

Zimbabwe Revenue Authority



REVENUE PERFORMANCE REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

1. Introduction

The general economic environment weakened marginally in the fourth quarter of 2021 with year-on-year inflation increasing by 9.19% percentage points from 51.55% as at end of September 2021 to 60.74% by end of December 2021. Economic growth is projected at 7.8% driven by electricity generation, agriculture, mining and infrastructure developments. On the other hand, local currency further weakened against the US dollar during the quarter from 87.6653 at the end of September 2021 to 108.70 at the end of December 2021.

The year 2021 ended on a positive note in terms of revenue collections as ZIMRA surpassed revenue targets despite a number of challenges that confronted the Revenue Authority and the nation as a whole. the biggest adversity was the continued COVID-19 pandemic that affected business operations and led to death of fellow citizens and some of the Authority's staff.

ZIMRA continued to support the Government 's National Development Strategy 1 (NDS-1) through implementation of various revenue collection and trade facilitation strategies.

2. Domestic Revenue Mobilization (DRM)

This report gives a summary of the 2021 annual net revenue collection performance and also provides a review of ZIMRA's strategic performance for the quarter ended 31 December 2021. .

2.1 Revenue Performance for Q4 2021

Gross collections for the fourth quarter amounted to **ZWL\$161.08 billion**, against a target of **ZWL\$108.17 billion (48.91% above target)**. The Authority paid out refunds of **ZWL\$3.90 billion** during the quarter under review. Table 1 below shows that net collections for the quarter were **ZWL\$157.19 billion (45.31% above target)**.

Table 1: Q4 2021 Net Revenue Collections

Q4 2021 Actual Net Revenue Collected against Target	
Actual Net Revenue Collected (ZWL\$)	157,186,086,348.42
Target (ZWL\$)	108,173,090,075.00
Variance	45.31%

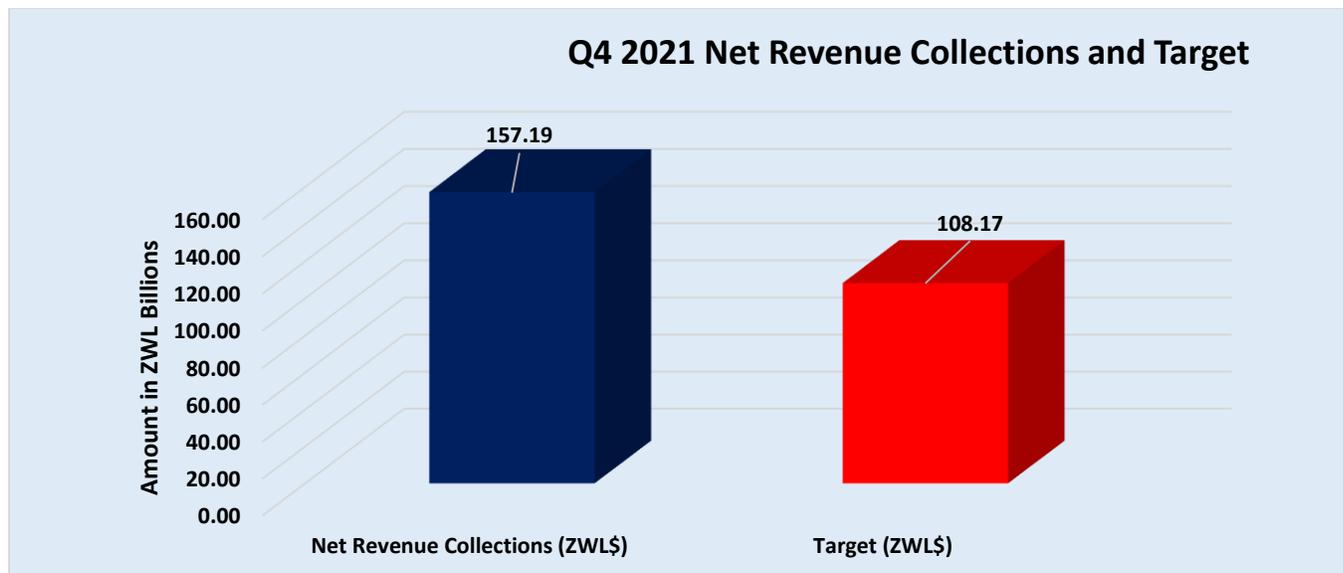


Figure 1: Q4 2021 Net Revenue Collections

Fourth quarter net revenue collections grew by **71.77%** in nominal terms when compared to the **ZWL \$91.51** billion collected during the same period in 2020. After adjusting for inflation, net revenue grew by 8.81% in the fourth quarter of 2021 as compared to the same period in 2020.

