

ZIMRA BOARD CHAIRMAN'S REVENUE PERFORMANCE REPORT FOR THE FIRST HALF OF 2013



Mr Sternford Moyo, ZIMRA Board Chairperson

It gives me great pleasure to present to you the revenue performance report for the first half of 2013.

Overview

The first half of 2013 has seen the Zimbabwean economy being characterised by liquidity constraints, power shortages, retrenchments, scaling down of operations and company closures, among many other challenges. These economic setbacks have consequently led to the shrinkage of the revenue base, resulting in the Revenue Collection Agency's marginal failure to meet the set targets for the second quarter.

While the 2013 first quarterly target was surpassed by 5%, the second quarterly target was missed by 6%, resulting in the first half target being slightly missed by 1%. Gross collections for the second quarter were US\$873.6 million, while net collections were US\$836.9 million against a target of US\$886.2 million. This resulted in a 6% negative variance on net collections for the second quarter. Total gross collections for the first half were US\$1.73 billion against a target of US\$1.67 billion, resulting in a positive variance of 4%. However, net collections for the first half were US\$1.66 billion against a target of US\$1.67 billion, resulting in a marginal negative variance of 1%.

A major portion of the revenue was realised from Value Added Tax (VAT), which contributed US\$517.2 million, followed by Pay As You Earn which contributed US\$347.3 million and Excise Duty US\$235.5 million.

The following bar graph shows the actual net collections versus the target per revenue head for the first half of 2013.

