Accountability and Transparency

Integrity of the Registered Taxpayer Base

Effective Risk Management

integrity transparency fairness

ZIMRA

Zimbabwe Revenue Authority

ZIMBABWE REVENUE AUTHORITY

2018 ANNUAL REPORT

We are here to serve...

ABOUT US

Our Vision

To be a beacon of excellence in the provision of fiscal services and facilitation of trade and travel.

Intergrity

Transparency

ZIMRA

Core Values

Fairness

Our Mission

To promote economic development through efficient revenue generation and trade facilitation. This is achieved by:

- Developing competent and motivated staff;
- Using environmentally sustainable processes; and
- Engaging with the global community in a socially responsible way.

Our Mandate

Derived from the Revenue Authority Act (Chapter 23:11) and other subsidiary legislation, to:

- Collect revenue;
- Facilitate trade and travel;
- Advise Government on fiscal and economic matters;
- Protect civil society.

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Zimra Quality Policy

integrity transparency fairness
ZIMRA
Zimbabwe Revenue Authority

ZIMBABWE REVENUE AUTHORITY

QUALITY POLICY

The Zimbabwe Revenue Authority (ZIMRA) derives its mandate from the Revenue Authority Act [Chapter 23:11] and other subsidiary legislation. Its mandate is to collect revenue, facilitate trade and travel, advise Government on fiscal and economic matters and protect civil society.

ZIMRA is committed to providing quality service to its stakeholders and customers through:-

★ Implementing the Quality Policy in line with ZIMRA's vision, values and strategic commitments;
★ Upholding ethical business practices and strict customer confidentiality by complying with all applicable legal and regulatory requirements;
★ Setting quality objectives and achieving them through continually improving services and key business processes within the framework of the ZWS ISO 9001:2008 Quality Management System;
★ Periodically reviewing the performance of the Quality Management System, the Quality Policy and objective to ensure their continued applicability, effectiveness and suitability;
★ Allocating suitable and adequate resources for the effective operation of the business processes and activities;
★ Fully enhancing employees' competences by providing appropriate skills development and training;
★ Fully utilising employees' talent and dedication in achieving strategic goals and recognising employee achievement;
★ Empowering and motivating all employees;
★ Maintaining a good corporate image; and
★ Communicating to and ensuring the Quality policy is understood by all employees.

....		....
Board Chairman Stenford Moyo	Fin, Audit & Risk Mngt Committee Chairman Jonas Mushosho	Commissioner General Gershem T. Pasi

Date: 01 February 2014 *Version: No. 1* *Issue: No. 1*

List of Abbreviations

AEO	Authorised Economic Operator
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ASYCUDA	Automated Systems for Customs Data
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
BURS	Botswana Unified Revenue Services
CAATs	Computer Assisted Auditing Techniques
CBN	Collective Bargaining Negotiations
CGT	Capital Gains Tax
CGWT	Capital Gains Withholding Tax
COMESA	Common Market for Eastern and Southern Africa
DFIR	Dividends, Fees, Interest and Remittances
DGC	Disciplinary and Grievances Committee
EPA	European Partnership Agreement
GDP	Gross Domestic Product
HS 2017	Harmonised System 2017
IAS	International Accounting Standards
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRBM	Integrated Results Based Management
ISIC	International Standard Industrial Classification
ISO	International Standards Organisation
LAN	Local Area Network
MM	Modigliani–Miller
MOFED	Ministry of Finance and Economic Development
NEC	National Employment Council
OPC	Office of the President and Cabinet
OSBP	One Stop Border Post
PAYE	Pay As You Earn
PCA	Post Clearance Audit
PDAs	Personal Digital Assistants
PPPs	Public Private Partnerships
PRINCE2	Projects In Controlled Environments
QMS	Quality Management System
RBZ	Reserve Bank of Zimbabwe
RIB	Removal In Bond
RTGS	Real Time Gross Settlement
SADC	Southern African Development Comunity
SAP	Systems Application and Product
SARS	South African Revenue Services
SOC	Security Operations Centre
SIEM	Security Incident and Event Management
TADAT	Tax Administration Diagnostic Assessment Tool
TIP	Temporary Import Permit
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WAN	Wide Area Network
WCO	World Customs Organisation
WTO	World Trade Organisation
ZCBTA	Zimbabwe Cross Border Traders' Association
ZDF	Zimbabwe Defence Forces
ZIMRA	Zimbabwe Revenue Authority
ZIMSTAT	Zimbabwe National Statistics Agency
ZINARA	Zimbabwe National Roads Administration
ZRA	Zambia Revenue Authority

Board Chair's Foreword

Mr C Jokonya
ZIMRA Board Chairperson

INTRODUCTION

It gives me great pleasure to present on behalf of the Zimbabwe Revenue Authority (ZIMRA) Board, the Annual Report of ZIMRA for the year ended 31 December 2018.

