurement

The financial statements are prepared under the historical cost convention except for Biological assets which are all measured at fair values and property, plant and equipment, intangible assets, which are shown at revalued amounts.





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1.3 Functional and presentation currency

These financial statements are presented in Zimbabwe Dollars (ZWL) currency. Most of the Authority's transactions are in this currency and the same is used for financial reporting. Foreign currencies transactions are translated into the Zimbabwe Dollars using the RBZ exchange rate.

1.4 Inflation Accounting

The financial statements have been prepared under the current costs basis in line with the provisions of International Accounting Standards (IAS) 29 – Financial Reporting in Hyperinflationary economies. The Public Accountants and Auditors Board (PAAB) pronounced that the economy is trading under conditions of hyperinflation in line with IAS 29. Management have applied the guidelines provided by PAAB. Management made various assumptions to produce the inflation adjusted financial information. The conversion factors have been computed from the consumer price index (CPI) data as provided by Zimbabwe Statistical Agency (ZIMSTATS) on their website and also as circulated by PAAB.

| Month | Index | Conversion Factor |
|----------------|--------|-------------------|
| December 2019 | 551.56 | 4.4 |
| January 2020 | 563.90 | 4.3882 |
| February 2020 | 640.2 | 1.5087 |
| March 2020 | 810.4 | 3.0534 |
| April 2020 | 953.4 | 2.5954 |
| May 2020 | 1097.7 | 2.2543 |
| June 2020 | 1445.2 | 1.7122 |
| July 2020 | 1958.7 | 1.2633 |
| August 2020 | 2124 | 1.1650 |
| September 2020 | 2205.2 | 1.1221 |
| October 2020 | 2301.7 | 1.0751 |
| November 2020 | 2374.2 | 1.0422 |
| December 2020 | 2474.5 | 1.0000 |

1.5 Critical accounting judgments, assumptions and estimates

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant judgments include the following:

1.6 Impairment and provisioning policies

At each statement of financial position date, the Authority reviews the carrying amount of its assets to determine whether there is an indication that those assets suffered any impairment. If any such indication exists, the recoverable amount of the assets is estimated to determine the extent of the impairment (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

In the event that, in the subsequent period, an asset that has been subject to an impairment loss is no longer considered to be impaired, the value is restored and the gain is recognised in the statement of comprehensive income. The restoration is limited to the value which would have been recorded had the impairment adjustment not taken place.

1.6.1 Useful lives and residual values of property, plant and equipment

The Authority assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes. The depreciation rates are set out in note 3.2 and changes to useful lives have been considered necessary during the year. Management has set residual values for all classes of property, plant and equipment at zero.

1.6.2 Uncollectable accounts receivable

The Authority estimates the allowance for uncollectible accounts based on management's assessment of collection indicators to determine the rate applied.

1.6.3 Fair value measurement

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset
- Or
- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

1.7 New and revised standards and interpretations

1.7.1 Standards effective from 1 January 2020

No new standards that affect the Authority were effective on the above dates for this financial year.

1.7.2 Amended Standards – Effective 1 January 2020

i. Amendments to IAS 1 and IAS 8 -Material

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

ii. Amendment to IFRS 16

The IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors. The Authority will not be applying this amendment as no such relief was sought during the financial year.

3. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the year ended 31 December 2020. The only major change is the reporting which now recognises hyperinflation in the economy hence financial statements have been adjusted for inflation.

1.1 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. Work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognised at the



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date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate major components of property, plant and equipment. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings. An item of property, plant and equipment is derecognised upon disposal or loss when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss section of the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

1.2 Depreciation

Provision for depreciation is based on straight line basis over the asset's expected useful life. Land and work in progress are not depreciated. The depreciation rates are set out below. A review of useful lives for assets across the classes were carried out during the year. This had the effect of extending useful lives for specific assets after a fair assessment of their usefulness to the Authority going forward. The reviews had the effect of extending lives and the rates of depreciation remained as set out below. The annual rates used for this purpose are:

| | |
|-------------------------|--------|
| Fixtures and fittings | 10% |
| Furniture and equipment | 10% |
| Plant and machinery | 10% |
| Motor vehicles | 20% |
| Buildings | 2% |
| Computer equipment | 33.33% |

1.3 Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less cost to sale. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the profit or loss. Once classified as held for sale, the non-current assets are no longer depreciated.

1.4 Government grants

Government grants are assistance by Government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Grants related to assets are Government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long term assets.

Grants relating to income are Government grants other than those related to assets. Government grants, including non-monetary grants at fair value shall not be recognised until there is a reasonable assurance that:

- The entity will comply with the conditions attaching to them; and
- The grants will be received.

