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REVENUE PERFORMANCE REPORT FOR THE QUARTER ENDED 31 MARCH 2019

Dr. Callisto Jokonya
ZIMRA Board Chairman

1. Preamble

It gives me great pleasure to present the revenue performance report for the period 1 January– 31 March 2019. This is the first report coming out after the appointment of the new Board of Directors as announced by the Minister of Finance and Economic Development on 20 December 2018. As a new Board we have started on a high note, with the first quarter revenue collection targets having been significantly surpassed. We have confidence that this trend is going to be maintained throughout the year. A number of strategies are lined up to increase revenue collections and to enhance levels of efficiency in ZIMRA's operations.

The first quarter of 2019 has been characterised by many economic challenges that created a difficult operating environment for businesses and consequently for revenue collection. However, despite these challenges, I am pleased to report that quite a number of companies continued to support the economy by meeting their tax obligations in a move that has seen the Authority surpass its set first quarter 2019 revenue collection targets.

2. ZIMRA Thrust and Focus

The Authority's quest is driven by the need to collect sufficient and sustained revenues to support government programs. To sustain this, the Authority is implementing a number of initiatives that include:

- Intensified engagements of taxpayers and the media in all areas of the Authority's operations. This significantly helps in disseminating key information to the public thereby improving the compliance levels.
- Enhanced collaboration with key stakeholders. In this regard, the Authority recently signed a Memorandum of Understanding (MoU) with the Zimbabwe National Statistics Agency (ZIMSTAT) to facilitate the sharing of vital information.
- Intensified debt recovery activities.
- Data matching and third party information verification to widen the tax base and foster compliance.
- Random risk-based and intelligence patrols.
- Anti-smuggling operations and investigations.
- Zero tolerance stance to corruption.

3. Revenue Performance

Revenue performance for the first quarter of 2019 surpassed the set target in both gross and net terms. During the quarter, gross collections amounted to [1]**$2.059 billion,** which was **41.50%** against the set target of **$1.455 billion.** After

[1] $ refers to RTGS$

deducting Refunds of **$114.98 million,** Net Collections were **$1.944 billion.** This translates to a positive variance of **33.62%** above the target of **$1.455 billion.**

Compared to the same period in 2018, Gross Collections grew by **85.13%** from **$1.112 billion** collected in first quarter 2018, which is above the annual inflation levels. Similarly, Net Collections recorded a growth of **83.82%** from **$1.057 billion** that was realized in the same period in 2018.

Positive performance is attributed to the significant contributions from Intermediate Money Transfer Tax (IMTT), Corporate Income Tax (CIT) and Excise Duty. This is buttressed by the Authority's revenue enhancement measures and strategies aimed at promoting voluntary compliance.

Figure 1 below shows a comparison of revenue performance for Q1 2019 and Q1 2018:

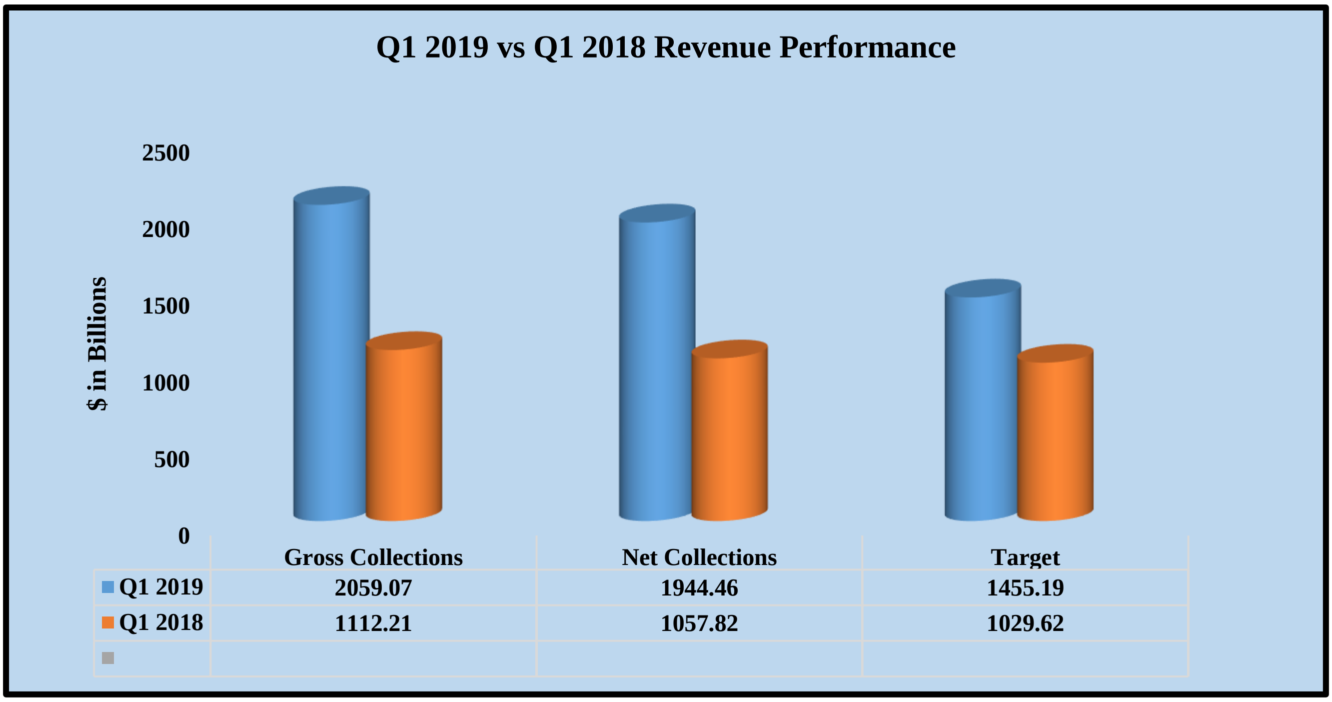

Figure 1: Q1 2019/2019 Revenue Comparison

Table 1: Q1 2019 Collections vs Targets

TAX HEAD	TARGET Q1 2019 $	ACTUALS Q1 2019 $	VARIANCE $	% VARIANCE	Q1 2018 ACTUAL	% GROWTH
Individual Tax	235,209,000.00	235,908,547.57	699,547.57	0.30%	193,705,621.45	21.79%
Company Tax	172,000,000.00	242,078,617.82	70,078,617.82	40.74%	128,553,888.48	88.31%
Gross VAT on Local Sales	308,100,000.00	336,696,442.29	28,596,442.29	9.28%	265,699,324.65	26.72%
Less VAT Refunds		*114,350,645.90*			*54,253,493.13*	110.77%
Net VAT on Local Sales	308,100,000.00	222,345,796.39	-85,754,203.61	-27.83%	211,445,831.52	5.15%
VAT on Imports	117,600,000.00	127,274,916.41	9,674,916.41	8.23%	123,139,688.00	3.36%
Gross Customs Duty	103,780,000.00	91,518,762.24	-12,261,237.76	-11.81%	90,413,840.57	1.22%
Less Customs Refunds		*262,655.19*			*138,802.60*	89.23%
Net Customs Duty	103,780,000.00	91,256,107.05	-12,523,892.95	-12.07%	90,275,037.97	1.09%
Excise Duty	242,188,300.00	565,650,322.72	323,462,022.72	133.56%	233,318,820.87	142.44%
Carbon Tax	11,610,000.00	8,149,027.84	-3,460,972.16	-29.81%	10,657,831.29	-23.54%
Mining Royalties	25,240,000.00	21,080,961.67	-4,159,038.33	-16.48%	19,150,324.28	10.08%
DFIR[2]	19,710,000.00	51,821,178.81	32,111,178.81	162.92%	18,723,127.14	176.78%
WHT on Contracts	47,555,631.55	33,873,127.34	-13,682,504.21	-28.77%	44,757,254.14	-24.32%
Intermediate Money Transfer Tax	150,000,000.00	282,843,450.27	132,843,450.27	88.56%	5,205,077.97	5333.99%
Other Taxes:						
CGT & CGT WHT	9,770,000.00	6,451,204.79	-3,318,795.21	-33.97%	6,664,405.50	-3.20%
Tobacco Levy	1,536,000.00	462,439.65	-1,073,560.35	-69.89%	176,083.90	162.62%
Other Indirect Taxes	10,894,368.45	11,644,131.87	749,763.42	6.88%	5,522,956.13	110.83%
Net Non-Tax Revenue		43,616,215.20			- 33,478,861.49	-230.28%
NET REVENUE	**1,455,193,300.00**	**1,944,456,045.41**	**489,262,745.41**	**33.62%**	**1,057,817,087.15**	**83.82%**
GROSS REVENUE	**1,455,193,300.00**	**2,059,069,346.50**	**603,876,046.50**	**41.50%**	**1,112,209,382.88**	**85.13%**