As a new Board, we are grateful to the Minister of Finance and Economic Development for the confidence bestowed on us, on our appointment on 20 December 2018 and the opportunity to serve our country in this capacity. We pledge our commitment and dedication to the delivery of ZIMRA mandate.

OPERATING ENVIRONMENT FOR 2018

The year 2018 started on a high note with great anticipation of growth and development across all sectors of the economy. Gross Domestic Product (GDP) was projected to grow by 6.3%, after October 2018 review.

Generally, the operating environment for the year was characterised by the following factors:

Inflation

Spiraling year on year inflation which started in January 2018 at 3.52%, closing at 31.01% in December 2018 was a major threat to economic growth.

Foreign Currency shortages

Foreign currency shortages persisted throughout the year resulting in the Central Bank introducing a foreign currency allocation system as an intervention for strategic imports which include petroleum products and basic commodities.

Balance of Payments

The country being a net importer of petroleum products, raw materials and capital goods had a trade deficit of US$2.2 billion in 2018 due to depressed exports. Exports for 2018 mainly comprised of tobacco (23%) and minerals (20%). Government pledged to support export-oriented production, prioritise availability of foreign currency towards import substitution production, value addition and beneficiation of mining and agricultural output to increase exports competitiveness.

The constrained money supply would need government to intervene through liberalisation of the foreign exchange market. The Fiscus would benefit from improved valuation of imports using favourable exchange rates hence broaden the tax base.

ZIMRA Board Mandate

Despite the challenges facing the economy, ZIMRA instituted a cocktail of measures to enhance revenue collection, promote tax compliance, improve operational efficiency and ensure convenience to the tax-payers as it stepped up efforts to;

- Broaden the tax base;
- Fight corruption;
- Manage the tax debt; and
- Automate and modernise.

Technological Investments

A consultant was appointed to assess the strengths and vulnerabilities of systems and procedures to derive full value for technological investments. The results of the health check informed our plans for Revenue Assurance and ICT system improvements with the necessary controls.

Corporate Governance

ZIMRA is an entity that upholds and abides by corporate governance requirements. The year ushered in a new corporate governance framework for public entities; the Public Entities Corporate Governance Act [Chapter10:31] and the Public Entities Corporate Governance (General) Regulations 2018. A number of milestones were undertaken to fully align ZIMRA's corporate governance practices to the requirements of the new governance framework.

The previous Board's term was terminated on 1 October 2018. The Minister announced the new Board's appointment on 20 December 2018 for a three (3) year term with effect from 4 January 2019.

Executive Management Appointments

The following executive management appointments were made in 2018: -

- Mr Rameck Masaire was appointed Commissioner Domestic Taxes with effect from 31 August 2018;
- Mr Joey Shumbamhini was appointed Director Strategy, Research and Modernisation with effect from 31 August 2018;
- Mr John Chakasikwa was appointed Executive Assistant to the Commissioner General with effect from 31 August 2018;
- Mr Patrick Mwashita was appointed Director Finance, Administration and Infrastructure with effect from 11 September 2018;
- Mrs Betty Chimbera was appointed Director Human Capital with effect from 11 September 2018;
- Mr Denias Kagande was appointed Principal Procurement Manager with effect from 01 October 2018;
- Mr Nesbert Mutsaka was appointed Director

Internal Audit and Risk Management with effect from 02 November 2018.

Strategic Focus

A new 5-year Strategic Plan for the Authority running from 2019-2023 has been put in place and will guide the strategic focus and interventions. The new board of directors and a new five-year Strategic Plan are a perfect opportunity for bringing new thinking into this important institution. The Board, Management and Staff take seriously and are committed to the strategic role ZIMRA plays in the economic development of this country.

