

FIRST HALF 2019 REVENUE PERFORMANCE REPORT



*Dr. Callisto Jokonya
ZIMRA Board Chairman*

1. Preamble

This is the first half-year report under the stewardship of the new Board of Directors as announced by the Minister of Finance and Economic Development on 20 December 2018. Revenue collections maintained a robust positive trajectory with collections surpassing targets both on gross and net positions. Regardless of the challenging operating environment, I am pleased to announce that quite a number of taxpayers continued to support the economy by meeting their tax obligations. We are optimistic that the momentum is going to be maintained for the rest of the year.

Monetary policy transition from multiple currency regime to the use of Zimbabwe dollar as local currency introduced through S.I 142 of 2019 gives hope for more revenue mobilization. Such a move will remove distortions associated with multi-tier pricing system thereby enhancing formal transactions that boost revenue flows. The move will also enable simple tax calculations and reporting which can enhance compliance.

Spiraling inflation from 56.90% from the beginning of the year to 175.66% as at June 2019 remains a major threat to economic growth.

The Authority remains persistent in its drive to heighten compliance in a bid to further improve revenue performance. A number of strategies are lined up to increase revenue collections and to enhance levels of efficiency in ZIMRA's operations.

2. ZIMRA Thrust and Focus

The Authority's mission is driven by the need to mobilize sufficient revenues to support government activities. The Authority is implementing robust initiatives to collect revenue for the fiscus including:

- Disseminating key information to the taxpayers in an effort to improve compliance. Information dissemination is being done through roadshows, workshops and various media platforms.
- Putting in place initiatives to recover tax arrears. These include follow-ups on defaulters, appointment of agents, negotiations of payment plans and offsets against refunds.
- Random risk-based and intelligence patrols.
- Anti-smuggling operations and investigations.
- Sector specific revenue mobilization projects covering completeness of Intermediate Money Transfer Tax (IMTT), focus on foreign currency based tax collection.
- Zero tolerance stance to corruption.

3. Revenue Performance

Revenue performance for the first half of 2019 exceeded the set target on both gross and net positions. Gross collections for the first half (H1) of 2019 were ¹**\$5.27 billion** against the targeted **\$4.30 billion**, thereby surpassing the set target by **22.75%**. After deducting refunds of **\$211.52 million** for the first half, net collections of **\$5.06 billion** surpassed target of **\$4.30 billion** by **17.83%**.

Compared to the same period in 2018, Gross Collections grew by **118.71%** from **\$2.41 billion** collected during the first half of 2018. Similarly, Net Collections recorded a growth of **118.92%** from **\$2.31 billion** that was collected in the same period in 2018.

Positive performance is attributed to the significant contributions from Excise Duty, Intermediated Money Transfer Tax (IMTT), Individuals Tax, Value Added Tax and Company Tax. This has been bolstered by the Authority's revenue enhancement initiatives and strategies aimed at promoting compliance.

Gross revenue collections for the Second Quarter of 2019 amounting to **\$3.23 billion** surpassed the set target of **\$2.33 billion** by **38.66%**. Net collections of **\$3.13 billion** exceeded the target by **34.51%** after deducting refunds of **\$96.55 million**. Net collections grew by **149.56%** from the 2018 Second Quarter performance. Gross collections grew by **148.60%** from **\$1.30 billion** collected in the Second Quarter of 2018. Positive performance is attributed to notable contributions from Excise Duty, Individuals, IMTT and Company Tax.

¹ \$ refers to RTGS

Figure 1 below shows a comparison of revenue performance for H1 2019 and H1 2018:

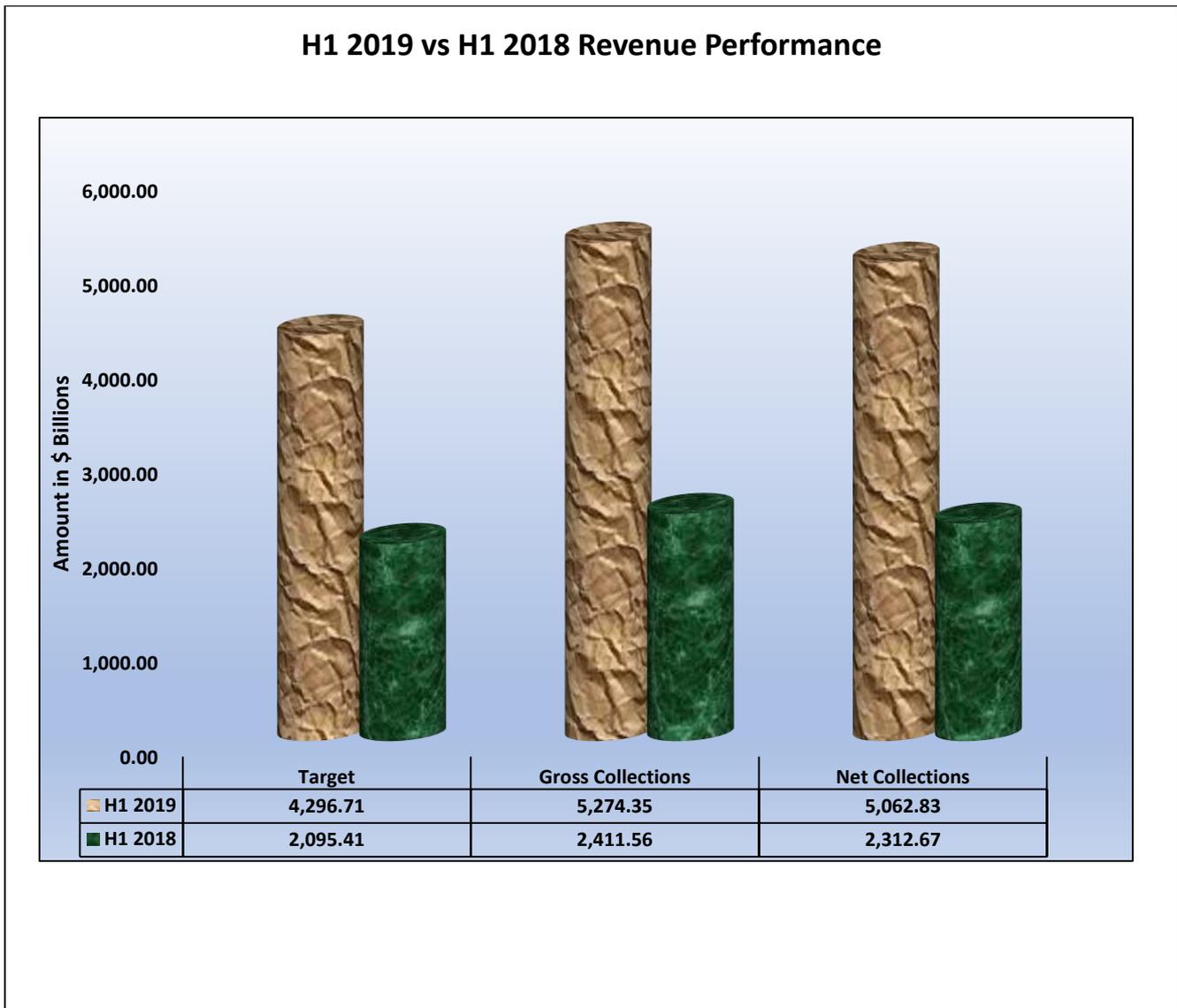


Figure 1: H1 2019/2018 Revenue Comparison

Table 1 below shows revenue collections and targets for H1 2019 and H1 2018 as well as revenue growth for each revenue head.

