

**REVENUE PERFORMANCE REPORT FOR THE FIRST
QUARTER OF 2015**



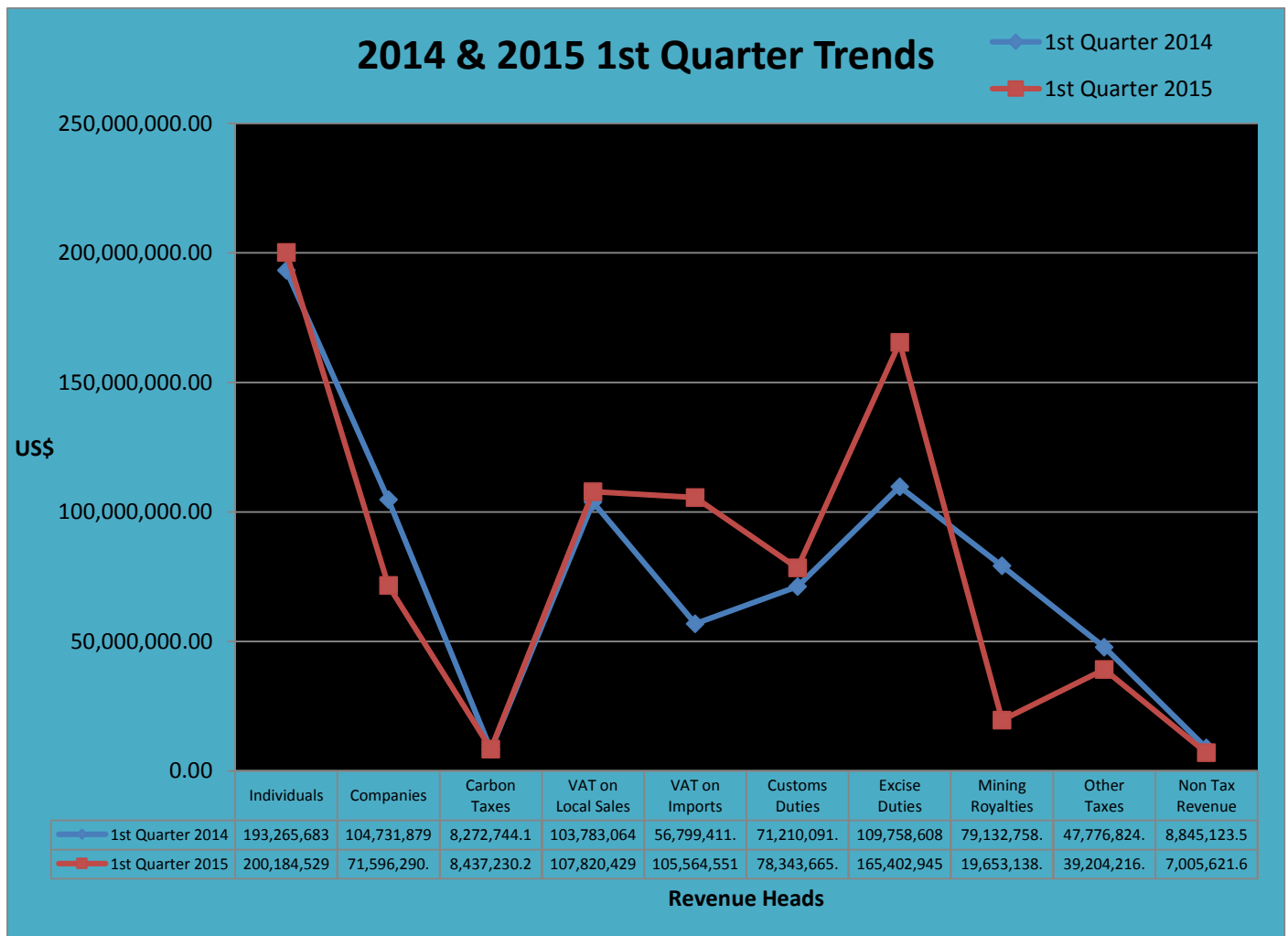
**Mr Gershem T. Pasi
ZIMRA Commissioner General**

It gives me great pleasure to present to you the revenue performance report for the first quarter of 2015.