Individuals, Companies, VAT on Imports, Excise Duty, Other Indirect Taxes and Intermediate Monetary Transfer Tax (IMTT) performed above set targets. Worth noting is the performance of IMTT which realized **$282.84 million** against a target of **$150 million.** IMTT grew by **5333.99%** from **$5.21 million** collected before change in policy in the first quarter of 2018.

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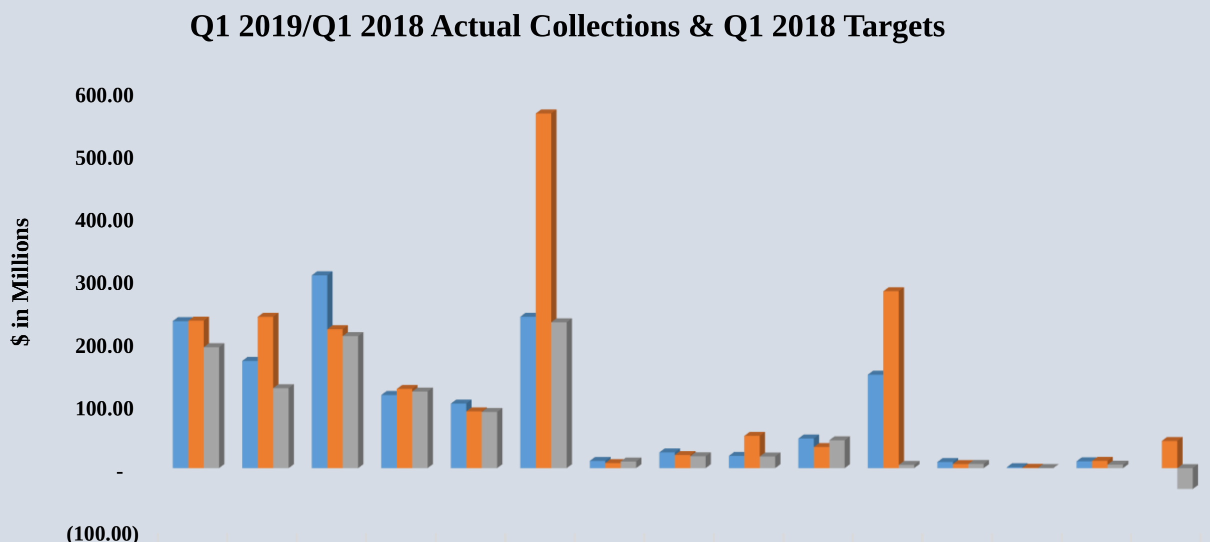
[2] Dividends, Fees, Interest, Royalties and Remittances

4. Q1 2019 and Q1 2018 Net Revenue Collections Comparison

The following graph shows a comparison of revenue collections for Q1 2019 and Q1 2018 as well as the Q1 2019 targets for each tax type.