Table 1: H1 2019 Collections vs Targets and H1 2018 collections

TAX HEAD	TARGET H1 2019 \$	ACTUALS H1 2019 \$	VARIANCE \$	% VARIANC E	H1 2018 ACTUAL	% GROWTH
Individual Tax	504,837,286.77	663,619,089.37	158,781,802.60	31.45%	416,422,938.67	59.36%
Company Tax	532,696,502.95	578,085,655.48	45,389,152.52	8.52%	356,316,015.55	62.24%
Gross VAT on Local Sales	758,488,330.22	861,018,465.54	102,530,135.32	13.52%	527,164,961.80	63.33%
<i>Less VAT Refunds</i>		<i>209,767,808.47</i>			<i>97,089,244.85</i>	<i>116.06%</i>
Net VAT on Local Sales	758,488,330.22	651,250,657.07	- 107,237,673.15	-14.14%	430,075,716.95	51.43%
VAT on Imports	327,873,975.64	478,722,601.47	150,848,625.83	46.01%	252,623,597.02	89.50%
Gross Customs Duty	273,938,762.33	324,317,893.44	50,379,131.11	18.39%	198,544,934.70	63.35%
<i>Less Customs Refunds</i>		<i>1,115,813.28</i>			<i>381,434.89</i>	<i>192.53%</i>
Net Customs Duty	273,938,762.33	323,202,080.16	49,263,317.83	17.98%	198,163,499.81	63.10%
Excise Duty	1,054,537,546.55	1,273,420,030.10	218,882,483.55	20.76%	451,682,437.09	181.93%
Carbon Tax	20,388,310.85	19,555,342.07	832,968.78	-4.09%	21,790,134.62	-10.26%
Mining Royalties	55,180,961.67	88,910,764.73	33,729,803.06	61.13%	43,127,030.76	106.16%
DFIR ² [1]	45,557,500.00	63,987,503.67	18,430,003.67	40.45%	46,018,557.39	39.05%
WHT on Contracts	94,155,650.76	88,298,260.52	5,857,390.24	-6.22%	87,821,155.47	0.54%
Intermediated Money Transfer Tax	565,899,121.00	671,681,185.83	105,782,064.83	18.69%	8,592,520.21	7717.05%
Other Taxes:						
CGT & CGT WHT	19,648,708.00	20,378,955.97	730,247.97	3.72%	17,673,689.79	15.31%
Tobacco Levy	19,062,543.83	31,324,394.87	12,261,851.04	64.32%	12,673,505.87	147.16%
Other Indirect Taxes	24,439,888.28	20,514,352.74	3,925,535.54	-16.06%	11,422,930.23	79.59%
Net Non-Tax Revenue		89,876,683.44			(41,730,997.93)	-315.37%
NET REVENUE	4,296,705,088.85	5,062,827,557.48	766,122,468.63	17.83%	2,312,672,731.50	118.92%
GROSS REVENUE	4,296,705,088.85	5,274,350,869.01	977,645,780.16	22.75%	2,411,557,262.71	118.71%

Individual Tax, Company Tax, VAT on Imports, Customs Duty, Excise Duty, Mining Royalties, DFIR, Intermediated Monetary Transfer Tax (IMTT), CGT³ and CGT Withholding and Tobacco Levy surpassed set targets for the period. There was noticeable improvement in revenue performance by major revenue heads.

Revenue collections from Individual Tax and Company Tax can be attributed to the ongoing revenue enhancement initiatives that the Authority is undertaking. One project pursued focused on PAYE in

² Dividends, Fees, Interest, Royalties and Remittances

³ Capital Gains Tax

foreign currency and has had significant impact especially during the month of May when the project started.

Gross VAT on Local Sales showed positive performance which can be a sign of improved economic activity and compliance level. VAT refunds negatively affected the revenue resulting in Net VAT performing below the set target.

VAT on Imports and Customs Duty responded positively to the floated exchange rate and plugging of revenue leakages during the first half of 2019. Shortages of some goods on the domestic market saw imports filling the gap with a positive impact on Customs Duty and VAT on imports.

Excise Duty performance can be attributed to increased rates of Excise Duty on fuel effected during the first half of the year through SI 9 of 2019. Diesel imports increased by **6.11%** from **491.89 million litres** supplied in the first half of 2018 to **521.96 million litres**. However, petrol imports decreased by **2.19%** from **289.34 million litres** in the first half of 2018 to **283.01 million litres**.

Intermediated Money Transfer Tax remained resilient since its broadening in October 2018.

4. H1 2019 and H1 2018 Net Revenue Collections Comparison

The following graph shows a comparison of revenue collections for H1 2019 and H1 2018 as well as the H1 2019 targets for each tax type.