Overview

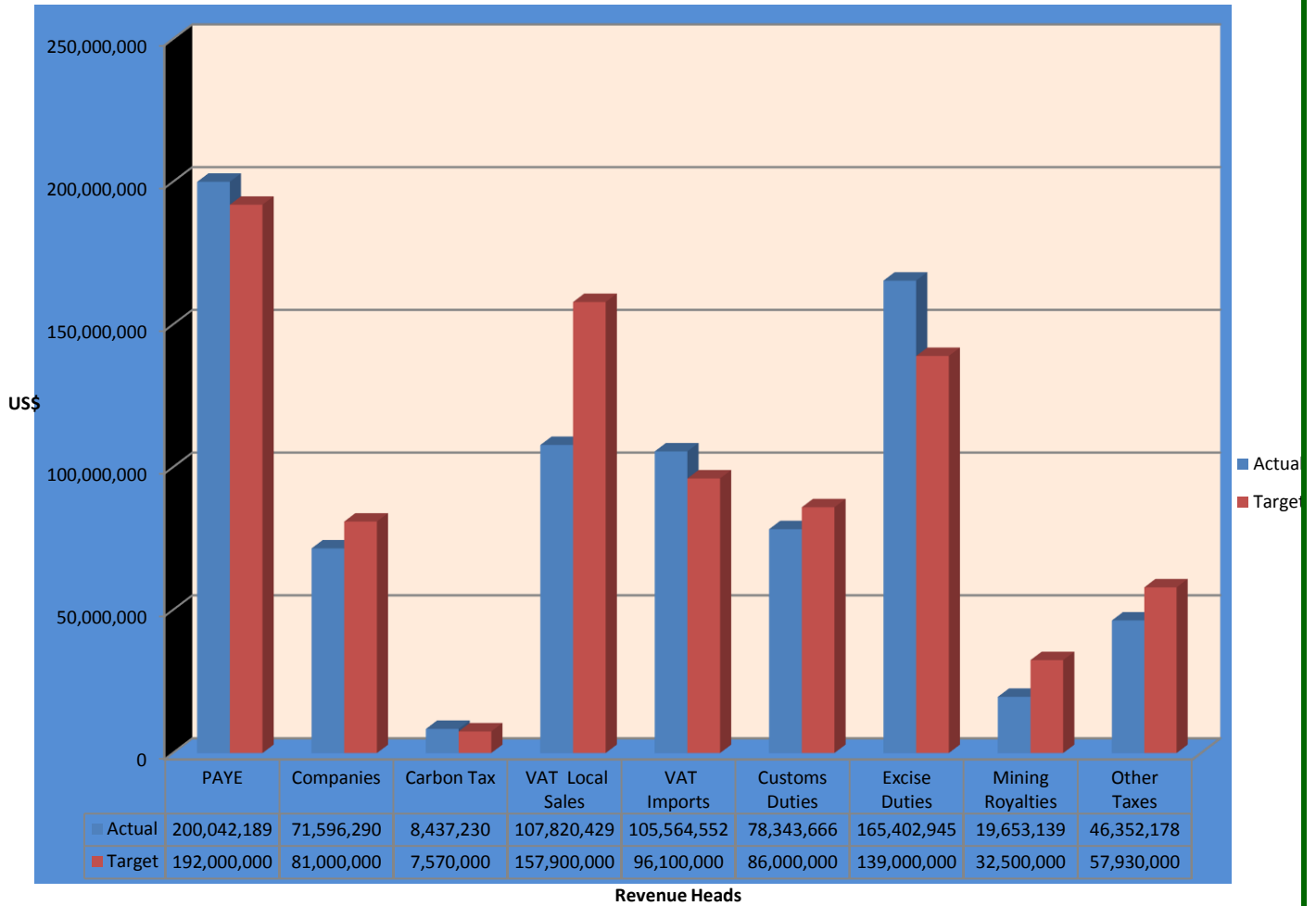
Gross collections amounted to US\$896.6 million against a target of US\$850 million, resulting in a positive variance of 5%. Net collections amounted to US\$803.2 million against a target of US\$850 million, resulting in a negative variance of 6%. The bulk of the revenue was realised from Value Added Tax (VAT), Individual Tax and Excise Duty.

Collections for the first quarters of 2014 and 2015 are as shown in the graph below.