Table 3 below summarises the revenue performance for the quarter by revenue head:

Table 3: 2020/2021 Fourth Quarter Revenue Performance Comparison

TAX HEAD	2021 TARGET \$	2021 ACTUAL \$	% VARIANCE	2020 ACTUAL \$	% Nominal Growth	% Real Growth
Individuals	22,341,434,065.00	26,784,286,403.70	19.89%	13,741,022,023.50	94.92%	23.47%
Companies	22,085,920,000.00	31,721,669,442.02	43.63%	19,496,024,210.40	62.71%	3.06%
Gross VAT L/Sales	16,722,654,742.00	26,534,180,519.66	58.67%	14,549,300,375.47	82.37%	15.52%
<i>Less VAT Refunds</i>		<i>3,862,043,421.57</i>		<i>2,752,839,337.89</i>		
Net VAT L/Sales	16,722,654,742.00	22,672,137,098.09	35.58%	11,796,461,037.58	92.19%	21.74%
VAT on Imports	9,764,728,630.00	14,720,430,243.95	50.75%	9,914,752,134.58	48.47%	-5.95%
Gross Customs Duty	7,159,039,404.00	9,178,292,827.79	28.21%	7,053,044,496.91	30.13%	-17.57%
<i>Less Customs Refunds</i>		<i>28,106,494.48</i>		<i>15,041,984.73</i>		
Net Customs Duty	7,159,039,404.00	9,150,186,333.31	27.81%	7,038,002,512.18	30.01%	-17.65%
Excise Duty	12,962,962,760.00	19,493,121,402.15	50.38%	12,447,529,776.50	56.60%	-0.80%
Mining Royalties	3,181,425,317.00	3,676,402,569.81	15.56%	2,811,030,387.81	30.78%	-17.16%
WHT on Contracts	1,246,000,000.00	1,811,154,450.44	45.36%	1,004,137,303.21	80.37%	14.25%
Intermediated Money Transfer Tax	8,220,000,000.00	16,471,387,524.71	100.38%	6,071,450,792.51	171.29%	71.85%
Other Taxes	679,115,000.00	1,069,264,536.27	57.45%	571,791,830.40	87.00%	18.45%
CGT & CGT Withholding	591,100,000.00	677,577,875.59	14.63%	386,175,033.97	75.46%	11.14%

Other Indirect Taxes	88,015,000.00	377,389,381.01	328.78%	177,465,495.16	112.66%	34.70%
Tobacco Levy		14,297,279.67		8,151,301.27		
Carbon Tax	681,578,186.00	1,973,064,440.50	189.48%	726,424,925.70	171.61%	72.05%
DFIR	3,086,691,971.00	2,634,156,688.37	-14.66%	2,735,843,787.65	-3.72%	-39.01%
Gross Non Tax	41,540,000.000	5,008,825,215.10		3,157,461,427.56	58.63%	0.48%
<i>Less Other Refunds</i>		<i>7,069,287.92</i>		<i>2,663,975.50</i>		
Net Non-Tax	41,540,000.000	5,008,825,215.10		3,154,797,452.06	58.77%	0.57%
Total Net Revenue	108,173,090,075.00	157,186,086,348.42	45.31%	91,509,268,174.07	71.77%	8.81%
Total Gross Revenue	108,173,090,075.00	161,076,236,264.47	48.91%	94,279,813,472.20	70.85%	8.22%

The pie-chart below shows the contribution of each revenue head to total net collections during the fourth quarter of 2021. The top three revenue heads namely Individuals, Company Tax and VAT on Local Sales together contributed **51.64%** of total revenue.

