

REVENUE PERFORMANCE REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020



Josephine Matambo
ZIMRA Vice Board Chairman

1. Introduction

This report provides a review of ZIMRA’s strategic performance for the quarter ending 31 March 2020; the period just before the commencement of the national lockdown due to the COVID-19 pandemic. During this period the Zimbabwe Revenue Authority (ZIMRA) remained focused on the execution of its five-year strategy and maintained positive revenue collection results amid adverse economic challenges including the effects of the COVID-19 pandemic. The positive revenue collection trajectory in the period is one of the benefits resulting from the implementation of Government’s Transitional Stabilisation Programme (TSP).

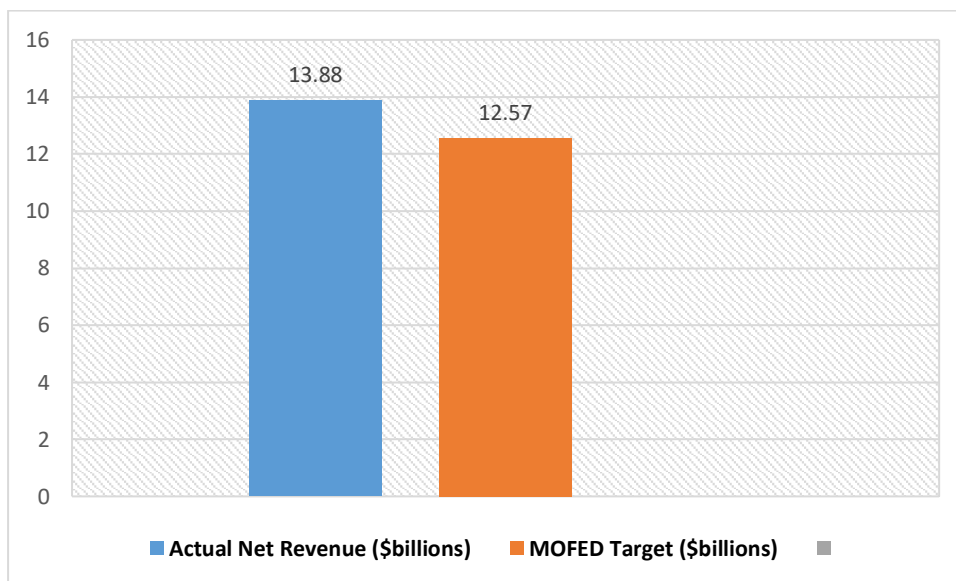
The Authority continues with its efforts to contribute positively to the Government’s attainment of the following TSP Pillars:

- **Restoration of Fiscal Balance** – During the first quarter of 2020, ZIMRA managed to collect cumulative net revenue of **\$13.88 billion** against a target of **\$12.57 billion** (10.42% above budget) as illustrated in the table and graph below:

Table 1: Q1 2020 Cumulative net revenue collected against target

Q1 2020 Actual Net Revenue collected against Target	
Actual net revenue collected (ZWL\$)	13,876,356,641
MOFED Net Revenue Target (ZWL\$)	12,566,740,000
Variance	10.42%

Chart 1: Q1 2020 Net Revenue Collected against Target



- **Plugging Revenue Leakages** – The Authority is intensifying efforts to plug revenue leakages through closing of smuggling loopholes, analysing suppliers and the IMTT returns. The Table below shows recoveries for the first quarter.

Table 2 : Statistics for revenue recoveries (Local Currency and US\$ recoveries)

Revenue Leakage Measure	ZWL	USD
Anti-smuggling - Compliance & Enforcement	49,350,961.96	1,823,009.73
Suppliers - Audits	69,792,920.67	84,892.04
IMTT - Verifications	48,912,052.83	-
Total Leakages Recoveries	168,055,935.46	1,907,901.77

- **Ease of doing business** – ZIMRA is contributing to the improvement of Zimbabwe’s ‘Ease of Doing Business Index’ through the facilitation of a Single Window project at border posts and chairing of the national thematic area on Trading Across Borders.