The Authority receives these two form of grants:

1.4.1 Capital grants and donations

Capital grant is recorded as deferred income in the statement of financial position when it becomes receivable and is then recognised as income on a systematic basis over the period necessary to match the grant with the related costs which they are intended to compensate. Grant amortised is credited to the income statement over the expected useful lives of the respective assets, on a straight line basis. Donations in kind are recorded as assets and also other income when received

1.4.2 Revenue grants and donations

Revenue grants are recognised as income in the profit or loss section of the statement of profit or loss and other comprehensive income in the same period as the period during which the related expenses qualifying for the grant have been incurred. Donations are recorded as other income when received.

The periods over which an entity recognises the costs or expenses related to a Government grant are readily ascertainable. The grants in recognition of specific expenses are recognised in profit or loss in the same period as the relevant expense. The funding disbursements are authorised quarterly by the Ministry of Finance upon the Authority's submission of a quarterly cash flow which will cover both capital and income grant.

1.5 Employee benefits

i. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined contribution plan

Obligations for contribution plans are expensed as the related service provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iii. Termination benefits

Termination benefits are expensed at the earlier of when the Authority can no longer withdraw the offer of those benefits and when the Authority recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

1.6 Inventory

Inventory is valued using the moving average method. Inventory values in the system are determined by the average of the existing inventory value and the price of incoming inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

1.7 IFRS 9 Financial Instruments

The Authority has fully complied with the IFRS 9. From a classification and measurement perspective the standard requires that all financial instruments' assessment be based on the Authority's business model of managing the financial instruments and the cash flow characteristics of the same, except for derivatives and equity instruments.

1.7.1 Business model assessment

The Authority determines its business model at the level that best reflects how it manages its financial assets to achieve its business objectives. The Authority's model is assessed on an instrument by instrument basis, based on the following factors;

- The risks that affect the performance of the business model and how the risk



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- is managed within each financial asset.
- The level of amounts held within each financial instrument.
 - The security available on securing each asset.

1.7.2 Measurement

The Authority classified all its financial assets based on the business model for managing the assets and the asset's contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOIC)
- Fair value through Profit and Loss (FVPL)

The Authority measures loans and advances to staff, money market investments and mortgage investments at amortised cost if both of the following conditions are met;

- The financial asset is held within a business model with the objective to hold financial assets in order collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

1.7.3 Impairment of financial assets

The expected credit loss model applies to debt instruments recorded at amortised cost or at fair value through other comprehensive income. An impairment test involves comparing an asset's carrying amount in the balance sheet with its recoverable amount is done annually. Recoverable amount is the higher of fair value less costs of disposal and value in use. Where the recoverable amount using both methods is higher than the asset carrying amount, there is no impairment unless it is the reverse.

Expected credit losses is calculating the impairment allowance. After initial recognition, the impairment allowance is adjusted, up or down, through profit or loss at each balance sheet date as the probabilities of collection and recoveries change.

1.7.4 Classification of financial assets and liabilities

The Authority classifies its financial assets and liabilities as follows;

- **Financial assets held at amortised cost**
These include loans and advances to staff and trade advance payments.
- **Cash and cash equivalents**
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances and investments with up to 90days maturity.
- **Financial Liabilities**
All loans and borrowings which are measured at initial recognition at fair value less directly attributable transactional costs. After initial recognition interest bearing loans are measured at amortised costs.

1.7.5 De-recognition of financial assets

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired.

1.7.6 De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

1.8 Risk management

1.8.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the unforeseen changes in interest rates. The Authority's exposure to the risk of change in market interest rates relates

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primarily to the held to maturity investments. Exposure to interest rate risk is managed at management level on a proactive basis. Management mitigates interest rate risks by investing in shorter maturity securities.

1.8.2 Foreign currency transaction and balances

While the Authority records are maintained in Zimbabwe Dollars (ZWL), some of its transactions are conducted in other major foreign currencies which include the United States Dollar, South African Rand, Botswana Pula, British Pound and Euros. Transactions in foreign currencies are translated to the Zimbabwe Dollar at rates of exchange ruling at the time of the transactions. Transaction and translation gains and losses arising on conversion or settlement are dealt with in the statement of comprehensive income in determination of the operating income.

1.9 Taxation

The Authority's receipts and payments are exempt from income tax in terms of the third schedule to the Income Tax Act [Chapter 23:04].

1.10 Development costs

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Authority intends to and has sufficient resources to complete development and to use the asset. Otherwise expenditure is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred. Any expenditure capitalised is normally amortised over three years.