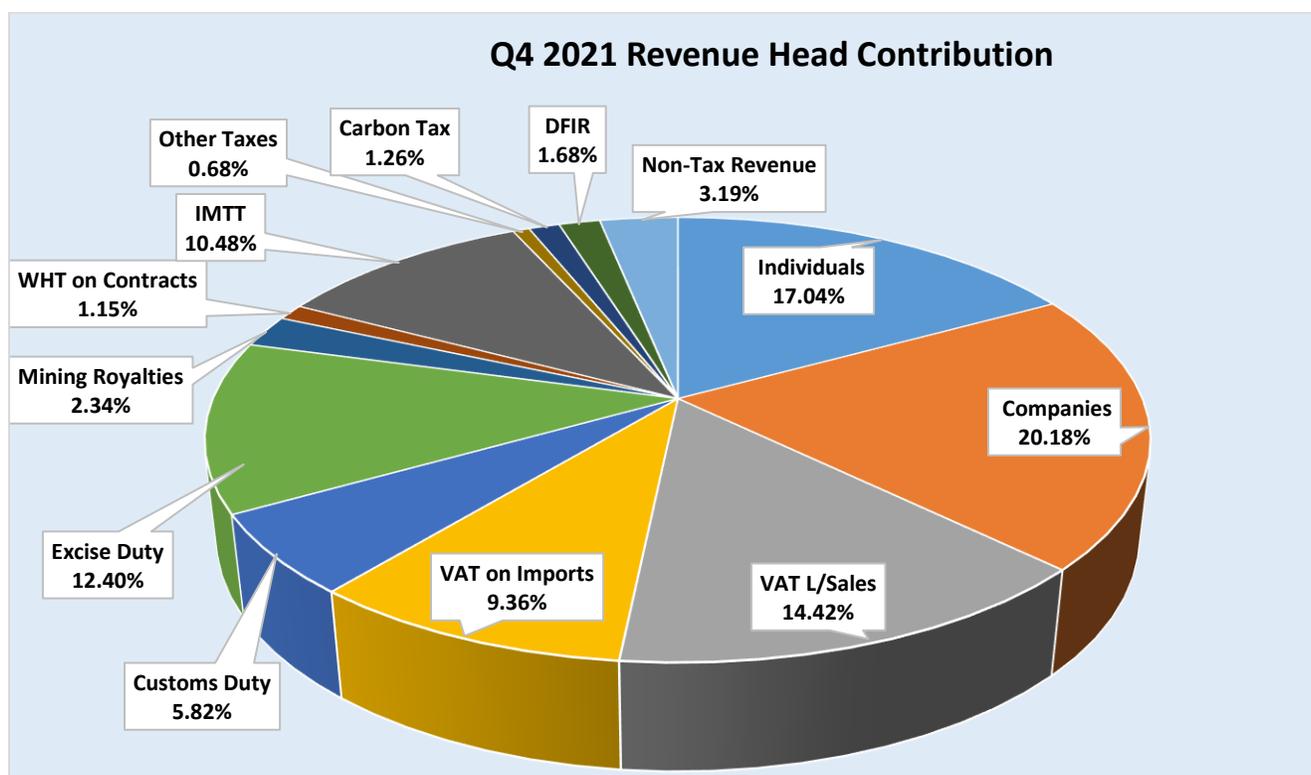


Figure 2: 2021 Q4 Revenue Contributions by Tax Head

- **Individuals:** Various industries effected salary adjustments for their workforce in light of the rising cost of living. Traditional end of year bonuses also boosted collections under this tax head. The Authority tirelessly sent reminders for payment of taxes and intensively followed up on debts.

- **Companies:** The fourth Quarterly Payment Dates (QPD) boosted collections under this tax head. ZIMRA also sent timely reminders to taxpayers on their obligation pertaining to the 4th QPD. In addition, increased capacity utilisation by companies, especially in the manufacturing sector where it was expected to increase from **47%** in 2020 to **61%** in 2021¹, led to enhanced profitability which positively impacted on revenue collections on companies.

- **Excise Duty:** The revenue head performed above target and was one of the highest contributors to revenue during the quarter, accounting for **12.40%** of total revenue. ZIMRA, largely through the Electronic Cargo Tracking System (ECTS) section, came up with mechanisms to curb fuel smuggling which was prejudicing Excise Duty collections.

- **VAT on Local Sales:** The revenue head performed above target in gross and net terms and it constituted **14.42%** of total revenue. ZIMRA embarked on a media campaign to educate the nation on fiscalisation through a series of radio programmes. In relation to payment of taxes in the currency of trade, the revenue authority placed advertisements in the print and electronic media as well as on social media platforms educating and reminding clients to pay taxes in the currency of trade.