Gratitude

I would want to express my sincere gratitude to the previous ZIMRA Board, Management and Staff for their commitment, unity of purpose and unwavering determination to serve the nation.

Last but not least, my appreciation goes to the compliant taxpayers without whose contribution ZIMRA's efforts would be futile. Their contribution to building Zimbabwe, especially at a time like this when the thrust is to sustain the economy mainly from domestic resources requires even more recognition. I call upon all taxpayers to pay their taxes and duties on time and in full, to build a middle income economy by 2030.

Thank you and God bless you.

Mr C Jokonya
ZIMRA Board Chairperson

Commissioner General's Message

Ms F Mazani
ZIMRA Commissioner General

INTRODUCTION

It is a great privilege and challenge to lead ZIMRA towards achieving its mandate as the country is in a state of transformation brought about by the new dispensation`s mantra, "**Zimbabwe is Open for Business**".

In tandem with our core values of Integrity, Transparency and Fairness; our attention was on improved service delivery and reduced delays in making decisions for Taxpayers, to instill renewed hope and expectation in the economy, and the public in general.

HIGHLIGHTS FOR THE YEAR

Our focus was on People, Processes, Partnerships and Projects/Programmes (4Ps) as we:

- Realised the need to transform and reform the person before transforming the organisation.
- Reviewed the effectiveness of our processes and systems against the dynamics of the environment within the parameters of our core competencies, based on key Performance Outcome Areas (POAs) for improved efficiency.
- Engaged key stakeholders to build strategic partnerships as a collective responsibility.
- Identified critical projects, prioritised the projects and embraced a project management methodology.

This thrust was achieved across the Authority through Performance Measurement at divisional, sectional and individual levels.

Revenue Performance

ZIMRA's thrust and focus for 2018 was on enhancing revenue collections for the fiscus. The Authority managed to surpass its set target by reaching the US$5 billion mark. This positive performance was attributed, in part to the revision of the Intermediated Money Transfer Tax, price effect, improved efficiency and effectiveness, and enhanced compliance level from taxpayers.

The Authority managed to make remarkable achievements in 2018 by reaching a number of milestones which include, among others:

- Data matching and third party information verification assisted in widening the tax base to enhance revenue collections.

Compliance

- The launch of taxpayer education and engagement programs went a long way in comprehensively enhancing voluntary tax compliance.
- A dedicated team was set up to follow up on the ballooning fiscal debt and improve compliance.
- The tax amnesty facility and subsequent voluntary disclosure program assisted defaulting taxpayers to regularise their tax affairs.

Operational Efficiency

- The introduction of Tax Administration Diagnostic Assessment Tool (TADAT) is assisting in strengthening the internal operating systems. The assessment was done by the International Monetary Fund (IMF).
- The Ministry of Finance and Economic Development availed funding towards Beitbridge Border Post infrastructural development. This development will go a long way in facilitating trade and travel.

Systems and Processes

- The e-services platform that had some challenges has now been stabilised.
- The ASYCUDA World was upgraded and commissioned in June 2018, with three new servers now up and running.
- The Electronic Cargo Tracking System (ECTS) was improved to curb transit fraud and more seals were purchased to expand sealing for other import offences.

CONCLUSION

The above developments show that the Authority has made tremendous progress with regard to revenue enhancement measures, which will, indeed go a long way in ensuring that the fiscus is well-resourced to finance different Government programmes and projects.

ZIMRA will work around the clock to ensure that this positive trend is carried over to 2019, with more revenue enhancement measures being put in place. These measures include strengthening operational efficiency, improvement and modernisation of systems, improved voluntary compliance and reduction of the debt bill.

Thank you.