	Individual Tax	Company Tax	VAT -Local Sales	VAT- Imports	C/ Duty	E/Duty	Carbon Tax	Royalties	DFIR[1]	WHT on Contracts	IMTT	CGT & CGT WHT	Tobacco Levy	Other Taxes	Net Non-Tax Revenue
TARGET Q1 2019 US$	235.21	172.00	308.10	117.60	103.78	242.19	11.61	25.24	20	47.56	150.00	9.77	1.54	10.89	
ACTUALS Q1 2019 US$	235.91	242.08	222.35	127.27	91.26	565.65	8.15	21.08	51.82	33.87	282.84	6.45	0.46	11.64	43.62
Q1 2018 ACTUAL	193.71	128.55	211.45	123.14	90.28	233.32	10.66	19.15	18.72	44.76	5.21	6.66	0.19	5.52	(33.48)

Figure 2: Q1 2019/Q1 2018 Actual Collections and Q1 2019 Targets

5. Quarterly Growth Rates by Tax Head

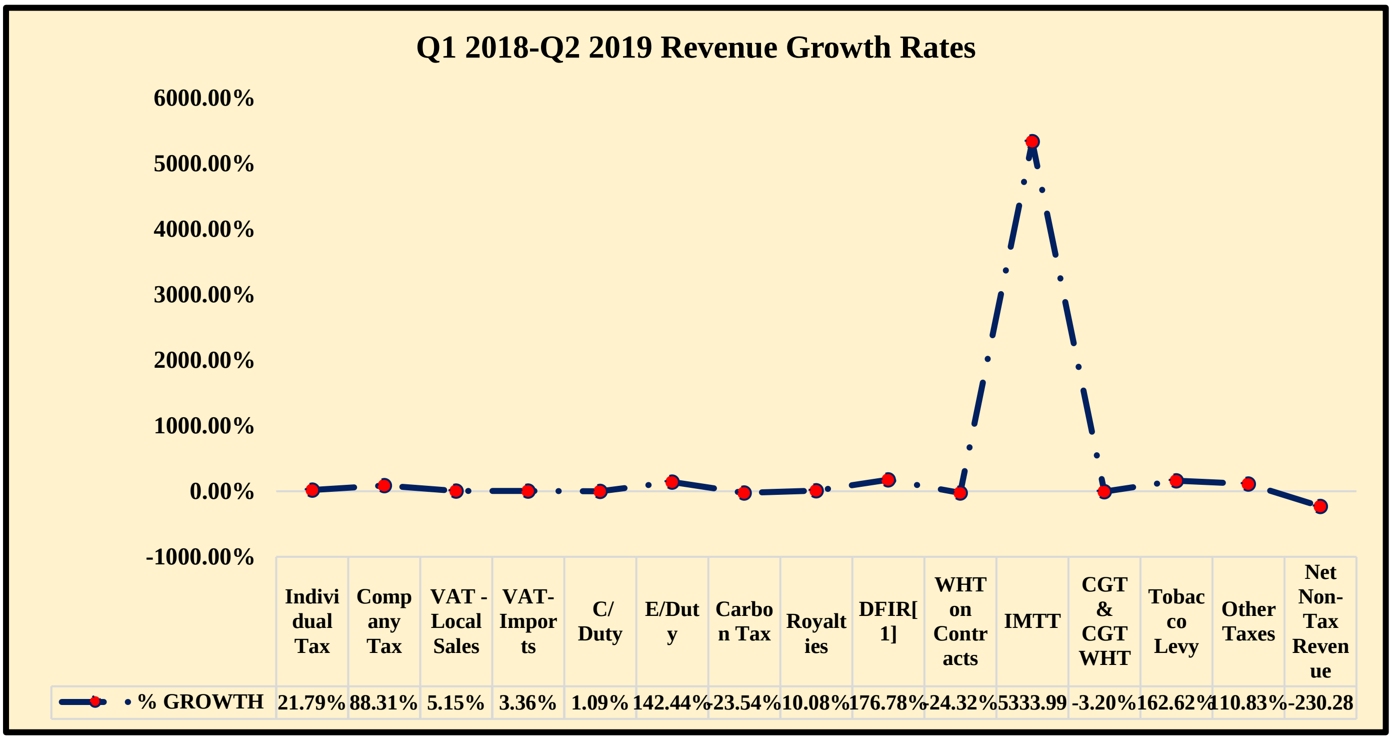


Figure 3: Quarterly Growth Rates by Tax Head