- **Customs Duty and VAT on Imports:** Various industries continued to import critical equipment and material for use in the production process which enhanced collections under trade taxes. The import taxable base increased by **74.37%** from **ZWL\$65.08 billion** in **Q4 2020** to **ZWL\$113.47 billion** in **Q4 2021**.

- **IMTT:** The Intermediated Money Transfer Tax performed above target and contributed **10.48%** to the quarterly revenue. The non-availability of adequate cash to meet transaction needs of corporates and individuals resulted in increased demand for electronic transactions and this boosted IMTT collections.

¹ RBZ 2021 Mid-term Monetary policy statement
Board Chair's Report for Publication - Q4 2021

2.2 Q4 2021 Net Revenue Collections in Comparison to Q4 2020

The following graph shows a comparison of revenue collections for Q4 2021 and 2020 as well as the 2021 targets for each revenue head.

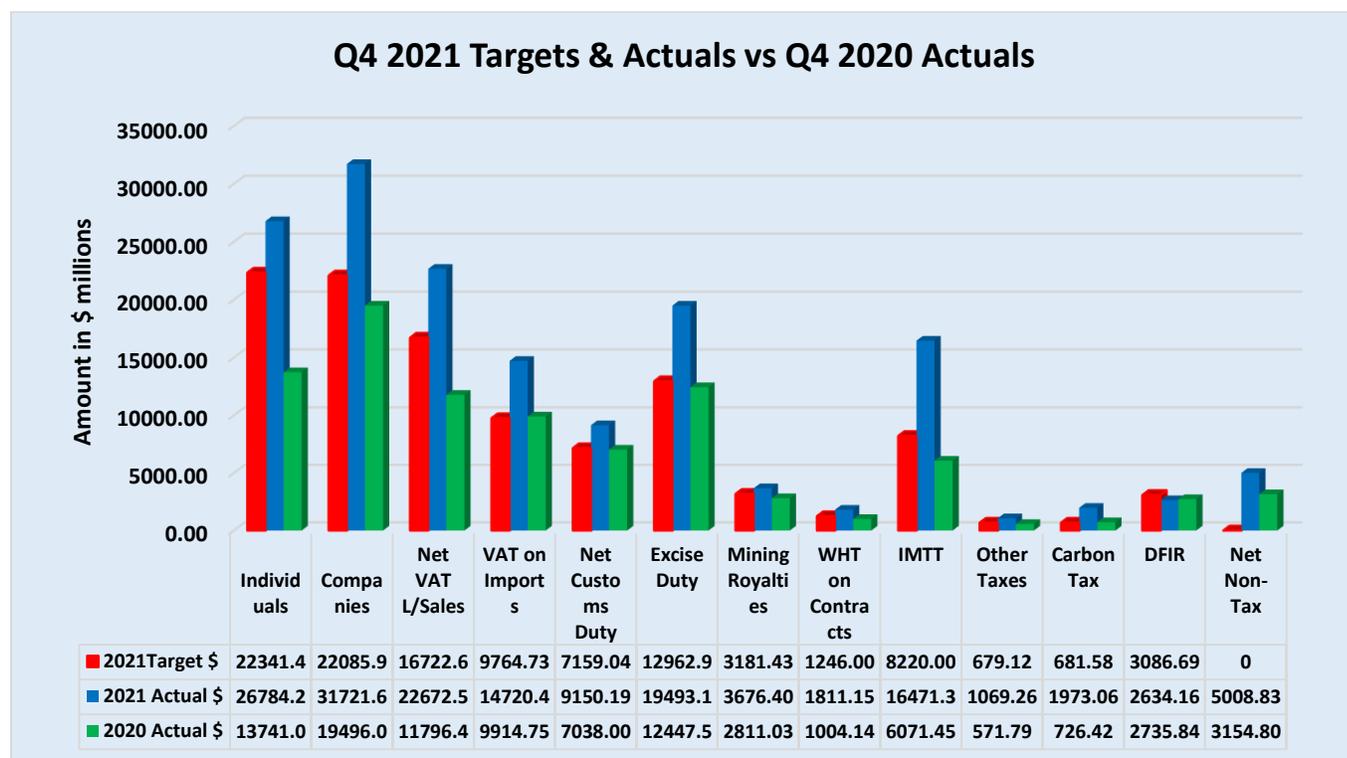


Figure 3: 2021/2020 Fourth Quarter Revenue Comparison by Tax Head

All revenue heads performed better in Q4 2021 in nominal terms compared to the same period last year. This is largely attributed to inflationary pressures that the country experienced for the greater part of 2021.

