

STATEMENT BY THE ZIMRA BOARD

CHAIRMAN:

2011 REVENUE PERFORMANCE REPORT



Mr S. Moyo, ZIMRA Board Chairman

INTRODUCTION

It gives me great pleasure to present to you the revenue performance report for the Zimbabwe Revenue Authority (ZIMRA) for the year ending 31st December 2011.

Overview of 2011

There was a significant improvement in industry capacity utilisation in the economy in 2011. The stability in the economy was complemented by efficient and effective revenue collection operations by ZIMRA to produce sterling results.

ZIMRA has also increased its presence in the market and this was capped by the introduction of the Taxpayer Appreciation Day during the year to promote a culture of voluntary tax compliance.

Various challenges were faced during the year under review. Some of these challenges include the liquidity crunch which crippled most operations in the economy, as well as erratic power supplies.

Annual Performance

Revenue inflows improved significantly towards the end of the year and the Authority managed to surpass the annual target from the Ministry of Finance by 11%. Cumulative gross collections for the year amounted to US\$2.8 billion against a target of US\$2.5 billion. On the other hand, net collections were US\$2.6 billion against a target of US\$2.5 billion, resulting in a 4% positive variance. Value Added Tax (VAT) refunds processed during the year amounted to US\$177 million. Quarterly percentage contributions to revenue were 22%, 24%, 25% and 29% for the first, second, third and fourth quarters respectively.

The 2011 annual revenue collections per revenue head against targets are shown in the graph below:

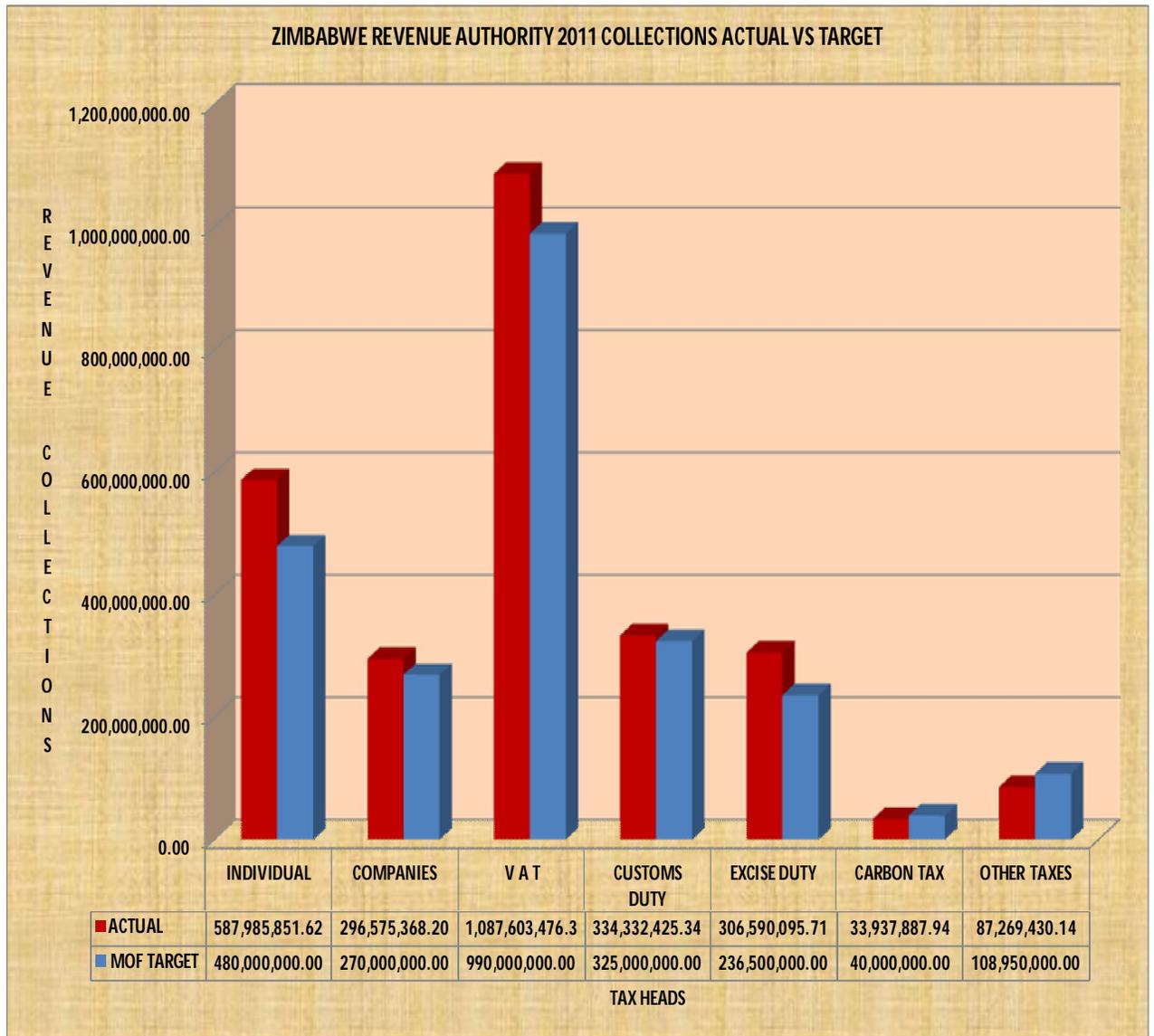


Fig 1: 2011 revenue collections against target

VAT and Individual Tax contributed most of the revenue with 40% and 22% contributions respectively. Customs Duty was third with 12%, followed by Company Tax and Excise Duty which both contributed 11%. The rest of the revenue heads' contributions are as reflected in the pie chart below:

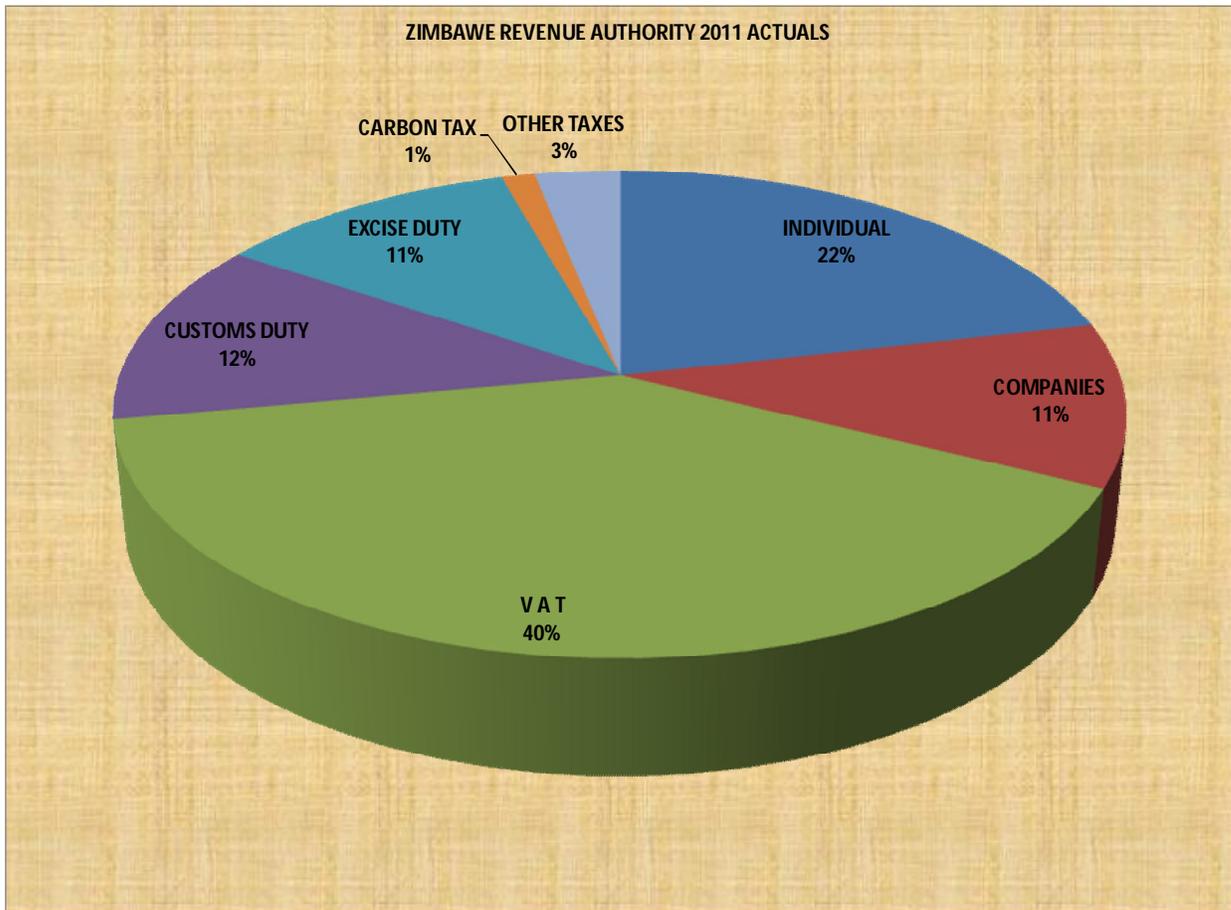


Fig 2: Contribution of revenue heads to total revenue

Individual Tax

Collections under Individual Tax exceeded the US\$480 million target by 22% after totaling US\$588 million. The positive performance of this revenue head can be attributed to companies which increased salaries and awarded bonuses and performance awards to employees during the course of the year. Some companies which had shelved operations resumed them during the course of the year as a result of the gradual improvement in the economic environment. This had the effect of widening the tax base.

On another positive note, the rise in capacity utilisation led some companies into hiring additional employees whilst others rehired some of their former employees who had been retrenched. This resulted in more people contributing to the collections of Individual Tax.

Company Tax

Companies contributed 11% of total revenue. Collections for 2011 were 10% above target since US\$296.6 million was collected against a target of US\$270 million. Some companies managed to increase productivity during the year therefore their profitability also improved. However, shortage of lines of credit militated against industry's expansion plans. In addition, erratic utility supplies and exorbitant tariffs hindered optimum productivity for most companies.

Value Added Tax

VAT contributed 40% to total collections. Collections amounted to US\$1.1 billion against a target of US\$990 million, resulting in a 10% positive variance. The performance of this revenue head can be attributed to improved information dissemination, audits and follow ups done by the Authority which have improved compliance levels. In addition, capacity utilisation for the local industry has been gradually improving hence the enhanced performance of VAT on Local Sales (which contributed 56% of total revenue collected under the revenue head).

As a result of depressed capacity utilisation, the local industry could not satisfy the demand of the economy therefore imports were necessary to supplement the supply of commodities. This resultantly improved revenue collections under Import VAT.

Customs Duty

A total of US\$334 million was collected against a target of US\$325 million, giving rise to a positive variance of 3%. The anticipated ban on importation of second hand motor vehicles older than five years accelerated collections as members of the public rushed to import such vehicles before the deadline.

Excise Duty

Excise Duty contributed 11% to the total revenue for the year with collections of US\$306.6 million against a target of US\$236.5 million, resulting in a positive variance of 30%. Fuel had the highest contribution of 63% towards this revenue head's collections,

followed by beer which contributed 24%. The capacity utilisation of companies that produce excisable products significantly improved from 85% in 2010 to 93% during 2011. As a result of this upward trend, revenue collections from excisable goods improved during the year under review.

Other Taxes

Mining Royalties contributed the most revenue under Other Taxes while Presumptive Tax came second. The Authority carried out a number of audits and follow-ups on Presumptive Tax clients during the year and these resulted in improved compliance.

Gratitude and Appreciation

Last but not least, I would like to express our gratitude and appreciation to our taxpayers, the Ministry of Finance, management and staff of the Authority, my fellow Board members who all contributed in various ways to making the Authority successful in the discharge of its mandate.

CONCLUSION

Notable economic progress was witnessed in 2011 although some challenges were encountered, especially the lack of credit lines in the economy. ZIMRA is confident that - as staff members continue to demonstrate teamwork, unity of purpose and total commitment while on the other hand the economy continues to improve - the 2012 target will be surpassed.

STERNFORD MOYO

CHAIRMAN OF THE BOARD