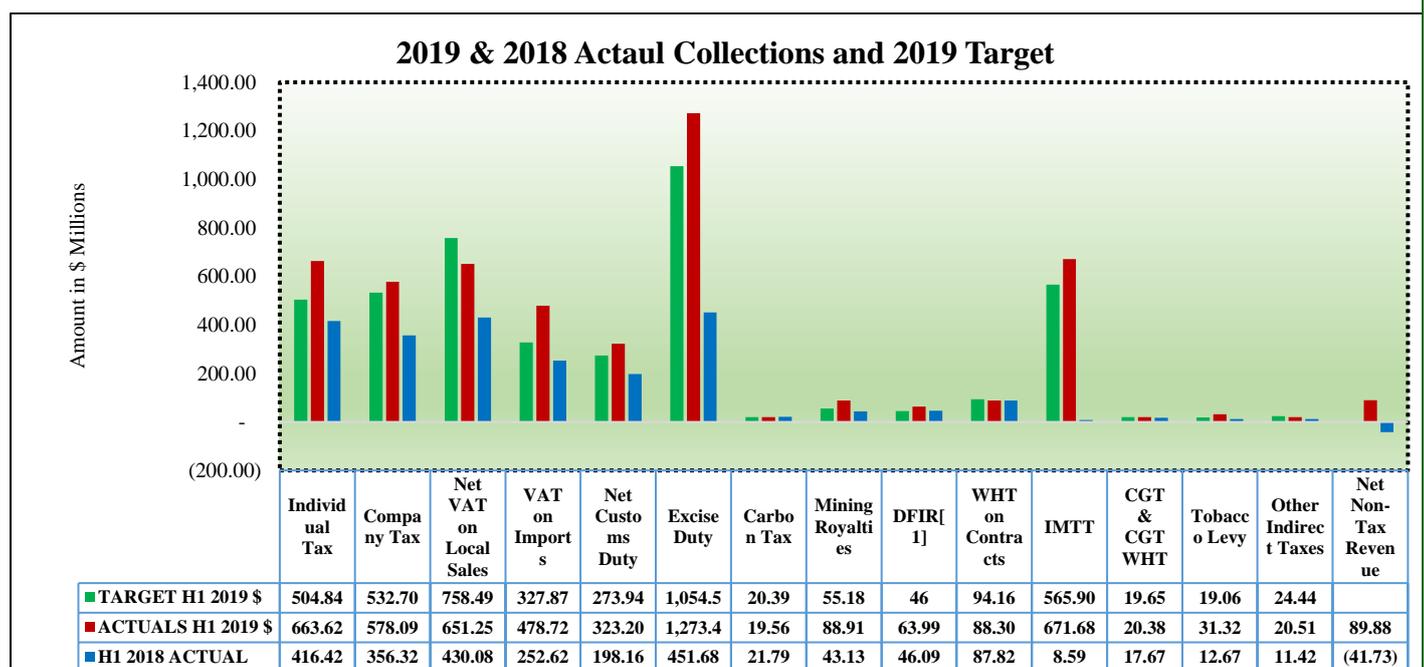


Figure 2: H1 2019/H1 2018 Actual Collections and H1 2019 Targets

Individual Tax, Company Tax, VAT on Imports, Customs Duty, Excise Duty, Mining Royalties, DFIR, IMTT, CGT and CGT Withholding and Tobacco Levy surpassed set targets and 2018 H1 performance.

Carbon Tax experienced negative growth and this can be attributed to a fall in volumes of petrol imports which attract a higher rate. Petrol imports decreased by **2.19%** from **289.34 million** litres in the first half of 2018 to **283.01 million** litres in the first half of 2019.

5. Monthly Performance

Figure 4 shows a comparison of H1 2019 and H1 2018 monthly performances.