Most revenue heads experienced positive growth rates for the periods under review. A negative growth was experienced in Non-Tax Revenues, Carbon Tax, Withholding Tax on Contracts and Capital Gains Tax. IMTT experienced the biggest growth of **5333.99%** from **$5.21 million** that was collected in the first quarter of 2018 before policy changes on IMTT rate. The spike indicates the structural break due to policy change and also is a true indicator of the positive impact that IMTT is having to total revenue collections.

6. Monthly Performance

Figure 4 shows a comparison of Q1 2019 and Q2 2018 monthly performances.

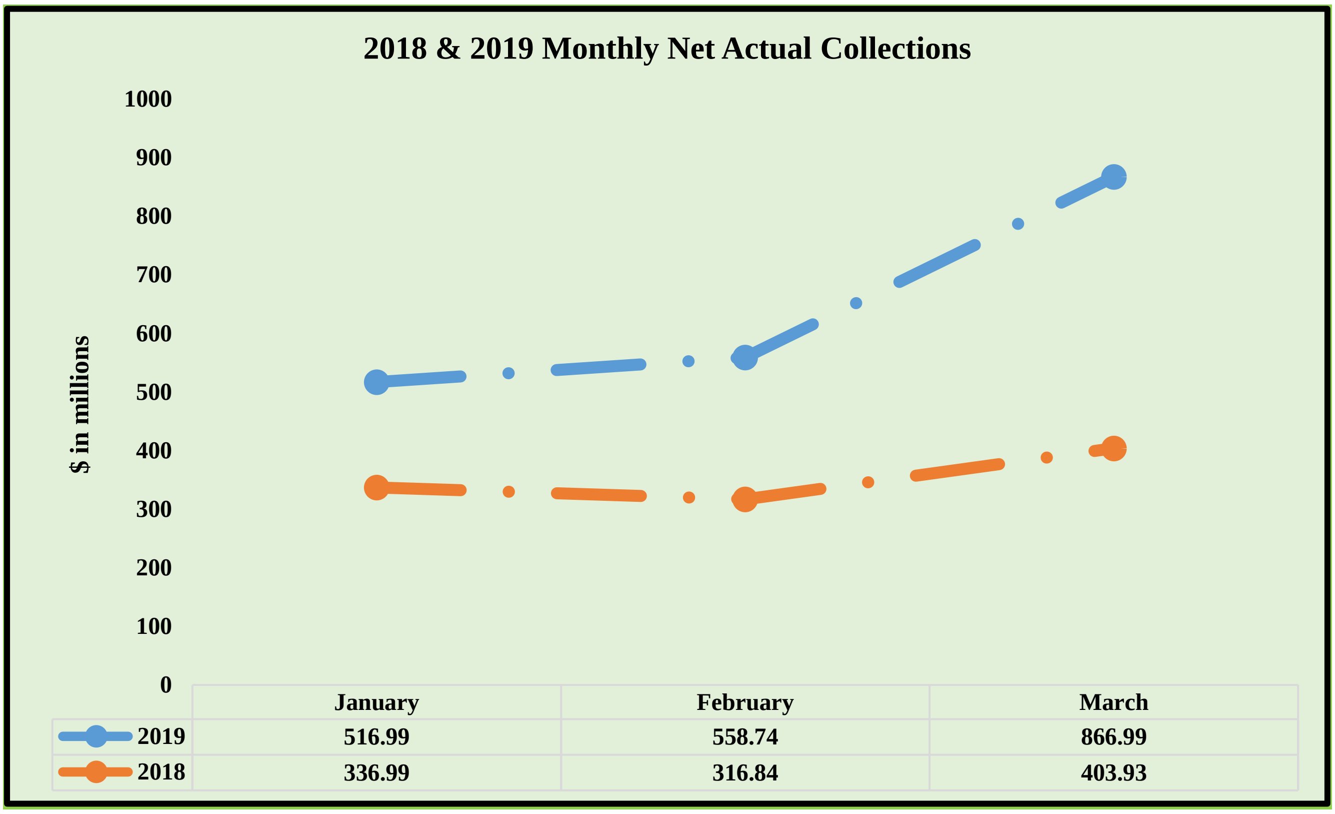


Figure 4: Comparison of Monthly Collections

Monthly collections for the first quarter of 2019 maintained a positive trajectory as compared to the same period same period in 2018.

