

## **ZIMRA BOARD CHAIRMAN'S REVENUE PERFORMANCE REPORT FOR THE THIRD QUARTER OF 2013**



**Mr Sternford Moyo, ZIMRA Board Chairman**

### **Overview of Revenue Performance**

Revenue collections for the third quarter of 2013 amounted to US\$897.3 million against a target of US\$904.9 million, resulting in a negative variance of 1%. The marginal negative variance was due to the harsh economic conditions prevailing in the country and the sluggish economic performance during the run-up to the harmonised elections. The

economy continued to face challenges such as erratic power supplies, liquidity constraints, depressed industrial capacity utilisation, among other challenges, within the period under review.

Value Added Tax (VAT) contributed the largest portion of the revenue, followed by Individual Tax and Excise Duty respectively. The table below illustrates actual collections against targets for the period under review.

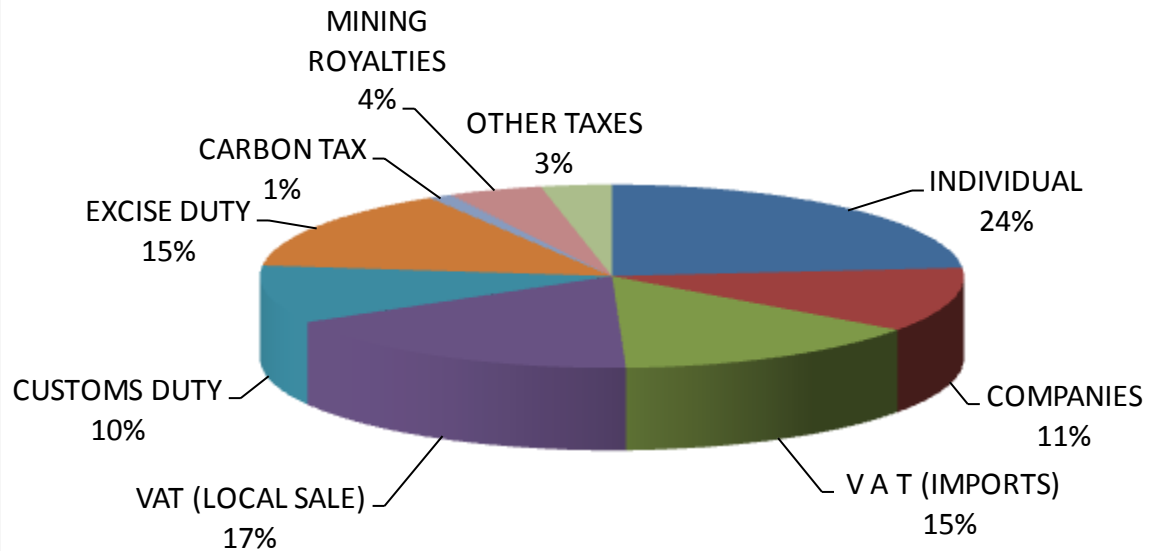
*Table 1: 2013 Third Quarter Collections*

<b>Tax Head</b>	<b>Actual US\$</b>	<b>Target US\$</b>	<b>Variance US\$</b>	<b>% Variance</b>
<b>Individual Tax</b>	211,330,253.63	171,250,000.00	40,080,253.63	23%
<b>Company Tax</b>	102,358,448.49	105,202,000.00	-2,843,551.51	-3%
<b>V AT (Imports)</b>	129,318,123.40	122,600,000.00	6,718,123.40	5%
<b>VAT (Local Sales)</b>	154,769,430.48	168,525,000.00	-13,755,569.52	-8%
<b>Customs Duty</b>	91,760,416.72	94,080,000.00	-2,319,583.28	-2%
<b>Excise Duty</b>	129,904,846.54	125,450,000.00	4,454,846.54	4%
<b>Carbon Tax</b>	9,645,156.12	9,100,000.00	545,156.12	6%
<b>Mining Royalties</b>	39,004,999.94	63,700,000.00	-24,695,000.06	-39%
<b>Other Taxes</b>	29,253,632.15	45,018,000.00	-15,764,367.85	-35%
<b>Total</b>	<b>897,345,307.46</b>	<b>904,925,000.00</b>	<b>-7,579,692.54</b>	<b>-1%</b>