FRMazani

Ms F Mazani
ZIMRA Commissioner General

ZIMRA Executive Management

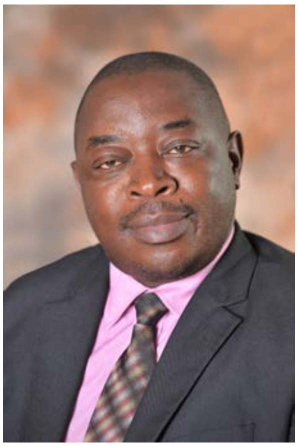
Faith Mazani
Commissioner General

Happias Kuzvinzwa
Commissioner: Customs & Excise

Rameck Masaire
Commissioner: Domestic Taxes

Charles Jaure
Commissioner: Revenue Assurance and Special Projects

Florence Jambwa
Director : Legal Services



Nesbert Mutsaka
Director : Internal Audit & Risk Management

Joey Shumbamhini
Director: Strategy, Research and Modernisation

Betty Chimbera
Director : Human Capital

Ropafadzai Majaja
Board Secretary

Patrick Mwashita
Director : Finance, Administration & Infrastructure

Shami Moyo
Director : Information Communication Technology

John Chakasikwa
Executive Assistant to the Commissioner General

Denias Kagande
Principal Procurement Manager

Tapiwa Manyika
Chief Loss Control Manager

2018 Objectives Evaluation

The main strategic achievements in 2018 are summarised in Tables 1 to 6.

Table 1: Revenue Generation

Objective by 31 December 2018	Result	Comment
Achieve a revenue collection of 29% of the GDP in 2018.	21.80%	Collections to GDP were readjusted in line with the subsequent changes to the rebased economy.
Collect 20% of the 2017 outstanding debt	12.4%	Collected $490 748 937 from the outstanding debt of $3 956 353 039. A Tax Amnesty waiving interest and penalties for non-compliance and late payments of tax arising prior to December 31, 2017, raised $123 317 924.53. Some private sector companies closed down without liquidating their debts.
Register 18,616 new clients	19,497	The strategy to penetrate the informal sector resulted in 19,497 **new** taxpayers registered against a target of 18,616 and **$ 25,923,023.12** was collected from new registrants.

Table 2: Trade Facilitation

Objective by 31 December 2018	Result	Comment
Implement 80% of the trade facilitation benchmarks	85.7%	To decongest the ports of entry/exit and reduce turnaround times, 6 of the planned 7 benchmarks were implemented.

Table 3: Supportive Legislation and Advice

Objective by 31 December 2018	Result	Comment
Achieve 70% adoption of proposed legislative changes by 31 December 2018	60,6%	Legislative change proposals adopted by the Ministry of Finance and Economic Development were 20 out of 33 submitted.

Table 4: Operational Efficiency

Objective by 31 December 2018	Result	Comment
Improve employee satisfaction index from 53.5% to 80%	64%	Employees were engaged through NECs and Regional Works Councils to monitor implementation of Employee Satisfaction Survey outcomes.
Implement 100% of 2017 outstanding NEC issues	72.4%	To improve employee satisfaction, 21 of the 29 NEC issues referred by the Regional Works Councils were resolved.
Increase automated business processes from 77% to 95%	83.4%	Automation of the identified manual processes has come with upgrading of technology used by the various business solutions to adhere to current digitalisation trends.
Increase client satisfaction index from 65.8 % to 80%	67%	The customer satisfaction index for ZIMRA surpassed the National Customer Satisfaction of 63.7% according to the NCSI for 2018.
Attain ISO 9001:2008 certification	100%	Certification on ZWS ISO 9001:2008 Quality Management System Standard was attained in August 2018 after satisfying SAZ's minimum certification requirements. The Authority is now transitioning to ZWS ISO 9001:2015 Quality Management System standard.

Objective by 31 December 2018	Result	Comment
Reduce cost of collection from 2.96% to 2.5%	2.49%	The cost of collection was based on operational costs $133.53 million excluding $21.49 million depreciation a non-cash item to gross collection $5.363 billion.

Table 5: Good Governance

Objective by 31 December 2018	Result	Comment
Ensure 100% adherence to good Corporate Governance principles	85%.	Evaluation was conducted as at 30 September 2018 using a compliance assessment questionnaire from the Office of the President and Cabinet Corporate Governance Unit. A corporate governance assessment could not be conducted as at 31 December 2018 after the Board's term was terminated in October 2018.
100% implementation of agreed internal and external audit recommendations	61.14%	A Security Incident and Event Management (SIEM) system tracked 1104 issues from forensic investigation, 2017 management letter, ICT Health Check and internal audit reports. However, 38.86% were in progress as at 31 December 2018.
Reduce corruption perception index from 3.54 to 3	3.51	Members of Staff were subjected to vetting and lifestyle audits in accordance with the Lifestyle Audit Policy.
Reduce corruption from 1.66 % to 0% based on DGCs cases	0.81%	A total of 147 lifestyle audit cases were finalised and 55 cases had adverse findings. Corrective action taken included 101 DGCs resulting in 40 Suspensions/Dismissals.