1.11 Leases

The Authority adopted IFRS 16 for the purposes of managing and reporting leases. The Authority applied the standard from its mandatory date of 1 January 2019. The simplified transition approach was adopted and did not restate comparative amounts for the year prior to first adoption. All other right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). As the lessee, the Authority recognized a "right of use asset" and a lease liability. The right of use asset was treated similarly to other non-financial assets and depreciated accordingly.

1.11.1 Short-term and Low Value assets leases

The Authority recognised leases that were less than 12 months old at the reporting date and related to leasing of small items which have a value of less than US\$5000. Obligations incurred these leases were charged to the statement of comprehensive income in equal instalments over the period of the lease, except when the alternative method is more representative of the time pattern from which benefits are derived.

1.12 Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Authority. Software acquired separately is measured on initial recognition at cost. Following initial recognition, it is carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset is reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern or



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consumption of amortisation period or method as appropriate and are treated as changes in accounting estimates. The amortisation expense is recognised in the statement of comprehensive income. Amortisation is recognised in the statement of comprehensive income on straight line basis over the useful life of the software. Amortisation methods, useful lives and residual lives are reviewed at each financial year end and adjusted if appropriate.

The estimated economic useful life applied is as follows:

| | |
|------------------------|---------|
| SAP Operating software | 3 years |
| Other software | 3 years |

1.13 Biological assets

Biological assets are measured at fair value less cost to dispose, with any change therein recognised in profit or loss.

1.14 IFRS 15 Revenue from Contracts with Customers

Applying IFRS 15, the Authority recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or service. The Authority receives commissions from other state agencies for services which is being rendered. To recognise revenue under IFRS 15, the Authority applies the following five steps:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer.

OUTSTANDING REVENUE RETURN as at 31 December 2020

| REVENUE HEAD | OUTSTANDING AMOUNT | |
|----------------------------------|----------------------|----------------------|
| | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
| ATM Levy | 237 360 | 5 107 |
| Capital gains tax (CGT) | 126 594 245 | 11 490 410 |
| Capital gains withholding tax | 9 674 466 | 12 739 582 |
| Carbon tax | 1 675 469 | 971 |
| Customs duty | 359 202 984 | 108 511 602 |
| Excise duty | 11 309 103 | 17 262 359 |
| Non - executive directors fees | 5 471 034 | 4 399 460 |
| Non - residence shareholder tax | 14 312 566 | 5 008 128 |
| Non - residence tax on fees | 38 578 427 | 56 015 347 |
| Non - resident tax on Interest | 5 505 | 5 505 |
| Non - resident tax on remittance | 3 313 772 | 15 034 591 |
| Non - resident tax on royalties | 326 054 | 1 135 016 |
| Special excise | - | 4 200 |
| Resident shareholders tax | 4 570 481 | 3 010 887 |
| Resident tax on interest | 36 901 477 | 33 095 461 |
| Income tax companies | 1 610 495 729 | 1 629 616 669 |
| Intermediate money transfer tax | 703 205 032 | 60 181 716 |
| Noczim levy | - | - |
| Clearance fees | 1 320 | 1 150 |
| Other | 14 824 256 | 9 315 125 |
| Demutualisation levy | 90 | 105 |
| Pay as you earn (PAYE) | 2 554 159 964 | 942 577 706 |
| Penalty | 13 723 213 | 4 657 905 |
| Presumptive tax | 11 153 940 | 4 990 412 |
| Royalties on minerals | 59 241 179 | 112 269 554 |
| Stamp duties | 21 896 089 | 31 471 883 |
| State warehouse rent | 2 913 552 | 2 246 127 |
| Surtax | 20 413 561 | 1 858 576 |
| Pension directives | 9 441 193 | 14 773 531 |
| Tobacco levy | 21 198 865 | 2 223 997 |
| Fines | - | - |
| VAT | 2 710 427 361 | 1 483 021 069 |
| VAT withholding tax | 21 579 180 | 82 451 490 |
| Vat on imports services | 26 019 283 | 8 584 786 |
| VAT on imports | 92 031 284 | 18 067 591 |
| Withholding tax on tenders | 163 638 571 | 115 162 082 |
| Withholding tax non resident Tax | 304 835 | - |
| TOTAL | 8 668 841 437 | 4 791 190 100 |