2. Domestic Revenue Mobilisation

2.1 Revenue Performance for Quarter 1 of 2020

During the first quarter of 2020 the Authority collected net revenue of **\$13.88 billion**, surpassing the set target of **\$12.57 billion** by **10.42%**. Revenue grew by **613.64%** in nominal terms, from **\$1.94 billion** realised in the same period in 2019. All revenue heads registered growth in nominal terms. Table 3 below summarises revenue performance for the quarter by revenue head:

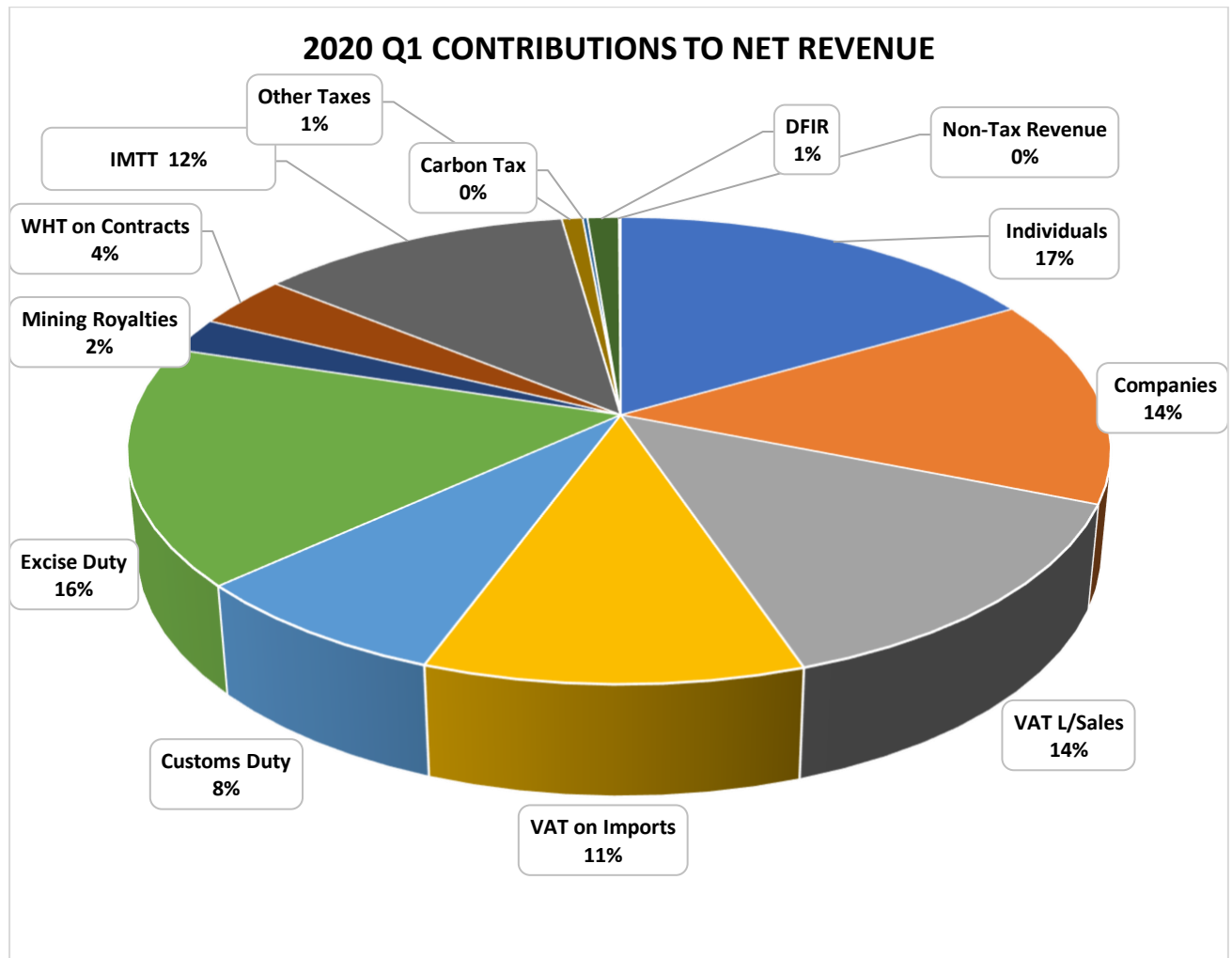
Table 3: 2020/2019 First Quarter Revenue Comparison