Table 6: Sufficient Resources

Objective by 31 December 2018	Result	Comment
Generate additional financial resources from 5.78% to 8% of the approved recurrent budget to fund operations	4.57%	Expenditure of $133. 53 million was incurred against a grant of $123. 93 million. Additional financial resources of $5,668,477 was raised from interest and agency collection fees.
Mobilise US$9 million to fund CAPEX	50.86%	$4, 577, 493.85 was raised from clearance fees intended for capital expenditure.
Fill up 100% of vacant posts	91.7%	The total number of staff in post was 2 727 against an approved staff establishment of 2 973.
Improve rate of implementation of training courses from 70% to 90%	95.6%	A total of 124 course sessions were attended by 2 606 participants [1 156 Females & 1 450 Males].

1. Revenue Mobilisation

1.1 Economic Overview

The business-operating environment was characterised by acute cash and foreign currency shortages. The impact on business operations resulted in subdued production levels and this prompted some of the retail industry players to unscrupulously add high price mark-up rates on electronic payments.

Due to the unavailability of cash in the economy, the retail and wholesale sectors resorted to a three tier pricing system namely bond notes, United States Dollar and the electronic mobile money transfer and card transactions. Under such an environment, cases of undercover sales returns is eradicated due to the fact that every transaction is traceable and hence easily accounted for. ZIMRA subsequently realized more Value Added Tax (VAT) from the retail sector as a result of the widespread cash shortages.

Shortage of foreign currency, the need to protect local industry and grow the local economy prompted the imposition of import restrictions through promulgation of Statutory Instrument (SI) 122 of 2017. However; SI 237A of 2018 then amended SI 122 of 2017 to place some items on Open General Import Licence (OGIL) to mitigate on shortages of specified goods in the economy. This was expected to result in an increase in availability of basic commodities, which would ease the pressure on prices.

The total revenue forgone in the year amounted to $4.2 billion consisting largely of VAT zero-rated of $2,3 billion, VAT exemptions of $1.1 billion, VAT on imports of $196.9 million, rebates and suspensions of duty $571.9 million. Our legislation culminates in a myriad of concessions which resulted in the reported forgone revenue.

The positive performance was anchored on the revision of the Intermediated Money Transfer Tax (IMTT), general price increases experienced from the third quarter and improved revenue generation through increased voluntary compliance and enhancing of the Revenue Authority's operational systems.

1.2 Revenue Performance

Gross Revenue collections were **US$5.36 billion** (21.80% of GDP) surpassing a target of **US$4.30** billion by 24.73%**.** Net collections amounted to **US$5.06 billion** after deducting refunds of **US$300 916 440**.

Table 7: 2018 Collections vs Target

2018 Annual Collections vs Targets						
TAX HEAD	2018 MOF TARGET $	2018 ACTUAL $	VARIANCE	% VARIANCE	2017 ACTUAL $	GROWTH
Individuals	850,000,000	867,382,253	17,382,253	2.04%	699,443,106	24.01%
Companies	490,000,000	846,706,602	356,706,602	72.80%	501,927,067	68.69%
Gross VAT L/Sales	959,000,000	1,178,390,322	219,390,322	22.88%	920,793,928	27.98%
Less VAT Refunds		*297,141,873*			*226,327,540*	31.29%
Net VAT L/Sales	959,000,000	881,248,449	-77,751,551	-8.11%	694,466,388	26.90%
VAT on Imports	401,000,000	521,502,442	120,502,442	30.05%	399,920,962	30.40%
Gross Customs Duty	358,880,000	452,520,440	93,640,440	26.09%	320,053,364	41.39%
Less Customs Refunds		*3,216,785*			*339,278*	848.13%
Net Customs Duty	358,880,000	449,303,655	90,423,655	25.20%	319,714,086	40.53%
Excise Duty	815,308,000	843,969,006	28,661,006	3.52%	707,867,387	19.23%
Mining Royalties	90,000,000	95,669,293	5,669,293	6.30%	71,801,227	33.24%
WHT on Contracts	141,725,508	160,607,045	18,881,537	13.32%	121,350,570	32.35%
Intermediate Money Transfer Tax		186,735,055			18,693,070	898.95%
DFIR	69,000,000	81,208,422	12,208,422	17.69%	61,322,552	32.43%
Carbon Tax	35,940,000	41,714,251	5,774,251	16.07%	32,052,988	30.14%
Other Taxes	89,146,492	73,296,411	-15,850,081	-17.78%	64,735,270	13.22%
Gross Non Tax		13,665,330	13,665,330		21,073,650	-35.15%
Less Other Refunds		*557,781*	*557,781*		*1,609,145*	-65.34%
Net Non-Tax		13,107,549	13,107,549		19,464,505	-32.66%
Total Net Revenue	**4,300,000,000**	**5,062,450,433**	**762,450,433**	**17.73%**	**3,712,759,178**	36.35%
Total Gross Revenue	**4,300,000,000**	**5,363,366,872**	**1,063,366,872**	**24.73%**	**3,941,035,141**	36.09%

