

STATEMENT BY THE ZIMRA BOARD CHAIRMAN ON REVENUE PERFORMANCE FOR THE FIRST HALF OF 2012



Mr Sternford Moyo, ZIMRA Board Chairman

It gives me pleasure to present to you the revenue performance report for the first half of 2012.

GENERAL ECONOMIC OVERVIEW

Economic growth remained stagnant during the first half of 2012, and was further slowed down by a number of factors which negatively affected the revival of the productive sectors of the economy.

Inflation was contained within the projected levels within the period under review. The annual rate of inflation declined from over 4% in the early months of the year to 3.97% in June according to statistics released by the Zimbabwe National Statistical Agency (ZIMSTATS). It is anticipated that

this rate will be managed within the 5% threshold by the end of the year in line with fiscal projections.

The depreciation of the South African Rand against the United States Dollar within the period under review also had the impact of lessening production costs for the manufacturing sector which relies, to a considerable extent, on imported raw materials from South Africa. However, electricity outages saw production costs soaring due to the need for companies to procure and maintain generators to avert the problem caused by power shortages.

Challenges which continue to retard economic growth include depressed industrial capacity utilisation due to working capital constraints, erratic power supplies, obsolete machinery, and liquidity challenges, among other factors.

Inadequate, and in some places, antiquated infrastructure continues to negatively affect economic revival, especially with regards to border post efficiency - whose improvement is a top priority for the Zimbabwe Revenue Authority (ZIMRA).

REVENUE PERFORMANCE

Net collections for the first half of 2012 amounted to US\$1.495 billion against a target of US\$1.5 billion, resulting in a negative variance of 0.34%. A large portion of the revenue was realised from Value Added Tax (VAT), Individual Tax and Excise Duty, which contributed US\$497.2 million, US\$299.7 million and US\$175.4 million respectively.

The second quarter brought in more revenue as compared to the first quarter of 2012. A total of US\$774.6 million was collected within the second quarter while collections for the first quarter amounted to US\$720.4 million. Revenue collections for the first half of 2012 areas shown in Table 1:

Table 1: Revenue Collections against Target for the First Half of 2012

Revenue Head	Target US\$	Actual Collections US\$	Percentage Variance
Total Revenue	1,500,189,845.00	1,495,065,236.27	-0.34%
Individual Tax	320,257,000.00	299,715,152.79	-6%
Company Tax	157,337,000.00	178,047,361.61	13%
VAT	510,288,270.00	497,220,520.28	-3%
Customs Duty	189,976,390.00	170,327,864.44	-10%
Excise Duty	157,497,545.00	175,438,664.86	11%
Other Taxes	164,833,640.00	174,315,672.29	6%

Comparatively, collections and targets for the first half of 2011 are as shown in the table below:

Table 2: 2011 First Half Revenue Collections

Revenue Head	Ministry of Finance (MOF) target US\$	Actual collections US\$	Actual variance to MOF US\$	Percentage Variance
Total revenue	1,150,850,000.00	1,294,803,970.07	143,953,970.07	13%
Individuals	217,085,000.00	268,880,800.38	51,795,800.38	24%
Companies	90,200,000.00	136,617,421.71	46,417,421.71	51%
V A T	470,400,000.00	507,062,836.65	36,662,836.65	8%
Customs Duties	149,100,000.00	163,142,330.59	14,042,330.59	9%
Excise Duties	115,510,000.00	141,275,180.80	25,765,180.80	22%
Other Taxes	108,096,300.00	77,825,399.94	-30,270,900.06	-28%

In 2012, VAT contributed 33% of total collections, followed by Individual Tax which made a contribution of 21% to total revenue. The pie chart below illustrates percentage contributions by the respective revenue heads within the period under review.