REVENUE HEAD	Q1 2020 MOF TARGET \$	Q1 2020 ACTUAL \$	VARIANCE	% VAR	2019 Q1 MOF TARGET \$	2019 Q1 ACTUAL \$	Nominal Growth
Individuals	1,607,209,000.00	2,312,682,328.79	705,473,328.79	43.89%	235,209,000.00	235,908,547.57	880.33%
Companies	1,289,000,000.00	1,995,650,879.50	706,650,879.50	54.82%	172,000,000.00	242,078,617.82	724.38%
Gross VAT L/Sales	2,016,490,000.00	2,344,698,742.87	328,208,742.87	16.28%	308,100,000.00	336,696,442.29	596.38%
<i>Less VAT Refunds</i>		<i>436,805,586.78</i>				<i>114,350,645.90</i>	
Net VAT L/Sales	2,016,490,000.00	1,907,893,156.09	-108,596,843.91	-5.39%	308,100,000.00	222,345,796.39	758.07%
VAT on Imports	1,439,600,000.00	1,499,023,305.46	59,423,305.46	4.13%	117,600,000.00	127,274,916.41	1077.78%
Gross Customs Duty	1,033,600,000.00	1,073,584,824.40	39,984,824.40	3.87%	103,780,000.00	91,518,762.24	1073.08%
<i>Less Customs Refunds</i>		<i>12,855,774.01</i>				<i>262,655.19</i>	
Net Customs Duty	1,033,600,000.00	1,060,729,050.39	27,129,050.39	2.62%	103,780,000.00	91,256,107.05	1062.37%
Excise Duty	2,610,885,000.00	2,304,726,932.66	-306,158,067.34	-11.73%	242,188,300.00	565,650,322.72	307.45%

Mining Royalties	376,590,000.00	329,557,134.14	-47,032,865.86	-12.49%	25,240,000.00	21,080,961.67	1463.29%
WHT on Contracts	330,240,000.00	504,379,043.09	174,139,043.09	52.73%	47,555,631.55	33,873,127.34	1389.02%
Intermediated Money Transfer Tax	1,605,000,000.00	1,652,127,382.71	47,127,382.71	2.94%	150,000,000.00	282,843,450.27	484.11%
Other Taxes	157,016,000.00	110,188,239.14	-46,827,760.86	-29.82%	22,200,368.45	19,236,927.36	472.80%
CGT & CGT Withholding	83,770,000.00	47,359,766.91	-36,410,233.09	-43.46%	9,770,000.00	6,451,204.79	634.12%
Other Indirect Taxes	51,710,000.00	62,630,249.75	10,920,249.75	21.12%	10,894,368.45	12,323,282.92	408.23%
Tobacco Levy	21,536,000.00	198,222.48	-21,337,777.52	-99.08%	1,536,000.00	462,439.65	
Carbon Tax	23,610,000.00	24,885,594.82	1,275,594.82	5.40%	11,610,000.00	8,149,027.84	205.38%
DFIR	73,750,000.00	165,158,591.07	91,408,591.07	123.94%	19,710,000.00	51,821,178.81	218.71%
Gross Non Tax	3,750,000.000	10,628,403.03	6,878,403.03		0.00	43,299,822.82	-75.45%
<i>Less Other Refunds</i>		<i>1,273,399.66</i>				<i>362,758.67</i>	
Net Non-Tax	3,750,000.000	9,355,003.37	5,605,003.37		0.00	42,937,064.15	-78.21%
Total Net Revenue	12,566,740,000.00	13,876,356,641.22	1,309,616,641.22	10.42%	1,455,193,300.00	1,944,456,045.41	613.64%
Total Gross Revenue	12,566,740,000.00	14,327,291,401.68	1,760,551,401.68	14.01%	1,455,193,300.00	2,059,432,105.17	595.69%

The pie chart below shows net revenue contributions of each revenue head to total collections.

Figure 1: 2020 Q1 Revenue Contributions by Tax Head



Major contributors to revenue were Individuals (17%), Excise Duty (16%), Companies and VAT on Local Sales both contributed 14% while VAT on Imports contributed 11%. The first quarter of 2020 was characterised by exchange rate-based price adjustments, which resulted in most tax payers realising higher sales revenue thereby increasing their tax liabilities.