2.3 Annual cumulative net revenue performance for 12 months ending 31 December 2021

The authority collected net revenue of **\$469.21 billion** against a target of **\$387.40 billion** for the year ending 31 December 2021 and this translated to **21.12%** above target. The table below summarises the annual revenue performance for 2021:

Table 4: 2021 Annual Net Revenue Collections Vs Targets and 2020 Collections

TAX HEAD	2021 MOF TARGET \$	2021 ACTUAL \$	% VARIANCE	2020 ACTUAL \$	% Nominal Growth	% Real Growth
Individuals	72,236,865,065.00	81,132,951,013.43	12.32%	28,438,908,238.03	185.29%	17.28%
Companies	73,553,926,443.00	92,554,385,476.83	25.83%	34,132,998,395.24	171.16%	11.47%
Gross VAT L/Sales	63,679,616,380.00	78,657,379,887.78	23.52%	30,003,379,035.09	162.16%	7.77%
<i>Less VAT Refunds</i>		<i>9,615,060,652.95</i>		<i>6,483,624,570.48</i>	<i>48.30%</i>	<i>-39.04%</i>

Net VAT L/Sales	63,679,616,380.00	69,042,319,234.83	8.42%	23,519,754,464.61	193.55%	20.67%
VAT on Imports	36,848,328,630.00	45,444,289,039.97	23.33%	20,472,022,921.72	121.98%	-8.75%
Gross Customs Duty	27,314,519,702.00	29,639,505,571.89	8.51%	14,606,682,944.48	102.92%	-16.58%
<i>Less Customs Refunds</i>		<i>86,422,879.18</i>		<i>32,962,114.52</i>		
Net Customs Duty	27,314,519,702.00	29,553,082,692.71	8.20%	14,573,720,829.96	102.78%	-16.64%
Excise Duty	50,467,534,601.00	57,048,380,196.27	13.04%	25,824,709,900.65	120.91%	-9.19%
Mining Royalties	11,511,425,317.00	13,470,776,637.62	17.02%	5,596,174,578.19	140.71%	-1.05%
WHT on Contracts	4,635,218,181.00	7,290,481,702.70	57.28%	2,718,670,930.07	168.16%	10.24%
IMTT	29,069,803,940.00	45,292,288,567.17	55.81%	13,788,395,651.27	228.48%	35.03%
Other Taxes	3,025,739,000.00	4,165,981,094.09	37.68%	1,537,616,509.32	170.94%	11.38%
CGT & CGT Withholding	2,220,865,629.00	2,003,486,930.64	-9.79%	714,553,269.66	180.38%	15.26%
Other Indirect Taxes	332,135,000.00	1,361,606,984.00	309.96%	424,075,015.38	221.08%	31.99%
Tobacco Levy	472,738,371.00	800,887,179.45	69.41%	398,988,224.28		
Carbon Tax	2,655,378,186.00	5,703,729,948.60	114.80%	1,196,579,337.14	376.67%	95.95%
DFIR	12,237,903,971.00	5,107,282,759.56	-58.27%	4,444,159,493.15	14.92%	-52.76%
Gross Non Tax	159,940,000.000	13,434,154,595.18		6,350,011,517.52	111.56%	-13.03%
<i>Less Other Refunds</i>		<i>33,378,809.04</i>		<i>7,620,324.48</i>		
Net Non-Tax	159,940,000.000	13,400,775,786.14		6,342,391,193.04	111.29%	-13.14%
Total Net Revenue	387,396,199,416.00	469,206,724,149.91	21.12%	182,586,102,442.39	156.98%	5.64%
Total Gross Revenue	387,396,199,416.00	478,941,586,491.09	23.63%	189,110,309,451.87	153.26%	4.11%

2021 Monthly Net Revenue Performance vs. 2021 Monthly Performance

Figure 4 shows a comparison of 2021 and 2020 monthly performances.