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REVENUE RETURN
for the fiscal period ending 31 December 2020

| DESCRIPTION | ACTUAL 31/12/2020 ZWL | BUDGET 31/12/2020 ZWL | ACTUAL 31/12/2019 ZWL | BUDGET 31/12/2019 ZWL |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| TOTAL REVENUE | 181 956 938 693 | 171 893 739 807 | 23 187 748 163 | 18 602 488 836 |
| TAXES ON INCOME AND PROFITS | 69 028 713 929 | 59 204 771 648 | 7 011 961 818 | 5 150 061 899 |
| Income Tax | | | | |
| Individuals | 29 831 837 558 | 26 583 881 557 | 3 548 198 178 | 2 298 438 445 |
| Companies | 35 866 245 844 | 27 068 573 185 | 3 328 406 520 | 2 553 397 079 |
| Aids Levy | -1 902 674 502 | | -200 289 457 | |
| | 63 795 408 899 | 53 652 454 742 | 6 676 315 241 | 4 851 835 524 |
| Capital Gains | | | | |
| Capital Gains taxes | 117 477 512 | 736 357 959 | 51 945 917 | 54 589 915 |
| CGT Companies | 469 054 406 | | 5 305 183 | |
| CGT Withholding | 130 476 472 | 116 477 387 | 11 259 263 | 15 044 784 |
| | 717 008 390 | 852 835 346 | 68 510 363 | 69 634 699 |
| Domestic dividends & interest | | | | |
| Non executive directors fees | 103 654 110 | 186 385 311 | 20 219 380 | 11 810 811 |
| Non resident tax on fees | 846 992 889 | 1 163 367 446 | 108 775 592 | 91 320 135 |
| Non resident tax on royalties | 122 732 491 | 145 208 295 | 5 439 853 | 5 957 332 |
| Non resident tax on remittance | 175 561 956 | 177 668 571 | 33 156 097 | 58 462 000 |
| Non resident tax on interest | 3 159 728 | 2 253 978 | 415 108 | 14 039 |
| Non resident shareholders' tax | 2 502 967 248 | 2 807 504 534 | 43 243 169 | 35 924 447 |
| Resident shareholders' tax | 741 617 066 | 191 255 198 | 49 105 948 | 14 888 052 |
| Resident tax on interest | 18 432 355 | 25 838 229 | 6 781 068 | 10 214 861 |
| | 4 516 296 639 | 4 699 481 560 | 267 136 214 | 228 591 676 |
| TAX ON GOODS AND SERVICES | 87 447 218 461 | 86 906 470 142 | 12 297 217 471 | 9 957 241 580 |
| Customs Duties | | | | |
| Prime and surtax | 14 824 785 502 | 16 337 383 309 | 1 930 875 540 | 1 507 142 205 |
| Less Duty refunds | - 32 962 115 | | - 19 291 002 | |
| Deposits made in advance | 2 195 130 122 | | 284 653 055 | |
| | 16 986 953 509 | 16 337 383 309 | 2 196 237 593 | 1 507 142 205 |
| Excise Duties | | | | |
| Beer | 2 272 282 130 | 2 080 968 357 | 235 157 584 | 167 884 920 |
| Tobacco | 410 304 152 | 129 045 606 | 53 835 188 | 33 344 172 |
| Wine & spirits | 383 198 839 | 299 799 126 | 51 740 453 | 58 411 439 |
| Second hand motor vehicles | 21 963 504 | 19 040 622 | 9 027 932 | 3 714 617 |
| Fuel | 20 201 999 907 | 20 184 757 579 | 3 499 313 201 | 3 260 352 985 |
| Electric lamb | 25 | 894 015 | 1 782 | 424 |
| Airtime | 2 528 252 288 | 2 190 460 160 | 282 473 431 | 235 081 783 |
| | 25 818 000 844 | 24 904 965 465 | 4 131 549 571 | 3 758 790 340 |
| Value Added Tax | | | | |
| On local sales | 30 661 255 559 | 29 907 867 296 | 3 626 364 978 | 2 630 519 252 |
| Import tax | 20 464 633 120 | 19 976 434 985 | 3 031 503 640 | 2 060 789 783 |
| Less Refunds | -6 483 624 570 | -4 220 180 914 | - 688 438 311 | |
| | 44 642 264 108 | 45 664 121 367 | 5 969 430 306 | 4 691 309 036 |
| OTHER TAXES | 25 481 006 303 | 25 782 498 017 | 3 878 568 874 | 3 495 185 356 |
| Tobacco levy | 406 022 396 | 385 008 557 | 61 841 075 | 48 950 422 |
| Presumptive tax (Informal traders tax) | 101 223 673 | 103 608 289 | 15 848 247 | 25 017 594 |
| Withholding tax on contracts | 2 572 989 582 | 2 618 738 525 | 433 146 930 | 338 526 239 |
| Intermediate Money Transfer | 13 800 041 293 | 15 072 266 486 | 2 655 724 044 | 2 450 627 332 |
| Stamp duties and fees | 289 204 702 | 240 215 189 | 41 365 924 | 35 715 690 |
| Mining royalties | 5 910 907 673 | 5 953 064 396 | 556 045 507 | 522 260 547 |
| Less Refunds | - 7 620 324 | | - 976 184 | |
| Carbon tax | 1 303 725 873 | 1 172 646 556 | 54 186 652 | 65 115 144 |
| ATM Levy | 17 816 647 | 32 168 131 | 8 822 457 | 8 972 389 |
| Miscellaneous | 3 490 264 | 62 877 590 | 345 031 | |
| Sport betting tax | | | | |
| Accounting fees | 5 915 311 | | 1 545 305 | |
| Fines | 308 761 910 | | 26 339 460 | |
| Interest | 11 534 777 | | 738 755 | |
| Cancellation fees | 1 149 399 | | 248 902 | |
| Rummage sales | 21 699 021 | | 7 720 678 | |
| Less rummage sale expenses | | | - 661 973 | |
| Business licences | 618 275 | 141 904 298 | 313 808 | |
| State warehouse rent | 18 126 071 | | 5 205 086 | |
| Estreated Deposits | | | 2 389 711 | |
| Surplus Cash | 7 751 144 | | 2 361 880 | |
| Deposits not yet classified | 707 648 618 | | 6 017 580 | |
| | 25 481 006 303 | 25 782 498 017 | 3 878 568 874 | 3 495 185 356 |