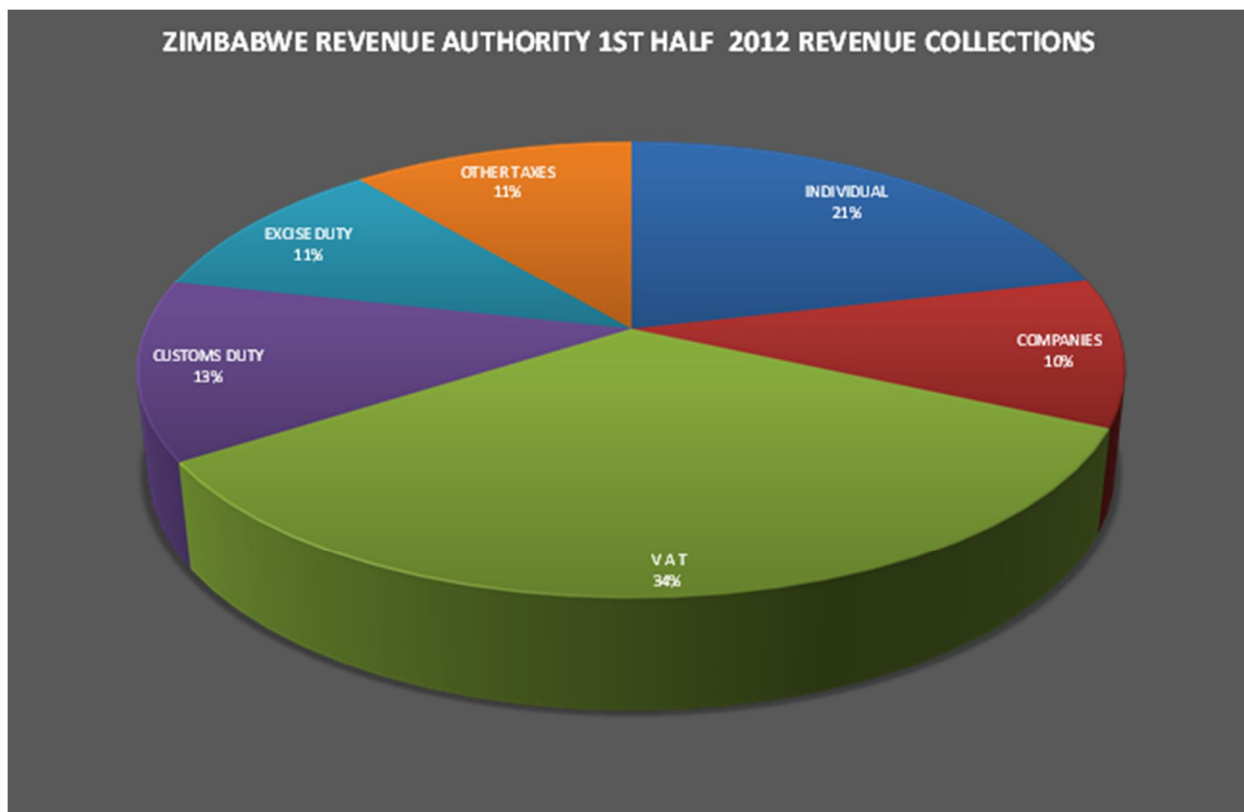


Figure 1: Contribution of revenue heads to total revenue

Individual Tax

Collections under this revenue head amounted to US\$299.7 million against a target of US\$320.3 million, resulting in a negative variance of 6%. There was, however, a 12% increase in total collections within the period under review as compared to the 2011 first half collections, which totalled US\$268.9 million.

The 2012 National Budget reviewed the tax- free threshold upwards from US\$225.00 to US\$250.00 per month. This reduced the portion of income that is taxable under Pay as You Earn.

Company Tax

A total of US\$178 million was collected as Company Tax against a target of US\$157.3 million. This translated to a positive variance of 13%. Revenue collections under this revenue head registered a 31% increase from the 2011 first half collections. The sterling performance of the revenue head can be attributed to:

- Gradual improvement in local industrial capacity utilisation.

- The first and second instalments under Quarterly Payment Dates (QPD) which were due on 25th March and 25th June respectively. Concerted efforts by the Authority through improved publicity, follow-ups, investigations and audits have resulted in improved compliance.

The performance of Company Tax is expected to improve in the second half because of the third and fourth instalments under QPDs which will be 30% and 35% of the projected tax liability respectively. Instalments for the first and second QPDs were 10% and 25% respectively.

Value Added Tax

Net VAT collections were US\$497.2 million against a target of US\$510.3 million, resulting in a negative variance of 3%. The performance of this revenue head improved by 16% from US\$431 million collected during the same period in 2011. Net VAT on Local Sales constituted 52% of total VAT collections.

The increase in the tax-free threshold, and cost of living adjustments offered by some companies during the period under review, increased consumers' purchasing power. The resultant increase in disposable income buoyed consumers' propensity to spend and this, in turn, boosted VAT collections.

Customs Duty

A total of US\$170.3 million was collected as Customs Duty against a target of US\$189.98 million. There was a 14% improvement in collections under this revenue head for the same period in 2011 in which US\$163.1 million was collected.

Factors which affected the performance of Customs Duty were as follows:

- The economy is no longer fully reliant on imports as a result of the gradual improvement in industrial capacity utilisation. However, some imported goods are still substituting and/or complementing locally-produced goods.
- The performance of this revenue head was negatively affected by lack of lines of credit in the economy which is making it difficult for industry to import both raw materials and equipment.

Excise Duty

Excise Duty collections amounted to US\$175.4 million against a target of US\$157.5 million, resulting in a positive variance of 11%. Excise on Fuel contributed 62% while beer contributed 27% to total Excise Duty collections. The performance of the revenue head can be attributed to the following factors:

- Increase in disposable income as a result of the upward review of the tax-free threshold led to an improvement in the consumption of excisable commodities.
- The economy has registered a growth in demand for fuel as industrial capacity utilisation is gradually picking up.
- Improved audits and follow-ups by the Zimbabwe Revenue Authority, which were complemented by a systematic publicity campaign, stimulated improvements in tax compliance.

It is expected that as the economy continues to recover and consumers of excisable products get more disposable income, the performance of this revenue head will continue to improve in the second half of 2012.

Other Taxes

Other Taxes consist of Domestic Dividends and Interest, Other Income Tax, Tobacco Levy, Other Indirect Taxes, Non-Tax Revenue and Carbon Tax. Collections under this revenue head were US\$174.3 million against a target of US\$164.8 million, resulting in a positive variance of 6%.

Gratitude

I would like to express the Authority's gratitude and appreciation to its clients, staff, management, the Ministry of Finance, my fellow Board Members and its many stakeholders for their tireless efforts in supporting the Authority in the discharge of its mandate.



MR S. MOYO

(CHAIRMAN OF THE BOARD)