- **Individuals** – the revenue head maintained positive performance as most employers granted their employees cushioning allowances and cost of living adjustments. Some resorted to aligning salaries with the interbank rate to ensure sustenance of their workforce in light of prevailing hostile economic conditions.
- **Companies**
The revenue head registered positive performance, as most businesses are realising high inflation driven nominal profits. The shortage of hard cash has enhanced the use of electronic and mobile platforms, which provide essential information for audits.

- **VAT on Local Sales**

The revenue head’s net collections failed to meet the set target after paying \$436.81 million worth of refunds. Its performance was negatively affected by falling real incomes which saw consumers resorting to very basic foodstuffs which are mainly zero-rated. This reflects in the growing tax expenditure from both zero-rated and exempt goods.

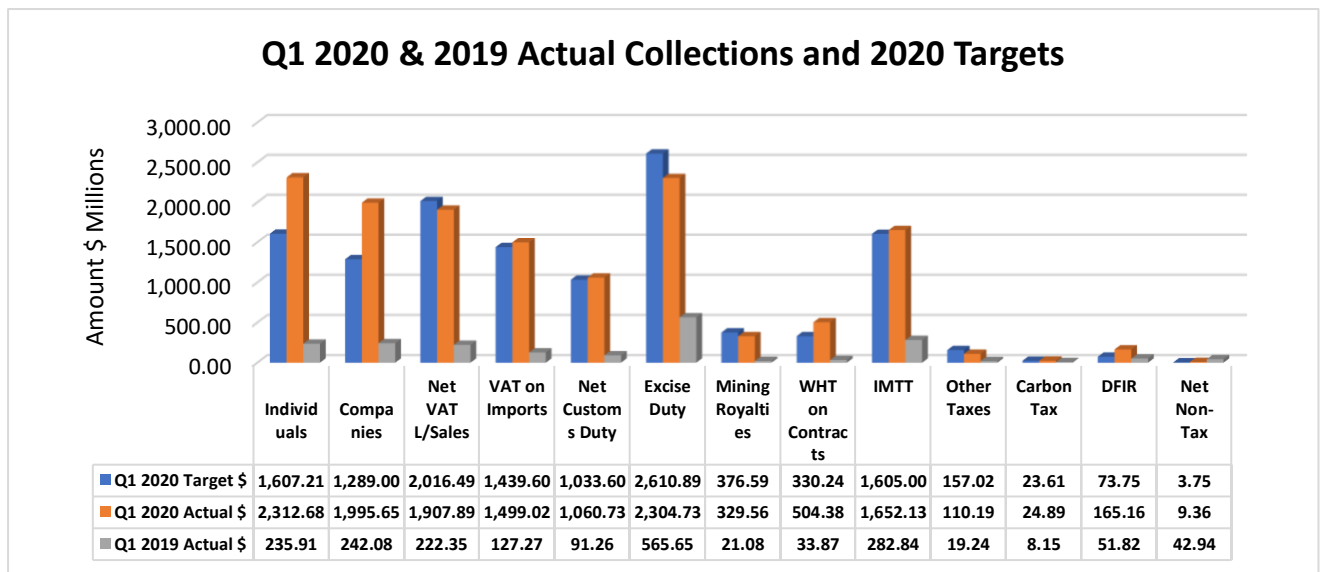
- **Customs Duty, Excise Duty and VAT on imports**

The performance of these revenue heads largely benefitted from the floated exchange rate as Duty and VAT amounts are computed using the exchange rate of the day. Though Excise Duty performed poorly (-11%) against the target, it accounted for a significant proportion of revenue collected (16%).

2.2 Quarter 1 2020 Net Revenue Collections Comparison against Quarter 1 2019

The following graph shows a comparison of revenue collections for Q1 2020 and Q1 2019 as well as the 2020 targets for each revenue head.

Figure 2: Q1 2020 and Q1 2019 Actual Collections and Q1 2020 Targets



The Authority’s efforts to generate more revenue through risk based audits, debt management and expedited case management processes is paying dividends as shown by positive performance by most of the revenue heads.