RECEIPTS AND DISBURSEMENTS RETURN
for the year ended 31 December 2020

| Description | Historical Cost | | | |
|--|------------------------|------------------------|-----------------------|-----------------------|
| | 2020 | | 2019 | |
| | Dr ZWL\$ | Cr ZWL\$ | Dr ZWL\$ | Cr ZWL\$ |
| Opening balance | 598 008 510 | | 43 710 983 | |
| Opening investment bank balance | | | 863 864 | |
| Additions during the year | 193 583 379 735 | | 24 518 867 121 | |
| Less Disbursements in respect of: | | | | |
| VAT refunds | | 6 524 207 009 | | 709 367 470 |
| Exchequer account | | 164 560 904 355 | | 19 648 920 143 |
| Intermediate money transfer tax (IMTT) | | 13 300 973 082 | | 2 648 185 009 |
| Retention grant | | 5 500 007 765 | | 520 084 742 |
| Bank charges | | 343 376 755 | | 2 838 335 |
| Aids levy | | 1 334 127 395 | | 140 313 705 |
| NOCZIM levy | | 215 223 799 | | 39 390 256 |
| Vehicle registration numbers | | 64 378 750 | | 3 203 355 |
| Commissions | | 54 818 408 | | 7 638 106 |
| Motor insurance | | 224 659 460 | | 65 584 365 |
| Toll fees | | 9 883 | | 18 654 |
| Strategic levy | | 233 753 231 | | 21 765 006 |
| Petroleum levy | | 1 053 135 | | 1 249 340 |
| Transit fees | | 2 293 | | 3 068 |
| Road access fees | | 12 885 899 | | 12 074 880 |
| Veterinary inspection fees | | 61 770 | | 38 327 |
| Reafforestation levy | | - | | |
| Presumptive tax levy | | 83 823 175 | | 21 543 115 |
| Health fund-airtime levy | | 1 012 536 887 | | 115 654 316 |
| Health inspection fees | | 28 356 816 | | 5 817 329 |
| Plant quarantine services | | 14 008 196 | | 1 743 935 |
| Main account bank balance | | 672 220 181 | | 598 008 510 |
| TOTAL | 194 181 388 245 | 194 181 388 245 | 24 563 441 968 | 24 563 441 968 |

REVENUE WRITTEN OFF RETURN
as at 31 December 2020

| REVENUE HEAD | 12/31/2020 ZWL | 12/31/2019 ZWL |
|---|-------------------|-------------------|
| Irrecoverable Amounts approved for write off | | |
| Domestic Taxes Revenue heads | 12 496 414 | 6 240 846 |
| Customs and Excise Revenue heads | - | - |
| Other Revenue related write offs | - | - |
| Total | 12 496 414 | 6 240 846 |

TAX RESERVE CERTIFICATES RETURN
as at 31 December 2020

| REVENUE HEAD | TAX RESERVES | |
|---|---------------------|---------------------|
| | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
| Value of certificates not converted | - | - |
| Add sales from January to December | - | - |
| Less conversions from January to December | - | - |
| Balance at year end | - | - |
| Total | - | - |