

**STATEMENT BY THE ZIMRA BOARD
CHAIRMAN ON REVENUE
PERFORMANCE FOR THE YEAR ENDED
31 DECEMBER 2012**



Mr Sternford Moyo, ZIMRA Board Chairman

Introduction

It gives me great pleasure to present to you the revenue performance report of the Zimbabwe Revenue Authority (ZIMRA) for the year ended 31st December 2012.

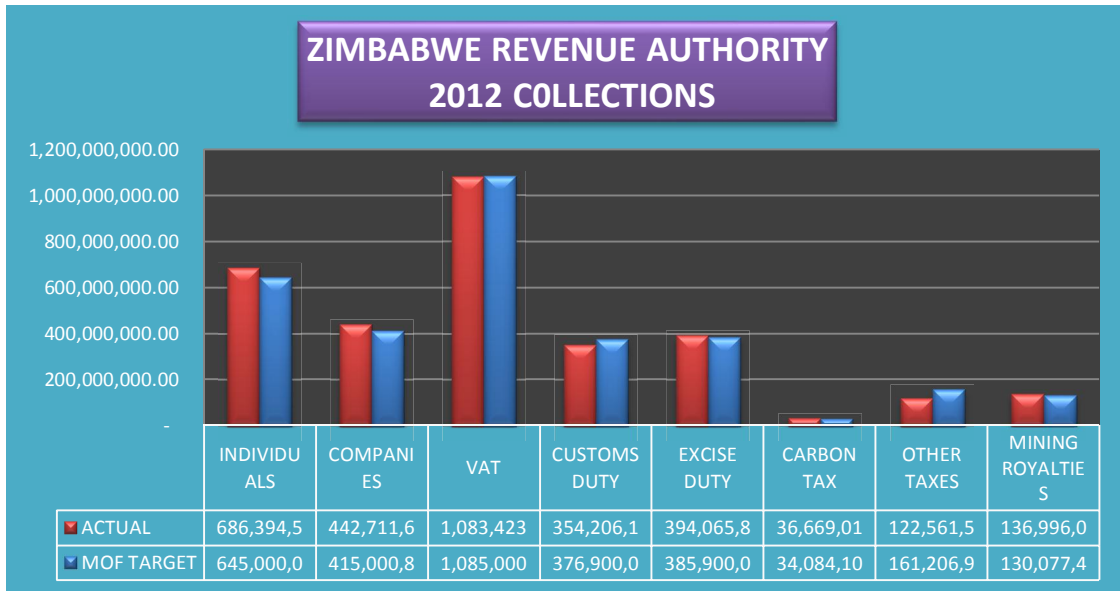
Overview

The economy did not grow to the level expected in 2012 resulting in a downward revision of economic targets by the Minister of Finance. Industrial capacity utilisation for 2012 was projected at over 60% but averaged around 50% during the year. The 2012 GDP had been projected to grow by 9.4% but was also revised downwards to 5.6% in the Mid-Term Fiscal Policy Review and finally to 4.4% in the 2013 Budget. This has been mainly attributed to the underperformance of agriculture and manufacturing. Revenue targets were also revised downwards from US\$3.256 billion to US\$3.233 billion in the Mid-Term Fiscal Policy Review. By the end of the year, revenue targets were surpassed by 1% owing to the effective revenue enhancing projects that were carried out by ZIMRA to enforce compliance by clients.