Companies Tax, VAT on Imports, Customs duty and VAT on Local Sales performed well above their targets. Intermediate Money Transfer Tax enhanced revenue collections with a total of **US$186.74 million**. A total of **US$11.12 million** was collected from IMTT before the revision in the first 9 months of 2018 whereas **US$175.62 million** was collected after the revision for the last quarter of 2018. VAT refunds amounting to **US$297.14 million** were attributed to a backlog of VAT refunds that were paid.

Figure 1 below shows a comparison of performance for 2017 and 2018.

Figure 1: 2017/2018 Revenue Comparison

Quarterly Performance for 2017, 2018 Actuals and Quarterly Targets for 2018

A comparison in Figure 4 shows quarterly performance during the year as well as the annual performance against set targets.

Figure 2: 2017 & 2018 Actual Collections and 2018 Target

It is important to note that the positive revenue collections maintained the same trend over the four quarters of 2018.

Monthly Actual Collections and Variances for 2017 and 2018

Figure 3 below represents monthly revenue performance and month on month growth from 2017 to 2018.

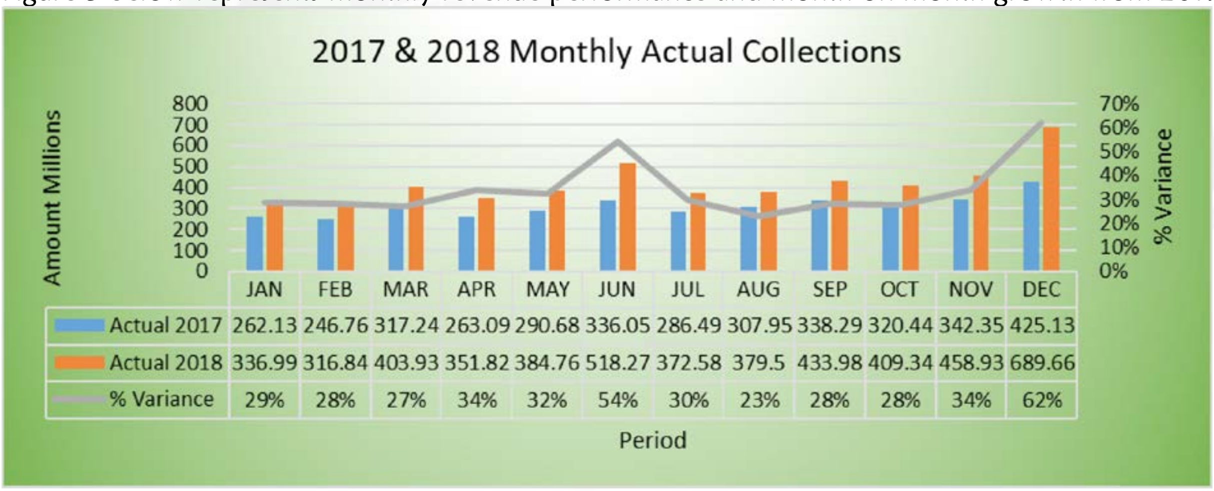


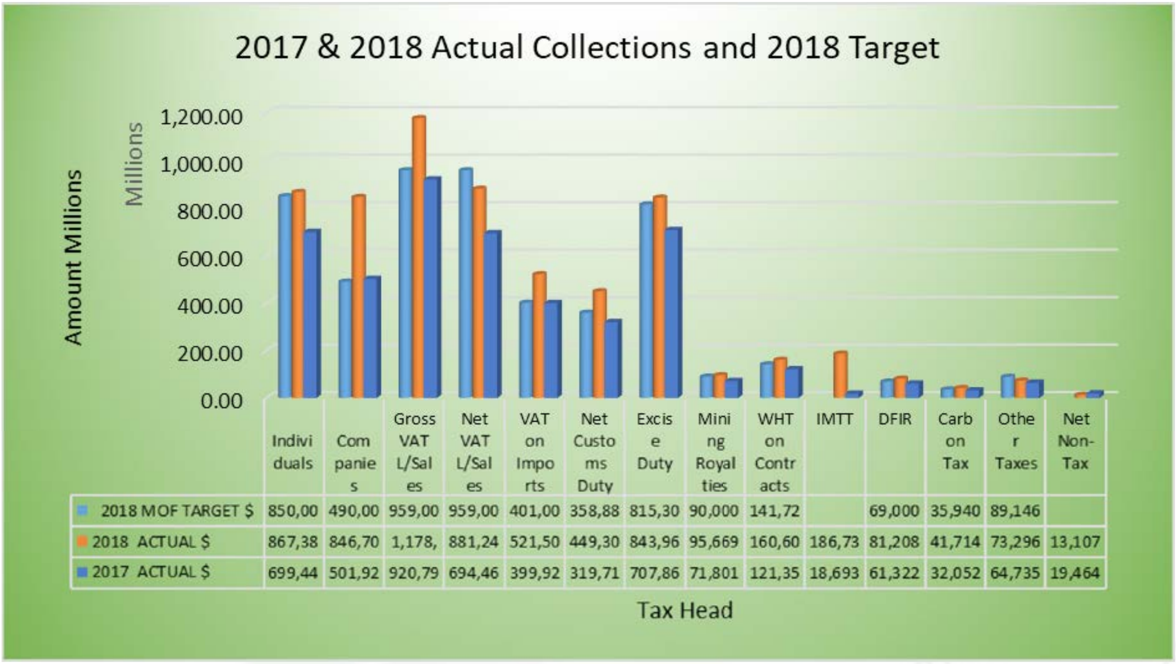
Figure 3: 2017 & 2018 Monthly Actual collections

Revenue performance for 2018 was above the 2017 performance on all the months, and the effect of QPDs can be noted in March 10%, June 25%, September 30% and December 35%.