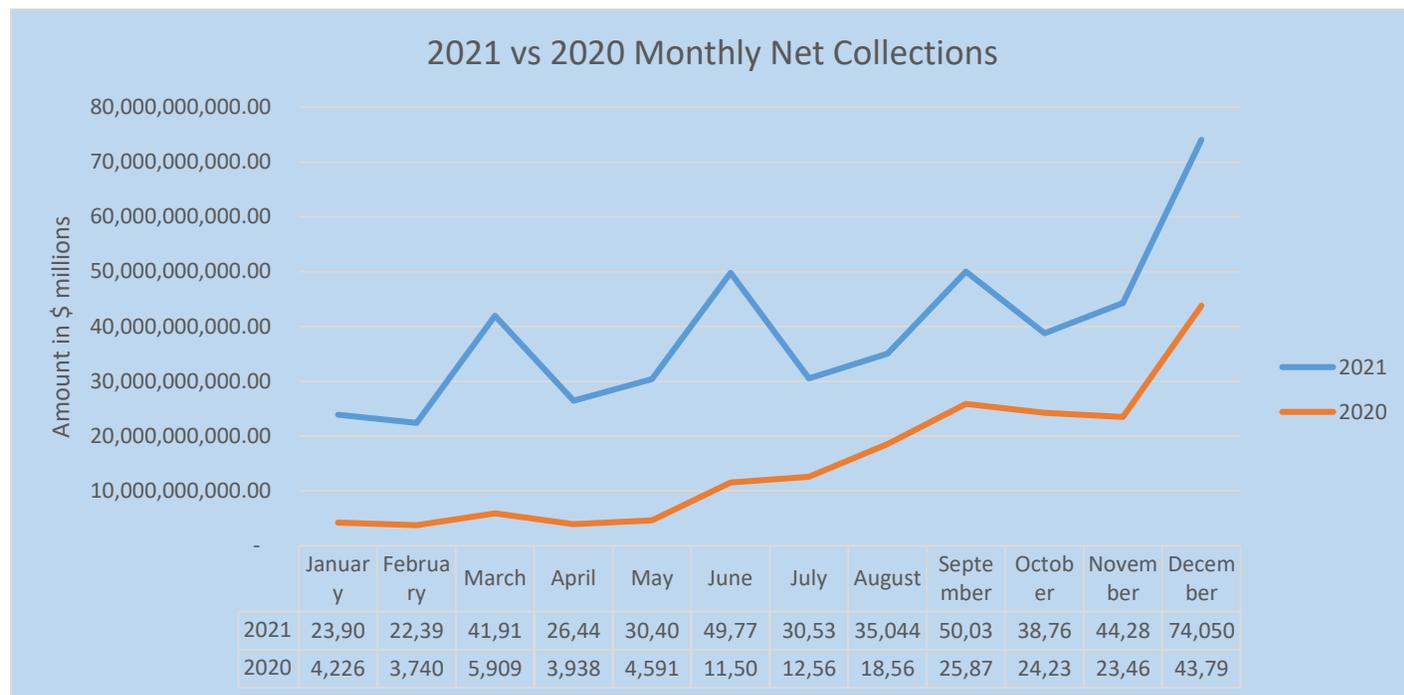


Figure 4: Comparison of monthly net revenue collections, 2021 vs 2020

Monthly revenue collections assumed a positive trajectory and recorded significant growth from 2020 showing the positive impact of economic policies in place and ZIMRA revenue mobilisation strategies being pursued, despite the inflation component.

3. Ease of doing business

- Upgrade of the Beitbridge Border Post which is the largest and busiest port of entry in Zimbabwe significantly eased commercial traffic congestion.
- ZIMRA enforced the pre-clearance procedure and levied penalties on trucks arriving at the ports of entry without proper paper work and without pre-clearance; a practice that was causing delays and congestion at the border posts. .
- More staff was deployed at border posts during peak periods like the festive season to expedite clearance of passengers and cargo.

4. Plugging of revenue leakages

Zero tolerance towards corruption is a clarion call that is gaining traction across all spheres of society and ZIMRA maintains its stance on plugging revenue leakages. In the fourth quarter of 2021, the

Authority ran a campaign termed “*#I am for Zero*” as part of its strategy to conscientize the nation and business operators on the need to willingly honor tax obligations thereby participating in building our economy. A number of automation projects were in progress with the intention to minimize manual processes and physical contact between players in the revenue collection process.