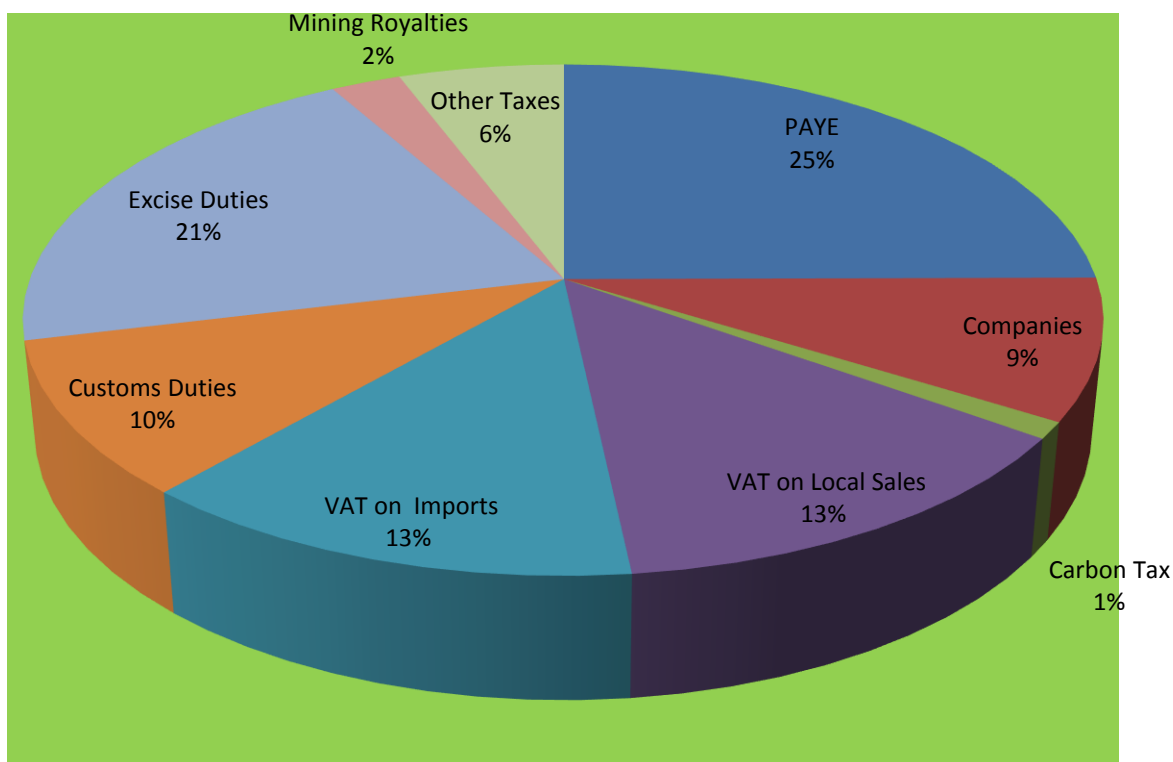
The following bar graph shows actual collections versus target per revenue head for the first quarter of 2015. Other Taxes on the graph consist of Tax on Domestic Dividends, Fees and Interest, Capital Gains Tax (CGT), CGT Withholding Tax, Tobacco Levy and Other Indirect Taxes.

2015 1st Quarter Collections versus Targets



Individual Tax and Excise Duty contributed 25% and 21% respectively to total revenue. Both VAT on Local Sales and Imports contributed 13% each. The rest of the revenue heads' contributions are as represented in the pie-chart below.

1ST QUARTER ACTUAL COLLECTIONS



Individual Tax

Collections under this revenue head were US\$200.2 million against a target of US\$192.0 million, resulting in a positive variance of 4%. During the same period last year, a total of US\$193.3 million was realised and this translates to a 4% growth in revenue from Individual Tax.

The performance of the revenue head can be attributed to improved compliance levels from clients following intensive investigations, audits and follow-ups carried out by the Authority.

Company Tax

Company Tax contributed US\$71.6 million to total revenue against a target of US\$81 million. This translates to a negative variance of 12%. There was a 32% decrease in revenue collections from companies from the US\$104.7 million that was collected during the same period last year.

The performance of the revenue head can be attributed to the harsh economic environment which has negatively impacted on companies' profitability. Companies are facing several challenges which include liquidity constraints, antiquated equipment, insufficient credit lines, high cost of utilities and intermittent power supplies, among many more.

Collections under this revenue head are expected to improve in the next quarter when 25% of the forecasted tax liability will be paid when the second Quarterly Payment Dates (QPDs) becomes due in June.