3. Strategies

During the first quarter of 2020, the Authority implemented the following strategies:

3.1 Improving ease of doing business

Expedited Clearance.

ZIMRA is developing business rules on Electronic Clearances of Private Importers to facilitate trade, improve efficiency and minimize contact of clients with officers at the Ports of Entry, in the wake of the COVID-19 pandemic. To track and control quantities for imports specified by Statutory Instruments (SIs), Permits and Import Licenses, an automated Quota Management System has now been rolled out.

As a result of a continuous review of the operational efficiency of all Declaration Processing Centres, bulk Bills of Entry were introduced to expedite clearance of the essential commodity especially the importation and movement of grain. The Authority is playing its part in business continuity by expediting Tax Refunds due to clients. A total of ZWL\$450.9 million refunds were processed in Q1 2020.

Operational guidelines and Public Notices for designated goods that attract ad-valorem duty in foreign currency and excise duty in local currency are being published with full participation of Clearing Agents. Re-engineered modus of delivering awareness and publicity includes: Sharing Public Notices using Twitter, Facebook and LinkedIn over and above the usual newspapers and website.

Electronic Self-service Platform.

The Authority upgraded its e-service platforms and to-date **78%** of taxpayers successfully obtained their 2020 tax clearance certificates (ITF 263s). ZIMRA has reviewed and amended Registration Forms (REV1 & REV2) to incorporate Industry Classifications and easy navigability by taxpayers as we embrace self-registration by Business Partners.

3.2 Plugging Revenue Leakages

Increased Risk-based Tax and Customs Compliance Systems and Projects

The Authority worked on risk-based audits and sector-based audit projects to plug revenue leakages during the quarter. The projects include anti-smuggling, verification of suppliers' compliance and the IMTT. On the anti-smuggling project, the Authority carries out various post importation audits to verify the accuracy of the declarations made while on the suppliers'

project, the Authority verifies whether suppliers are tax compliant. The IMTT project seeks to verify whether electronic and mobile money transfer clients are in the system and declaring revenues correctly.

Outlook

The global economy is facing an imminent recession due to the COVID-19 pandemic whose impact on business will affect revenue collections. Some of the negative effects of the pandemic will be felt immediately, while others will be long term. Combating COVID-19 has inevitably resulted in more financial resources being spent directly towards health services to respond to the disaster and towards cushioning industry, workers, consumers and vulnerable persons from its devastating effects. Support from some local and international companies, as well as multilateral and bilateral partners, has complemented to the achievement of fiscal revenue collected by ZIMRA.

ZIMRA operations have been directly affected by the pandemic that has forced the Authority to operate with skeletal staff. Statutory Instrument (SI) 83 of 2020, which effected the necessary national lockdown that directed all businesses to shut down, except for a few essential industries such as those that manufacture and provide foodstuffs, will indisputably affect revenue collection. In order to mitigate the impact of the lockdown on the much-needed domestic resources, the Authority has put in place a number of online platforms to enable taxpayers to continue making their payments and meeting their fiscal obligations during the national lockdown.

The key challenges faced by the Authority in the second quarter are largely related to the COVID-19 pandemic that will result in closure of some businesses, reduced profitability, employee layoffs, reduced trade and locked tourism. Overall, the COVID-19 pandemic is expected to severely affect business operations and consumption, resulting in reduced revenues at a time the Government is in dire need of funding to fight the pandemic and provide the necessary social support nets for its citizens.

Gratitude

To my colleagues on the Board, the Commissioner General, Management and Staff of ZIMRA, I would like to express my sincere gratitude for your commitment, hard work and team spirit without which ZIMRA would not have recorded the positive performance for the First Quarter of 2020.

To our compliant tax payers, I say thank you for the continued support and good conduct in honouring your obligations, which has enabled us to discharge our mandate effectively despite the challenges in the current operating environment. The Authority will always strive to provide quality service to all clients as pledged in our Client Service Charter.

Lastly, I urge you all our clients to practice social distancing and continue visiting our online platforms for your tax obligations. Keep interacting with us virtually during these trying times when the nation is facing COVID-19, the unwelcome visitor.

I thank you



Josephine Matambo

ZIMRA Vice-Board Chairperson