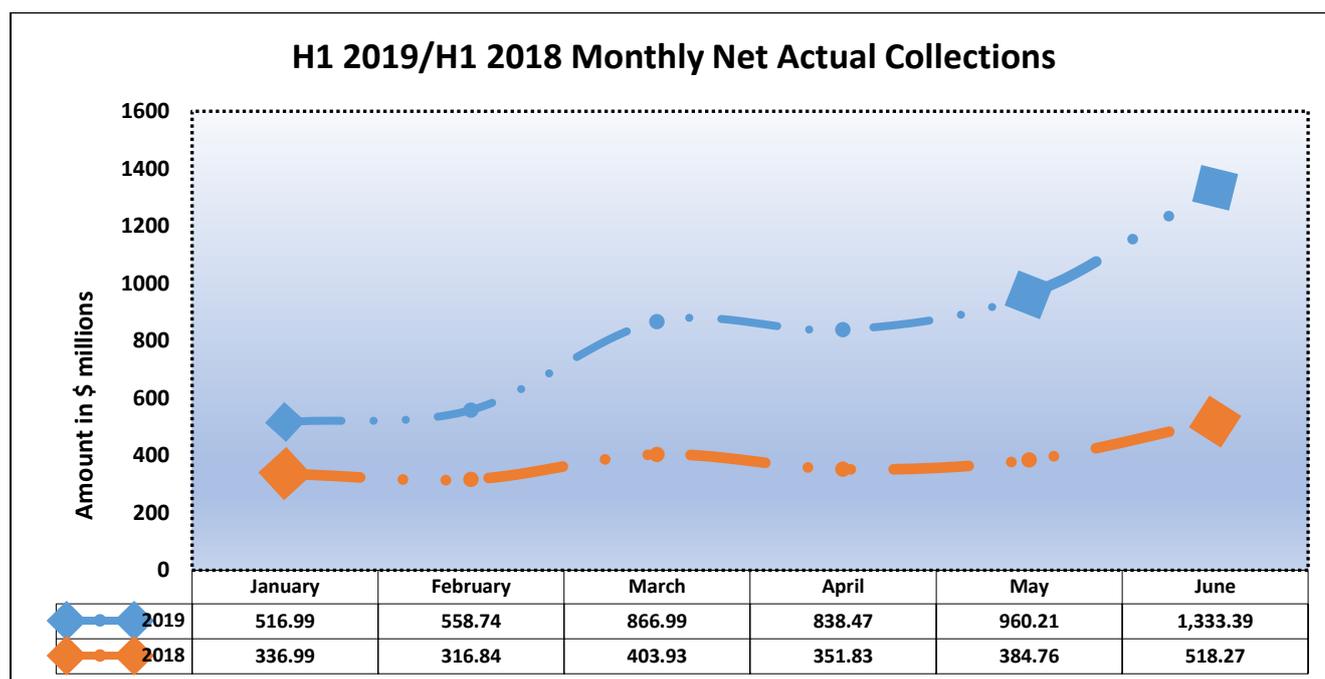


Figure 3: Comparison of Monthly Collections

Monthly collections for the first half of 2019 maintained an outright positive trajectory as compared to the same period in 2018.

OUTLOOK FOR H2 PERFORMANCE

The Authority has gathered momentum in the implementation of a new five-year strategy (2019-2023) whose main thrust is to maximise revenue collection, increase compliance, strengthen institutional image, enhance trade facilitation and protection on civil society. ZIMRA's new strategy is well aligned to the following Government's Transition Stabilisation Programme (TSP) pillars:

- Improving ease of doing business
- Restoration of fiscal balance
- Plugging of revenue leakages

The Authority is expecting to surpass the Third Quarter revenue target through implementing the various revenue enhancing measures including embarking on the following projects:

1. Verification of VAT input Tax for traders in forex and VAT Withholding tax.
2. Projects focusing on auditing :
 - Motor Dealers
 - Cement Traders

Conclusion

Revenue performance has remained buoyant during the first half of 2019 despite the macroeconomic challenges that the economy is facing. Collections on all the revenue heads except Carbon Tax grew during the first half of 2019 as compared to the same period in 2018. Government continues to pursue policies such as the Transitional Stabilisation Programme to boost economic performance. This posture coupled with ZIMRA's drive to cultivate compliance, a stance of zero tolerance to corruption and upgrading of operating systems to improve efficiency have potential to heighten a positive trajectory in future revenue performance.

The Board and Management are putting huge emphasis on implementing the client charter which involves core values, service delivery, ZIMRA's obligations to clients, clients obligations and information dissemination.

We are acutely aware that integrity as a core value must be reciprocal between clients and ZIMRA. "Integrity" to ZIMRA means choosing what the law says must be done or what God says is right when no one is looking. ZIMRA is geared to prevent corruption through enforcing the following integrity management tools:

- Lifestyle audits on staff members;
- Asset declaration policy;

- Whistle blower facility;
- Using smart technology to remove human interface with taxpayers; and
- Taking corrective action using the ZIMRA Code of Conduct.

Gratitude

I would like to express my sincere gratitude to the Honourable Minister of Finance and Economic Development and Ministry officials for their support and guidance.

I would also like to thank my fellow Board Members, Commissioner General and all Staff for their unwavering commitment in delivering the ZIMRA mandate under the challenging economic environment.

Last but not least, my appreciation goes to all the taxpayers without whose positive contribution ZIMRA's efforts would be fruitless.

Thank you and God bless you all.



Dr. Callisto Jokonya

ZIMRA Board Chairman