Carbon Tax

Collections for the first quarter of 2015 were US\$8.4 million against a target of US\$7.6 million, resulting in a positive variance of 11%. During the same period last year, US\$8.3 million was collected from Carbon Tax.

Value Added Tax on Local Sales

Gross VAT collections amounted to US\$200.5 million against a target of US\$157.9 million, resulting in a positive variance of 27%. Net collections amounted to US\$107.8 million against the targeted US\$157.9 million, which translates to a negative variance of 32%. Net VAT on Local Sales contributed 13% to total revenue and 51% to total VAT revenue respectively. There has been a 4% increase in VAT on Local Sales revenue from the US\$103.8 million that was collected during the first quarter of 2014.

The performance of VAT on Local Sales can be attributed to:

- The decline in industrial capacity utilisation to around 36.3% from 39.6% (CZI Manufacturing Survey Report).
- Low disposable income in the hands of consumers.

Value Added Tax on Imports

Collections under VAT on Imports contributed 13% to total revenue and 49% to total VAT revenue respectively. A total of US\$105.6 million was collected against a target of US\$96.1 million, resulting in a positive variance of 10%. The collections of US\$105.6 million for the period under review grew by 86% from the US\$56.8 million collected during the same period in 2014.

The performance of VAT on imports can be attributed to an increase in the importation of goods which attract VAT, to supplement locally-produced goods.

Customs Duty

Customs Duty collections amounted to US\$78.3 million against a target of US\$86.0 million, resulting in a negative variance of 9%. During the same period last year, US\$71.2 million was collected and this translates to an increase in revenue by 10%.

The performance of the revenue head was negatively affected by revenue foregone through various duty suppressing instruments. During the quarter under review Customs Duty of US\$195.9 million was foregone.

Excise Duty

A total of US\$165.4 million was collected against a target of US\$139.0 million, resulting in a positive variance of 19%. Excise Duty on Fuel contributed 78% of the total Excise Duty collected. Excise Duty on beer came second with a contribution of 11%. The remainder of the revenue was

realised from tobacco, wines and spirits, second-hand motor vehicles, electric lamps and airtime. During the same period last year, US\$109.8 million was realised from Excise Duty. This translates to a 51% increase in this year's revenue collections.

The performance of the revenue head can be attributed to the following;

- An increase in the level of petrol imports from 107.8 million litres in the first quarter of 2014 to 122.1 million litres in the first quarter of 2015. On the other hand the level of diesel imports slightly went down from 206.6 million litres in the first quarter of 2014 to 199.9 million litres in the first quarter of 2015.
- An upward review of rates of excise for petrol and diesel to the current 45c per litre and 40c per litre respectively effected on the 14th of January 2015.

Mining Royalties

Mining Royalties brought in US\$19.6 million against a target of US\$32.5 million, resulting in a negative variance of 40%. In 2014, a total of US\$79.1 million was collected during the first quarter. The performance of the revenue head can be attributed to the depressed international prices of minerals, especially of gold and platinum.

Other Taxes

Revenue collections from Other Taxes amounted to US\$46.4 million against a target of US\$57.9 million, resulting in a negative variance of 20%.

The negative performance can be attributed to the following;

- Tobacco Levy did not meet the set targets due to depressed tobacco prices at the beginning of the selling season. This led to low volumes of tobacco being traded at the auction floors.
- Low performance of Capital Gains Taxes and Capital Gains Withholding Taxes due to the current liquidity constraints which are negatively impacting on the performance of both the local bourse and the properties market.

Tax Amnesty

The extension of the period for accepting tax amnesty applications to 30 June 2015 should provide an opportunity for those clients who failed to meet the original deadline to submit their applications, and to process payment by 31 December 2015. I, therefore, urge all our valued clients to take full advantage of this extension and submit their applications by 30 June 2015 as there will be no further extension.

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 for the socio-economic development of our country, Zimbabwe.

I am also indebted to the Ministry of Finance and Economic Development and the entire Government for the support.

Last but not least, let me salute women and men within the Zimbabwe Revenue Authority for the hard work and spirit of togetherness.

Let us all remember that paying taxes and duties on time and in full builds and dignifies Zimbabwe.

A handwritten signature in black ink, appearing to be 'G.T. Pasi', written over a dark, scribbled-out area.

G.T. PASI
COMMISSIONER GENERAL