### **Performance of Revenue Heads**

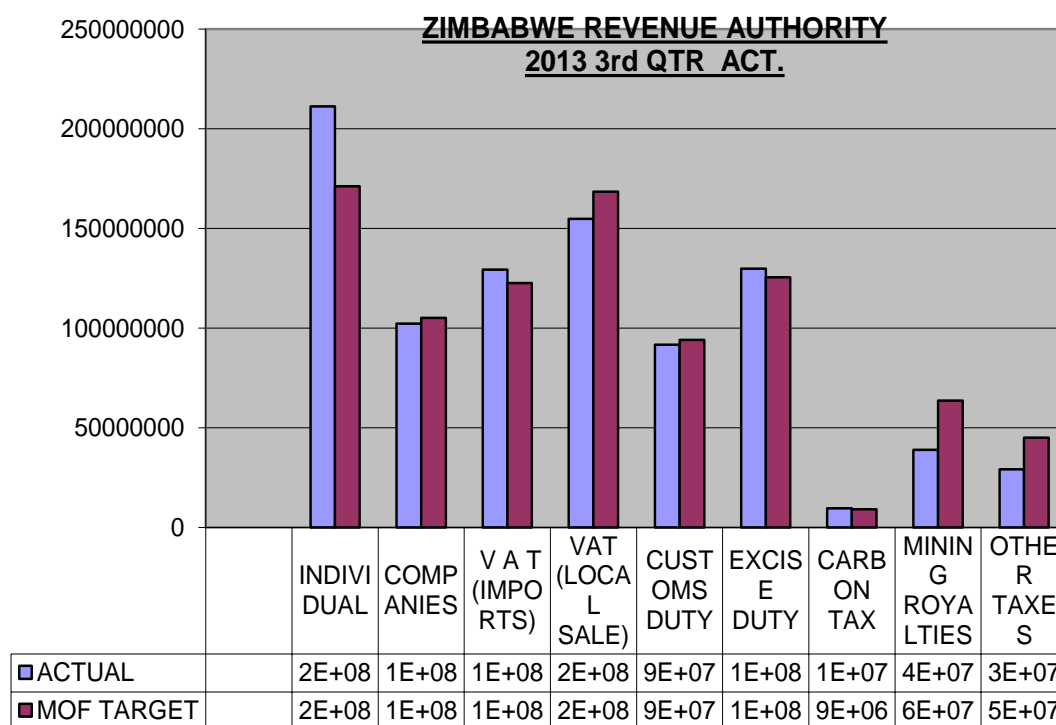
VAT contributed 32% of the total revenue collected in the third quarter. Collections from Individual Tax constituted 24% of total revenue while Excise Duty was third with a contribution of 15%. The contributions per revenue head are as shown in the pie chart below.

## ZIMBABWE REVENUE AUTHORITY 2013 3rd QTR ACT.



*Fig 1: Revenue Heads' Contribution*

The performance of the respective revenue heads against targets is as shown in Fig 2 below.



**Fig 2: Performance of Revenue Heads against Target**

### Individual Tax

Collections under Individual Tax amounted to US\$211.3 million against a target of US\$171.2 million, resulting in a positive variance of 23%. This revenue head has been performing well since the beginning of the year due to a combination of factors, dominant of which were salary adjustments and performance awards that were granted to employees. Furthermore, audit and follow-up initiatives by the Authority resulted in improved compliance from clients, thereby boosting revenue collections. Though the target has been met, companies have been scaling down in operations (in order to reduce operating costs) through either retrenchments or closures.