ANALYSIS OF SPECIFIC REVENUE HEADS

7. Individual Tax

Collections from Individual tax amounted to **$235.91 million** against a target of **$235.21 million.** This translates to a marginal positive variance of **0.30%.** Collections recorded a growth of **21.79%** from **$193.71 million** that was collected in the first quarter of 2018.

The performance of the revenue head is attributed to salary adjustments and cushioning allowances by companies especially in the private sector. The labour market however, still remains subdued and may only benefit from inflation related cost of living adjustments in staff wages.

8. Corporate Income Tax (Company Tax)

Collections were **$242.08 million** above the target of **$172** million translating to a positive variance of **40.74%.** Collections grew by **88.31%** from **$128.55 million** that was collected in the same period in 2018. Major factors to the positive performance of this revenue head include improved profitability by some established companies, improved compliance and enforcement activities by the Authority.

9. VAT on Local Sales

Gross VAT on Local Sales amounted to **$336.70 million,** up from the **$265.699** million collected in Q1 of 2018**.** This translates to a positive variance of **9.28%** above the set target of **$308.10 million** and a growth factor of **26.7%.** After factoring in VAT Refunds of **$114.35 million,** net collections of **$222.35 million** were **27.83%** below target. However, when compared to the first quarter in 2018, net collections grew by **5.15%** from **$211.45 million.** The revenue head contributed **11.43%** of the total Net Collections during the quarter under review.

The performance of the revenue head is due to inflationary pressures, improved voluntary compliance and enhanced enforcement by the Authority. Collections are also affected by the losses due to the multi-tiered pricing before the Monetary Policy Statement where traders reported their sales on the 1:1 parity between the US$ and the RTGS.

An increasing VAT Refunds bill is also negatively affecting the performance of this tax head while the Authority tries to clear refund backlogs. The Refund Bill grew by **110%** from **$54.25 million** that was paid out in the first quarter of 2018 to **$114.35 million** during the first quarter of 2019.

10. VAT on Imports

Collections of **$127.27 million** were **8.23%** above the set target of **$117.60 million.** The revenue head recorded a positive growth of **3.36%** from **$123.14 million** that was collected in the first quarter of 2018.

The performance of the revenue head is attributed to increased volumes of imports and the floating of the exchange rate by the Central Bank.

11. Customs Duty

Gross Customs Duty collections amounted to **$91.52 million.** This translates to a negative variance of **$11.81%** against the target of **$10.78 million.** After deducting Customs Duty Refunds of **$262,655.19,** net Customs Duty collections of **$91.26 million** were **12.07%** below target. Collections grew by a marginal **1.09%** from **$90.41 million** realised in the first quarter of 2018.

Though import volumes grew, collections from import duties were negatively impacted by the charging of duty in foreign currency which saw a drop in imports like cars.

12. Excise Duty

Collections amounted to **$565.65 million** against a target of **$242.19 million.** This translates to a positive variance of **133.56%.** Excise Duty collections increased by **142.44%** from **$233.32 million** realized in the first quarter of 2018. The revenue head contributed **27.47%** to total net collections during the first quarter of 2019.

