

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



Mr Sternford Moyo, ZIMRA Board Chairman

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

OVERVIEW

Positive performance was registered in the first quarter owing to the continuous efforts by the Zimbabwe Revenue Authority (ZIMRA) to improve compliance levels from clients. Total gross collections stood at US\$773.7 million against a target of US\$715.4 million, resulting in a positive variance of 8%. Net collections for the quarter amounted to US\$723.9 million, which translates to a positive variance of 1.2%.

The largest portion of the revenue was realised from Value Added Tax (VAT). This revenue head contributed US\$292.7 million, which amounts to 38% of total collections. This was followed by Individual Tax which contributed 19% to total revenue after collections totalled US\$145.5 million. Total collections for Excise Duty amounted to US\$88.9 million.

The following bar graph shows the actual collections versus target per revenue head for the first quarter of 2012.

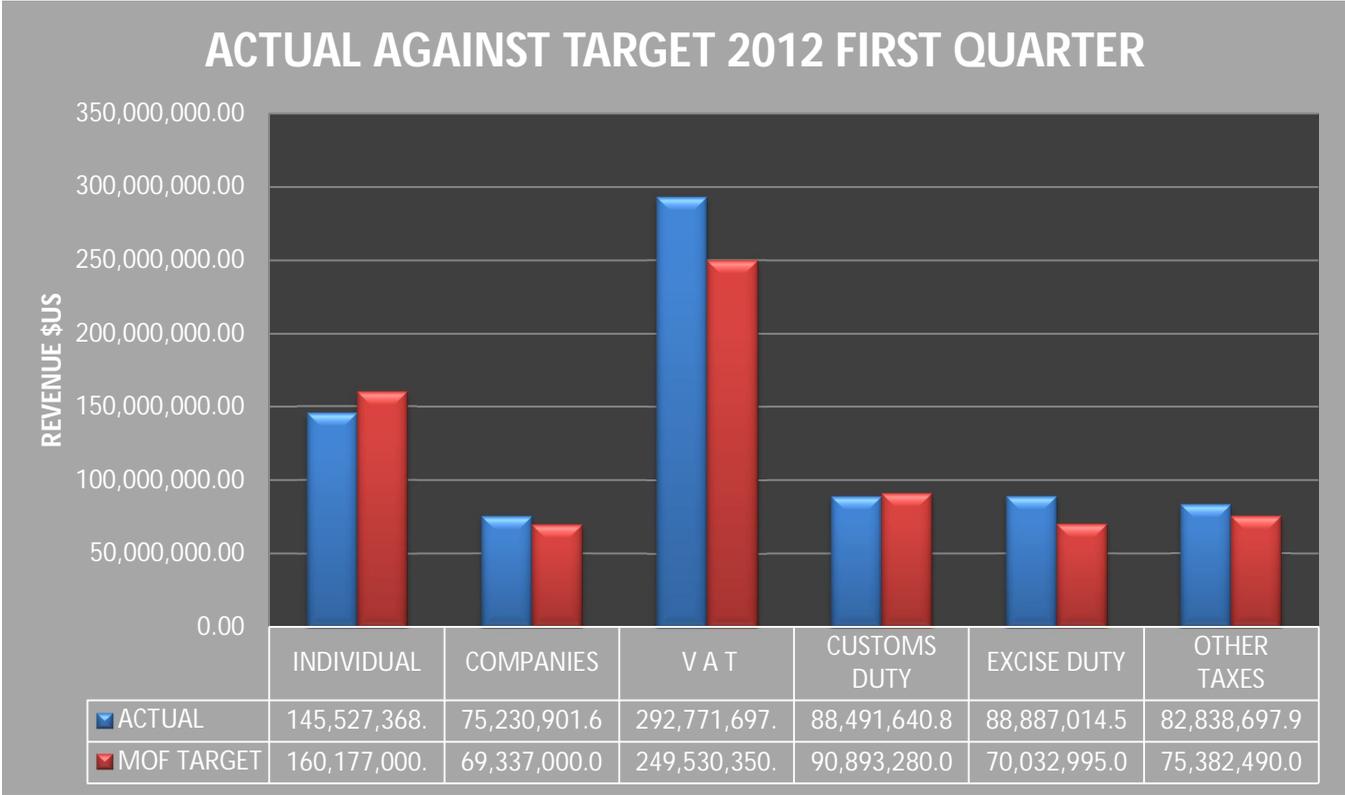


Fig 1: Actual collections versus target

The pie chart below illustrates revenue heads’ contributions to total revenue:

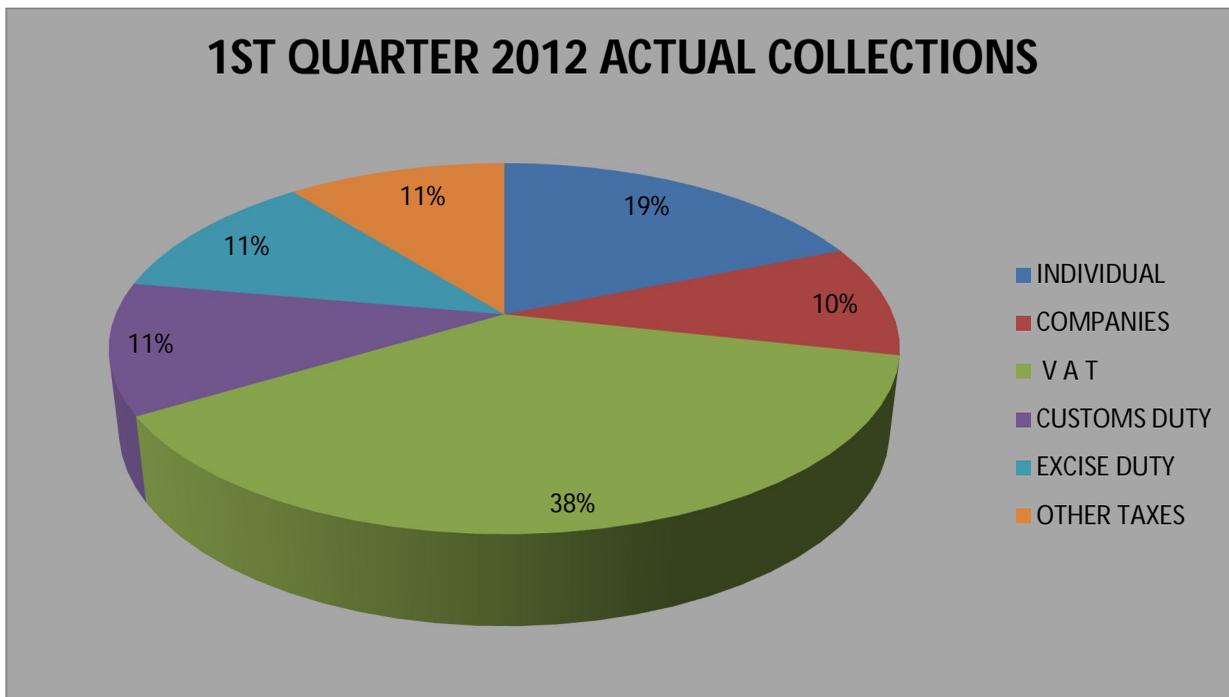


Fig 2: Revenue heads' contribution to total revenue

Value Added Tax

Gross VAT collections were 15% above target after totalling US\$292.8 million against a target of US\$249.5 million. On the other hand, net collections (after effecting VAT refunds) amounted to US\$260.5 million against US\$249.5 million, which translates to a positive variance of 4%. VAT on Local Sales contributed 54% of total VAT revenue while the remainder was from VAT on Imports.

The outstanding performance of this revenue head can be attributed to improved local industrial capacity utilisation which enhanced performance of VAT on Local Sales. In addition, improvement in disposable incomes- due to upward review of the tax-free threshold and the upward review of employees' salaries by some companies - resulted in increased consumption of commodities which attract VAT.

Company/Corporate Tax

The first instalment under the Quarterly Payment Date (QPD) was due within the quarter. The commendable compliance levels, which can partly be attributed to timely reminders which the Authority issued, boosted the performance of Company Tax. Collections were US\$75.2 million against a target of US\$69.3 million, resulting in a positive variance of 8%. The sterling performance

of this revenue head can also be attributed to the improvement in local capacity utilisation in some companies and efforts by ZIMRA to enforce compliance through follow-ups and audits.

Individual Tax

Collections under this revenue head were US\$145.5 million against a target of US\$160.2million, resulting in a negative variance of 10%. The performance of the revenue head can be attributed to the following:

- The tax-free threshold was reviewed upwards from US\$225 to US\$250 per month in the 2012 Budget Statement. This upward movement in the threshold had the effect of increasing disposable income for employees while reducing the taxable portion.
- Salary reviews for most companies, including the public service sector, have not yet been finalised.

Customs Duty

A total of US\$88.5 million was collected against a target of US\$90.9 million. This resulted in a negative variance of 3%.The quarterly target was missed because the local industry has experienced significant improvements in terms of capacity utilisation. Therefore, the economy is no longer fully dependant on imports, which are the drivers of this revenue head.

Excise Duty

A positive variance of 21% was realised after collections under this revenue head amounted to US\$88.9 million against a target of US\$70 million. Excise on Fuel contributed 63% of the total duty collected. Excise Duty from beer, on the other hand, contributed 26%.

The gradual recovery of the economy has seen consumers getting more disposable income to spend on excisable products while demand for fuel has also marginally increased due to the improvement in capacity utilisation by industry.

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\$82.8million against a target of US\$75.4million, resulting in a positive variance of 9%.

Other Indirect Taxes did not perform according to expectations partly due to royalties realised which were below the anticipated levels.

By the end of the quarter, about 30 million kilogrammes of tobacco had been auctioned at an average price of US\$3.70 per kilogramme and this translated to US\$135 million worth of tobacco sales. This boosted collections under Tobacco Levy.

Gratitude and Appreciation

I would like to express ZIMRA's gratitude and appreciation to its clients, employees, management, the Government of Zimbabwe in general and the Ministry of Finance in particular, my fellow Board members, and the Authority's many stakeholders for their tireless efforts in support of the Authority as it carries out its mandate.

The dedication, service culture and team spirit within ZIMRA, which contributed immensely to the attainment of the seemingly insurmountable target, should continue to prevail as the Authority plays its part in sustaining the country.

All our clients are also urged to support ZIMRA in particular and the country's economic rebuilding efforts in general by paying taxes in full and on time. There is, therefore, need to desist from undesirable practices such as touting, rent-seeking, bribery, smuggling and tax evasion which have the ultimate effect of destroying the economy.



MR S. MOYO

CHAIRMAN OF THE BOARD