### Company Tax

This revenue head contributed US\$102.4 million against a target of US\$105.2 million, resulting in a negative variance of 3%. As indicated in the CZI Manufacturing Survey Report, industrial capacity utilisation dropped from 44.6% in 2012 to 39.6% in 2013. This has negatively impacted on the performance of many companies, and consequently on the performance of the revenue head. Many companies suffered from lack of credit lines to

recapitalise and replace obsolete equipment. The second and third instalments under quarterly payment dates (QPDs) performed below target (and below last year's collections by 4% and 3% respectively), indicating that the economy has not grown to previously expected levels.

### **Value Added Tax**

Performance of Value Added Tax was below expectations since net collections amounted to US\$284.0 million against a target of US\$291.1 million. This resulted in a negative variance of 2%.

#### ***VAT on Local Sales***

The fall in industrial capacity utilisation negatively affected VAT on Local Sales. Collections amounted to US\$154.8 million against a target of US\$168.5 million, resulting in a negative variance of 8%.

#### ***VAT Levied on Imports***

Collections from VAT on Imports were 5% above target as US\$129.3 million was collected against a target of US\$122.6 million. Most companies are still importing goods that attract VAT in order to supplement products which are not adequately available locally.

### **Customs Duty**

A total of US\$91.8 million was collected against a target of US\$94.1 million, resulting in a negative variance of 2%. Customs Duty collections marginally fell below target because some of the imports were capital equipment, raw materials and intermediate goods which attract either very low rates of duty, or no duty at all.

### **Excise Duty**

Collections for the third quarter amounted to US\$129.9 million against a target of US\$125.5 million, resulting in a positive variance of 4%. The performance of Excise Duty can be attributed to an upward review of the rate of Excise Duty for fuel (petrol and diesel) whose price was raised by 5 cents per litre in March this year. In addition, monitoring of imports by the Zimbabwe Revenue Authority through escorts, audits and follow-ups also boosted compliance levels. More inflows are expected from Excise Duty as the festive

season approaches due to increased consumption of excisable commodities such as beer and fuel.

### **Other Taxes**

Other Taxes include Tax on Domestic Dividends and Interest, Capital Gains Tax (CGT) and CGT Withholding Taxes, Carbon Tax, Tobacco Levy and Other Indirect Taxes. These taxes contributed US\$38.9 million against a target of US\$54.1 million, resulting in a negative variance of 28%.

Carbon Tax collections were 6% above target. Collections from CGT and CGT Withholding Taxes were also above target. Other Indirect Taxes were boosted by Withholding Taxes on Tenders and Presumptive Taxes which performed above expectations. However, the overall performance of Other Taxes was negatively affected by Tax on Domestic Dividends and Interest, which performed below target due to liquidity challenges in the economy.

### **Mining Royalties**

Third quarter collections stood at US\$39.0 million against a target of US\$63.7 million, resulting in a negative variance of 39%. Mining Royalties were negatively affected by fluctuations in international prices of minerals. In addition, royalties from diamonds were negatively affected by the placing of some diamond mining companies under sanctions. Therefore, the recent decision by the European Union to lift sanctions that had been imposed on ZMDC will go a long way in aiding the performance of this revenue head.

### **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. I am, therefore, optimistic that if this spirit of responsible citizenship continues, coupled with improvements in the performance of the economy in general, the revenue target for 2013 will be surpassed.

Let me also take this opportunity to congratulate winners of Taxpayer Appreciation Awards who were honoured on 23 September 2013 for contributing to the economic growth and social development of Zimbabwe through payment of taxes and duties.

I urge those clients who are not observing their tax obligations to comply with fiscal legislation and contribute their fair share so that that together we can meet the needs of our country.

Secondly, my gratitude and appreciation goes to ZIMRA Management and Staff for continuing to mobilise resources for the nation even in 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.



**STERNFORD MOYO  
(CHAIRMAN OF THE BOARD)**

