

STATEMENT BY THE ZIMBABWE REVENUE AUTHORITY BOARD CHAIRMAN ON REVENUE PERFORMANCE FOR THE THIRD QUARTER OF 2012



Mr Sternford Moyo, ZIMRA Board Chairman

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

Revenue Performance

Net collections amounted to US\$823.4 million against a target of US\$822.6 million, resulting in a positive variance of 0.1%. A large portion of revenue was realised from Value Added Tax (VAT), Individual Tax and Company Tax. These revenue heads contributed US\$271.1 million, US\$163.03 million and US\$117.2 million respectively.

The US\$823.4 million that was collected in the third quarter of 2012 was 15% above the US\$717.4 million that was collected in the third quarter of 2011.

The following bar graph shows the actual collections versus the Ministry of Finance target for the third quarter of 2012.

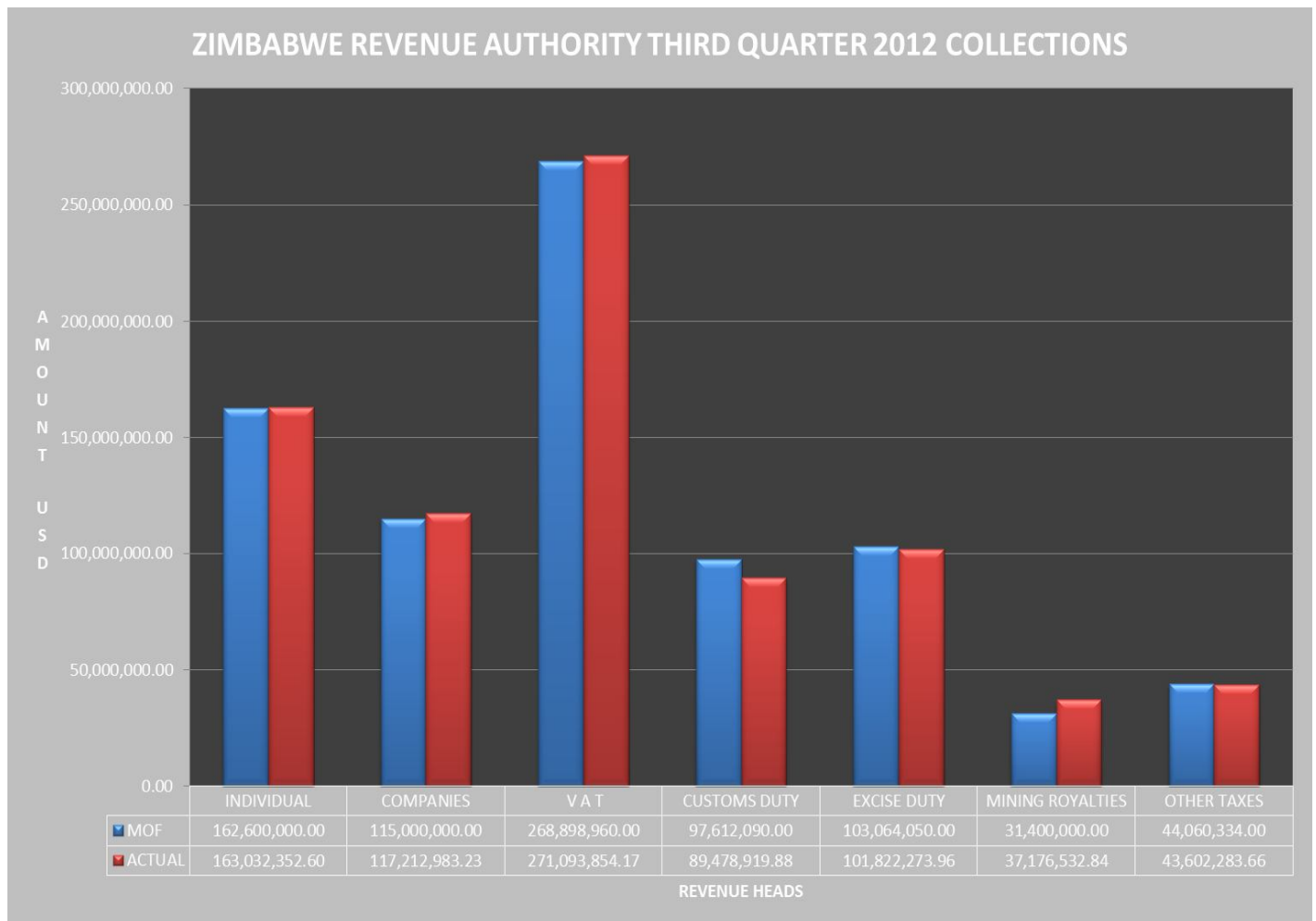


Figure 1: Actual collections versus target

Key:

MOF : Ministry of Finance target

Actual : Actual revenue collections

VAT and Individual Tax contributed 33% and 20% of total collections respectively. Percentage contributions for all revenue heads are illustrated in the pie-chart below:



Figure 2: Percentage contributions (all revenue heads)

Individual Tax

Collections under this revenue head totalled US\$163 million against a target of US\$162.2 million, resulting in a positive variance of 0.3%. The revenue head's performance grew by 8.8% compared to the 2011 third quarter collections of US\$148 million. This positive performance has been due to audits and follow-ups made by the Zimbabwe Revenue Authority as part of its enforcement strategies. In addition, intensive information dissemination through various channels has also resulted in improved compliance from clients.

Company Tax

Total collections under this revenue head were 2% above target. A total of US\$117.2 million was collected against a target of US\$115 million. This constituted a 42% increase from the 2011 third quarter collections of US\$67.9 million. The performance of the revenue head can be attributed to:

- Gradual improvement in local capacity utilisation levels.

- The third quarterly payment date (QPD) which was due on 25th September. The Authority sent out reminders through advertisements and letters to encourage clients to pay this third instalment under Provisional Tax on time.

Value Added Tax

Gross VAT collections were US\$320.5 million while net collections amounted to US\$271.1 million against a target of US\$268.9 million, resulting in a 1% positive variance. This constituted a 12% improvement from US\$281.9 million which was collected during the same period in 2011. Net VAT on Local Sales contributed 52.9% of the total revenue collected under this revenue head.

Factors which contributed to the positive performance of this revenue head were as follows:

- The gradual improvement in local capacity utilisation that boosted collections as more locally-produced goods which attract VAT were available on shelves of most retailers.
- Compliance checks that were carried out by the Zimbabwe Revenue Authority also improved revenue inflows under VAT.

Customs Duty

Customs Duty collections amounted to US\$89.4 million against a target of US\$97.6 million, resulting in a negative variance of 8%. This revenue head's performance has improved by 4.6% from the third quarter of 2011 whose collections amounted to US\$85.2 million.

The decline in import levels as a result of the improvement in local capacity utilisation has suppressed the performance of this revenue head. The economy is no longer fully reliant on imports implying that the propensity for consumers to import dutiable products has also declined.

Excise Duty

This revenue head contributed US\$101.8 million to total collections against a target of US\$103.1 million. Excise Duty on Fuel contributed 72.1% of total collections under this revenue head while Excise on Beer contributed 20.4%. The performance of this revenue head improved by 25.4% from the US\$81.1 million that was collected during the same period last year.

The growth in demand for fuel due to improved industrial capacity utilisation and the recent increase in the rates of Excise Duty for both petrol and diesel have resulted in improved revenue inflows under this revenue head.

Other Taxes

Other Taxes consist of Tax on Dividends and Interest, Capital Gains Tax and Capital Gains Withholding Tax, Tobacco Levy, Other Indirect Taxes, Non-Tax Revenue and Carbon Tax. Collections under this revenue head were US\$43.6 million against a target of US\$44.7 million resulting in a negative variance of 1%. Tax on Dividends and Interest contributed the greatest portion of the revenue.

The performance of this revenue head can be attributed to:

- Low liquidity levels have negatively affected the performance of the local bourse, resulting in low collections from Capital Gains Withholding Tax.
- The low activity in the mortgage sector has negatively affected the performance of Capital Gains Tax.

Mineral Royalties

Collections under Mineral Royalties were 18% above target. A total of US\$37.2 million was collected against a target of US\$31.4 million.

Gratitude

I would like to express the Authority's gratitude and appreciation to its clients, staff, management, the Ministry of Finance, my fellow Board Members and its many stakeholders for their tireless efforts in supporting the Authority in the discharge of its mandate.

MR S. MOYO
(CHAIRMAN OF THE BOARD)