A special project targeted at unregistered operators downtown in Harare was initiated. The target is to ensure that all informal traders who should pay tax are brought into the tax net.

5. Summary of Revenue Enhancement Strategies implemented during the quarter

The Authority implemented the following revenue enhancement measures during the fourth quarter of 2021:

- **Publicity:**
 - Webinars with clients and relevant stakeholders were held to raise awareness on taxation matters and changes to tax legislation.
 - TV talk shows on issues pertaining to taxation were done for the benefit of viewers. The shows were also interactive so that the general public could ask questions on the issues at hand.
 - Online reminders of tax obligations were sent to clients especially in relation to outstanding debts and due dates for the various taxes
 - Public Notices were issued to inform taxpayers on taxes due and changes in tax law and practice.
 -
- **Effective debt management** – The Authority continued to implement its debt recovery strategy including rigorous follow up on outstanding taxes.
- **Risk Based Audits:** Specific sector and tax type audits were carried out as part of risk management.
- **Customs Post Clearance Compliance Enforcement:** Road blocks and border patrols were re-enforced to curb smuggling.
- **Transit Management:** Continued to be enforced through the Electronic Cargo Tracking System (ECTS) and escorts.

6. Progress made on key strategic projects that have a national impact

- **Border Surveillance: Acquisition of Drones** – The Authority is in the process of acquiring drones to be used for border surveillance operations. These drones will go a long way in curbing smuggling thus increasing revenue to the nation. The supplier for the drones has been selected, contract signed and implementation is underway.

- **Inland Dry Ports** – ZIMRA is progressing with the Dry Ports Project with the main objective to decongest the borders. Dry Ports are going to be constructed in phases starting with Makuti Dry Port which will decongest Beitbridge, Forbes and Chirundu border posts. The Makuti Dry Port Project is now at design stage. Other locations earmarked for construction of Dry Ports after Makuti are Mutare, Bulawayo and Masvingo.

- **Tax and Revenue Management System (TaRMS)** – the Authority is in the process of replacing the Domestic Taxes Information Technology Operational System. An international tender was flighted and the winning bidder was selected. Contract negotiations with the winning bidder is now under way. This new Domestic Taxes IT system is expected to facilitate easy submission of tax returns, easy access to the ZIMRA portal, easy interaction between ZIMRA and the client and overall, contribute to the national strategy of making it easy to do business in Zimbabwe. Once this system together with the Asycuda Customs System upgrade and the fiscalization program are completed, the client will enjoy doing business with ZIMRA as the ICT systems will then be efficient and effective. At the same time, ZIMRA will now be in a strategic position to receive and analyze revenue related data to the benefit of the nation.

7. Outlook

ZIMRA expects a productive 2022 as most of its projects are now at implementation stage; the time-consuming project initiation stages have passed for most of the projects. The Omicron COVID-19 variant has had less fatalities than the earlier variants and it is therefore anticipated that the COVID-19 negative impact on business and on revenue could be fairly reduced compared to the previous two years. The economy has been projected to grow at 5.5% in 2022, underpinned by the continued efforts by the authorities to stabilise the exchange rate, suppress growth of money supply, contain the fiscal deficit, grow manufacturing capacity, and control inflationary pressures. All this is expected to have a positive impact on revenue. The Authority will continue to implement the identified revenue enhancement strategies to grow the tax base. Clients are encouraged to respond positively to the strategies ZIMRA is implementing to make it easy for them to pay their taxes voluntarily.

8. Gratitude

On behalf of the ZIMRA Board, I would like to express my sincere gratitude to the Minister of Finance & Economic Development, Honourable Professor Mthuli Ncube and his Team for the support that they continue to provide to ZIMRA in the form of policy guidance and critical resources necessary for ZIMRA to carry out its mandate.

My appreciation also goes to the ZIMRA Acting Commissioner General, Executive Management and Staff for their commitment and hard work. The team has steered the ship to the shore despite the various challenges facing them.

To all our valued clients, I would like to thank you all for the continued support. You did not give up even in the face of system challenges. You continued to partner with us in the efforts to develop our economy.

Lastly, to my fellow board members, the work was made a lot easier by your hard work, dedication and co-operation, keep it up.

I thank you.



Josephine Matambo

ZIMRA Vice-Board Chairperson