The performance of the revenue head is attributed to an increased in the duty rate and demand and supply of diesel and petrol. During the quarter under review, diesel imports increased by **9.10%** from **208.86 million** litres supplied in the first quarter of 2018 to **227.86 million litres.** Similarly, petrol imports increased by **11.19%** from **123.67 million litres** in the first half of 2018 to **137.51 million litres.**

13. Withholding Tax on Contracts

Collections from this revenue head amounted to **$33.87 million** against a target of **$47.56 million.** This translates to a negative variance of **28.77%.** The revenue head also recorded a negative growth of **24.32%** from **$44.76 million** that was collected in Q1 2018. The performance of the revenue head is indicative of non-compliance by taxpayers.

14. Intermediate Money Transfer Tax

Intermediate Money Transfer Tax (IMTT) collections amounted to **$282.84 million** against a target of **$150 million.** This translates to a positive variance of **88.56%.** The revenue head grew by **5333.99%** when compared to **$5.21 million** collected in the first quarter of 2018 before the policy change. The revenue head contributed **14.55%** of total net collections during the quarter.

15. Carbon Tax

Carbon Tax collections of **$8.15 million** were below set target by **29.81%.** The revenue head also recorded a negative growth rate of **23.54%** from **$10.66 million** that was collected in the same period last year.

16. Mining Royalties

Collections amounted to **$21.08 million** against a set target of **$25.24 million,** translating to a negative variance of **16.48%.** Compared to the same period last year, collections grew by **10.08%** from **$19.15 million** that was collected in the first quarter of 2018.

The performance of the revenue head is attributed to fluctuations in commodity prices and heavy rains that were experienced in January 2019 that might have affected mining operations mostly of artisanal and small-scale miners.

17. Dividends, Fees, Interest and Remittances

Total collections amounted to **$51.82 million** against a set target of **$19.71 million.** This gives a positive variance of **162.92%.** The revenue head recorded a positive growth of **176.78%** from **$18.72 million** that was collected in Q1 2018. This is reflective of the positive performance by companies.

18. Other Taxes

Collections amounted to **$18.56 million** against a set target of **$22.20 million.** This translates to a negative variance of **16.41%.** Revenue collections increased by **50.10%** from **$12.36 million** that was collected in the same period last year.

Subdued property market and non-compliance especially under Presumptive Tax are negatively affecting this group of revenue heads.

CONCLUSION

Despite the macroeconomic challenges that the economy is facing, revenue performance is anticipated to maintain a positive trajectory. The fiscal and monetary policy position announced by Government gives us assurance that the economy is on a recovery path.

The Authority is confident that the continued focus on its thrust to mobilize sufficient resources will yield positive results. In this regards, the Authority will continue with its drive to engage taxpayers in order to build a culture of voluntary compliance, maintain a stance of zero tolerance to corruption and improve its operating systems to improve efficiency and add value to taxpayers.

The Authority's revenue enhancement strategies for the second quarter will focus on sector compliance and bringing more taxpayers into the tax base through road shows and tax education. More effort will also be put on reducing the tax debt and fighting corruption through intensified life-style audits and investigations.

GRATITUDE

As I conclude this report, firstly, 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 optimistic that if this spirit of responsible citizenship continues, coupled with improvements in the performance of the economy in general, the revenue target for 2019 will be surpassed. 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 goes to the Minister of Finance and Economic Development for the confidence he has bestowed on me and my fellow Board Members. I would also like to thank the Permanent Secretary in the Ministry of Finance and Economic Development, Ministry officials and the entire Government for the support given to ZIMRA during the quarter under review and always.

My gratitude also goes to my fellow Board Members who have shown great support and dedication to duty from the time of our appointment. With that level of support, the future can only look brighter.

Last but not least, my appreciation also goes to the Commissioner General, the entire ZIMRA Management and Staff for their dedication and commitment to the cause of mobilizing resources for the nation. I call upon Management and Staff to remain focused on the mandate before us. Together we can and we will.

'Now to Him who is able to do immeasurably more than all we ask or imagine, according His power that is at work within us, to Him be glory in the church and in Christ Jesus throughout all generations, for ever and ever! Amen' (Ephesians 3:20–21). We are forever grateful to God as a nation and as an institution.

I thank you.

Dr. Callisto Jokonya

ZIMRA Board Chairman