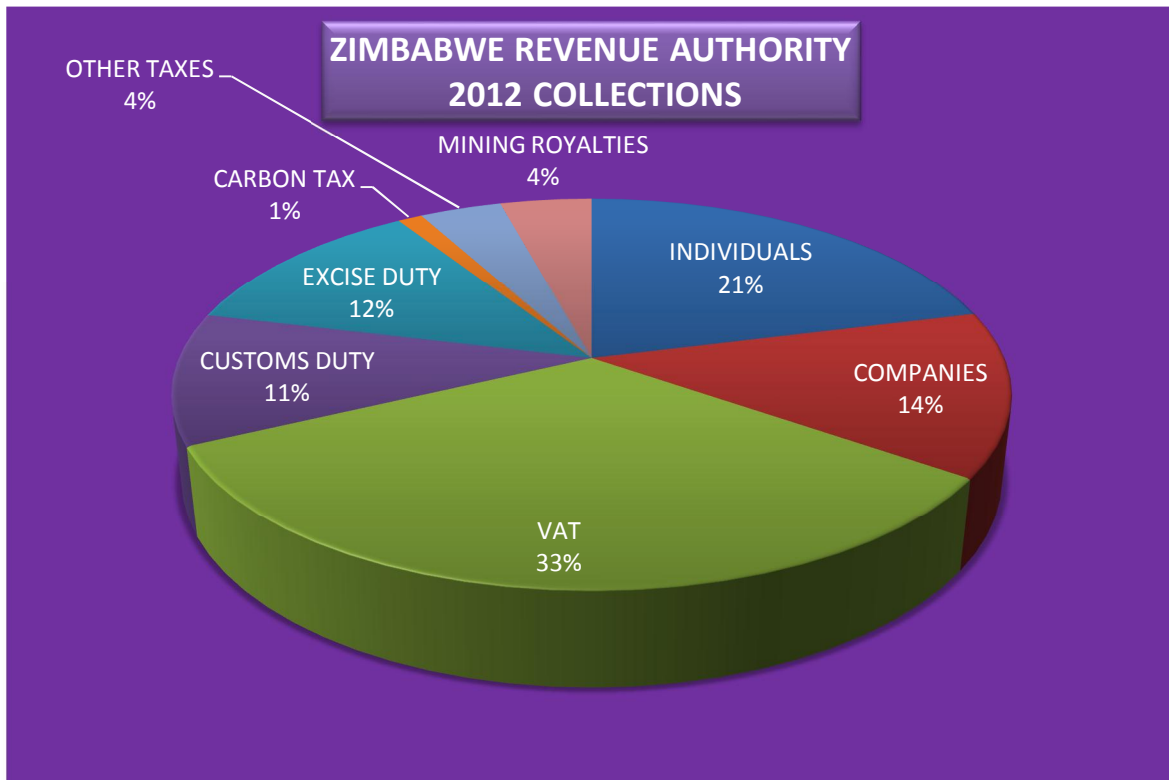
Annual Performance

The last quarter of the year 2012 saw revenue inflows improving significantly, with the month of December recording the highest net collections of US\$414.58 million. Gross collections for the year amounted to US\$3.454 billion against a target of US\$3.233 billion, giving a 7% positive variance. Value Added Tax (VAT) refunds processed during the year amounted to US\$197.5 million resulting in net annual collections of US\$3.257 billion against a target of US\$3.233 billion. This gives a positive variance of 1%. Quarterly revenue collections contributions to net total revenue were 22%, 24%, 25% and 29% for the first, second, third and fourth quarters respectively.

The 2012 annual collections against targets are as shown in the bar chart below:



VAT and Individuals contributed the bulk of the revenue, with 33% and 21% respectively. Companies came third with 14%, followed by Excise Duty and Customs Duty with 12% and 11% respectively. The revenue heads contributions are as presented in the pie chart below:



Individual Tax contributed US\$686.4 million against a target of US\$645.0 million, giving rise to a positive variance of 6%. The positive performance of Individuals can be attributed to enhanced enforcement measures employed by the Authority. In addition the performance awards and salary increments that were awarded by some companies also contributed to this position.

Company Tax contributed 14% of total revenue. Collections from companies during the year under review stood at US\$442.7 million against a target of US\$415.0 million, leading to a 7% positive variance. The performance of this revenue head can be attributed to recapitalisation by some large companies which resulted in improved profitability. Audit and investigations activities also boosted collections on this revenue head.

Value Added Tax recorded the highest contribution of 33% to total revenue collections. VAT collections stood at US\$1.083 billion against a target of US\$1.085 billion, giving a negative variance of less than 1%. The performance of this revenue head can be attributed to audits, follow ups, and investigations done by the Authority which have

improved compliance levels of our clients. To some extent, fiscalisation leveled the playing field for large operators thereby improving compliance. The local industrial capacity utilisation has not been growing at the anticipated rate thereby negatively affecting the performance of this revenue head. The revenue head was also negatively affected by the huge refunds claimed by the Authority's clients during the year, with 15% of gross VAT collections being refunded.

Customs Duty contributed 11% to total revenue with collections of US\$354.2 million against a target of US\$376.9 million resulting in a negative variance of 6%. Actual revenue collections were negatively impacted by the tax expenditure regime which includes rebates and duties under bilateral arrangements.

Excise Duty contributed 12% to total revenue for the year with collections of US\$394.1 million against a target of US\$385.9 million, giving a positive variance of 2%. Fuel contributed 69% whilst beer contributed 22% to the revenue head's collections. The remainder came from tobacco, wines and spirits as well as second-hand motor vehicles. Excise Duty on diesel and petrol was increased from \$0.16s and \$0.20 to \$0.20 and \$0.25 respectively during the course of the year resulting in increased revenue collections from fuel. Consumption of excisable commodities increased during the festive season resulting in more revenue emanating from this tax head.

Mining Royalties were 5% above target after contributing US\$136.9 million against a target of US\$130.1 million. This was mainly due to increased audits and investigation activities. The increase in the rates of royalties on gold and platinum from 4.5% and 5% to 7% and 10% respectively further contributed to the positive performance of this revenue head.

Conclusion

The level of growth in the economy which was anticipated in 2012 was not achieved. The low growth was largely due to - but not limited to - various challenges such as lack of credit lines, energy shortages, and high interest rates.

I wish to thank the Ministry of Finance and other arms of the State for the continued support and the confidence bestowed in me and my colleagues in the Revenue Board. In addition, I wish to thank and appreciate all taxpayers who made this revenue target attainable.

Last but not least, I wish to congratulate the ZIMRA Commissioner General, Management and Staff for surpassing the revenue targets set for 2012 despite the challenges of inadequate financial and infrastructure resources and those attributed to the general economic environment. As staff members continue to demonstrate determination, teamwork, unity of purpose and total commitment, ZIMRA is confident that the 2013 target will be surpassed.



STERNFORD MOYO

CHAIRMAN OF THE BOARD



"We are here to serve"

"We are here to serve"