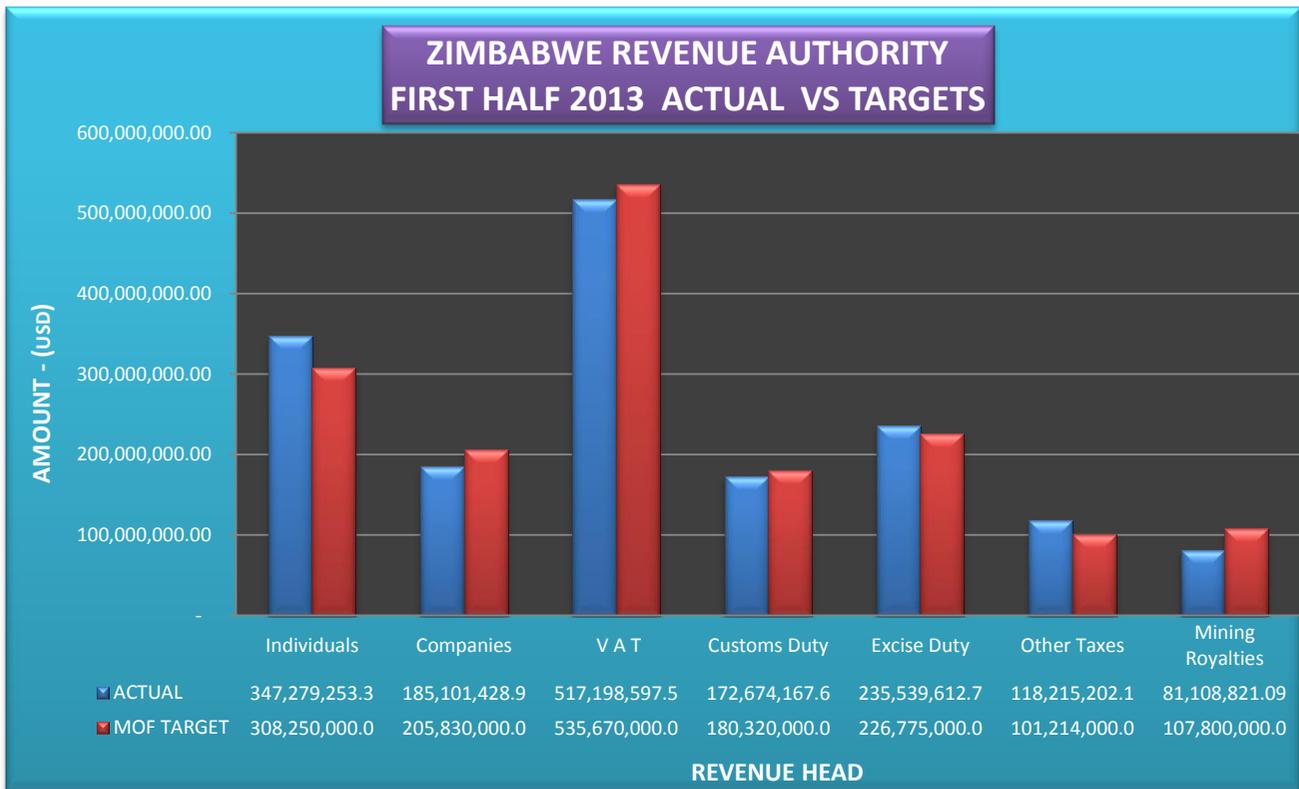


Figure 1: Net Collections versus Target

VAT contributed 31% of total collections, followed by Individuals (P.A.Y.E) with a contribution of 21% and Excise Duty at 14%. The revenue heads' contributions are as represented in the pie-chart below:

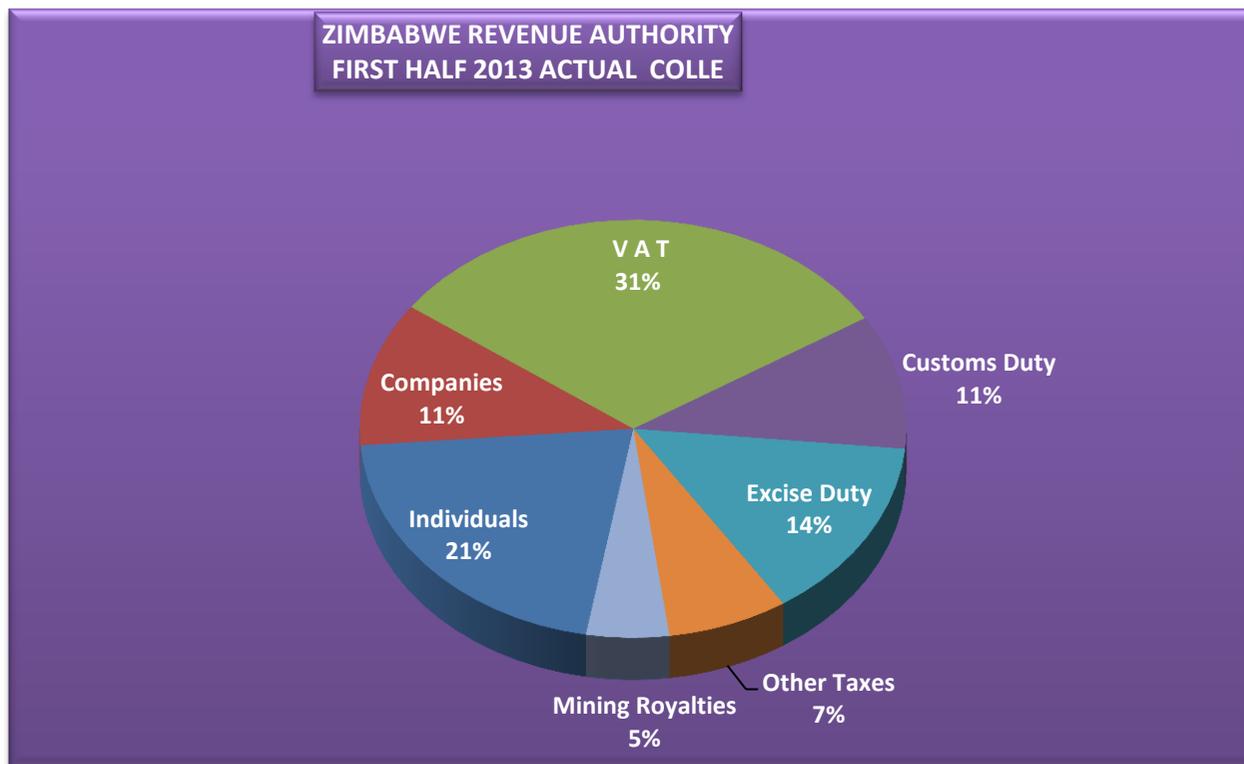


Fig 2: Revenue heads' contribution

Individual Tax

Individual Tax contributed US\$347.3 million against a target of US\$308.3 million, resulting in a positive variance of 13% in the first half of 2013. This constitutes a 16% growth from the 2012 First Half collections of US\$299.7 million. Performance of the revenue head is attributed to cost of living adjustments, back-pay adjustments, bonuses and allowances such as school fees awarded to some employees during the first half of the year. In addition, investigations, audits and follow-up initiatives undertaken by ZIMRA during the period under review have significantly enhanced compliance.

Company Tax

Collections amounted to US\$185.1 million against a target of US\$205.8 million. This constitutes a negative variance of 10%. Revenue from Company Tax increased by 4% from 2012 First Half collections which amounted to US\$178.0 million. The revenue head's performance was negatively affected by unavailability of affordable long-term

as well as working capital to finance operations and replacement of obsolete plant and equipment. Local industry is also finding it difficult to borrow in order to recapitalise due to high interest rates by local financial institutions. In addition, many companies are still operating below 50% capacity level.

Value Added Tax

Gross VAT collections for the first half of 2013 amounted to US\$590.4 million, with refunds amounting to US\$73.2 million. Net collections realised under this revenue head were, therefore, US\$517.2 million against a target of US\$535.7 million, resulting in a negative variance of 3%. VAT on Local Sales contributed 54% of total VAT revenue. The remainder was from VAT levied on Imports. Net VAT collections increased by 4% from collections of US\$498.4 during the same period in 2012. The revenue head's performance was subdued due to low capacity utilisation and the general liquidity constraints in the economy. The cost of living adjustments awarded by employers were not sufficient to spur the performance of the revenue head to surpass its set target. Liquidity constraints also hampered the performance of VAT on Imports, as companies lacked adequate financial resources to import goods that attract VAT.

Customs Duty

A total of US\$172.7 million was collected against a target of US\$180.3 million during the first half of 2013. This constitutes a negative variance of 4%. During the same period in 2012, US\$170.3 million was collected. There was, therefore, a 1% growth in revenue collections under Customs Duty. Although the revenue head recorded growth in collections, it failed to meet the set target because importations were subdued due to liquidity challenges in the economy.

Excise Duty

Collections under Excise Duty were 4% above target after a total of US\$235.5 million was collected against a target of US\$226.8 million. Excise Duty on Fuel was the main contributor of revenue under this revenue head, giving 69% of the Excise Duty realised. Beer came second with a 21% contribution. The rest of the Excise Duty was realised from tobacco, wines and spirits, second-hand motor vehicles and electric lamps.

During the first half of 2012, Excise Duty collections amounted to US\$175.4 million, resulting in a revenue growth of 38%. The significant growth in the revenue head was catalysed by the increase in Excise Duty rates on diesel and petrol which was effected from 9th March 2013. In addition, an improvement in the volumes of fuel imports is also impacting positively on the performance of Excise Duty.

Other Taxes

Other Taxes contributed US\$118.2 million against a target of US\$101.2 million, resulting in a positive variance of 17%. The revenue head consists of Tax on Domestic Dividends and Interest, Capital Gains Tax, Tobacco Levy, Other Indirect Taxes, Non-Tax Revenue and Carbon Tax with contributions of US\$22.4 million, US\$9.8 million, US\$9.3 million, US\$32.7 million, US\$26.4 million and US\$17.6 million respectively. The increased volumes of fuel imports boosted the performance of Carbon Tax, while increased volumes of tobacco brought to the auction floors this year positively impacted on the performance of Tobacco Levy.

Mining Royalties

A total of US\$81.1 million was collected against a target of US\$107.8 million resulting in a negative variance of 25%. The revenue head failed to meet set targets but still grew by 25% from US\$64.8 million that was collected in the first half of 2012. The depressed performance of the revenue head was mainly due to the softening of international mineral prices, especially gold and diamonds.

Conclusion

In conclusion, I would like to express my gratitude and appreciation to those of our clients who continue to pay their taxes and duties on time and in full. This contributes to the economic development of our country. I urge those clients who are not observing their tax obligations to comply with fiscal legislation and contribute their fair share to the needs of our country.

Secondly, my gratitude and appreciation go to the Commissioner General, ZIMRA Management and Staff for continuing to mobilise resources for the nation even in the face of a shrinking revenue base.

Last but not least, I am grateful to the Ministry of Finance, our many stakeholders and my fellow Board members for their contribution to the successful discharge by the Authority of its mandate.

A handwritten signature in dark blue ink, appearing to read 'Sternford Moyoyo'. The signature is stylized with a large initial 'S' and a long horizontal stroke.

STERNFORD MOYO
(CHAIRMAN OF THE BOARD)