ANALYSIS OF THE SPECIFIC REVENUE HEADS' PERFORMANCE

2017 and 2018 Annual Net Revenue Collections Comparison

The following bar graph shows a comparison of revenue collections for 2017 and 2018 and the 2018 revenue target per revenue head.



	Individuals	Companies	Gross VAT L/Sales	Net VAT L/Sales	VAT on Imports	Net Customs Duty	Excise Duty	Mining Royalties	WHT on Contracts	IMTT	DFIR	Carbon Tax	Other Taxes	Net Non-Tax
2018 MOF TARGET $	850,00	490,00	959,00	959,00	401,00	358,88	815,30	90,000	141,72		69,000	35,940	89,146	
2018 ACTUAL $	867,38	846,70	1,178,	881,24	521,50	449,30	843,96	95,669	160,60	186,73	81,208	41,714	73,296	13,107
2017 ACTUAL $	699,44	501,92	920,79	694,46	399,92	319,71	707,86	71,801	121,35	18,693	61,322	32,052	64,735	19,464

Figure 4: 2017 & 2018 Actual Collections and 2018 Target
(IMTT** – Intermediate Monetary Transfer Tax, **DFIR** – Dividends, Fees, Interest and Remittances)*

Annual growth rates by Tax Head

	Individuals	Companies	Net VAT L/Sales	VAT on Imports	Net Customs Duty	Excise Duty	Mining Royalties	WHT on Contracts	IMTT	DFIR	Carbon Tax	Other Taxes	Net Non-Tax
GROWTH	24.01%	68.69%	26.90%	30.40%	40.53%	19.23%	33.24%	32.35%	898.95%	32.43%	30.14%	13.22%	-32.66%

Figure 5: Annual Growth Rates by Tax Head

Most of the revenue heads registered growth in collections with Intermediate Money Transfer Tax reviewed in October 2018 growing by **898.95%** from **US$18.69 million** collected in 2017. The spike in the graph indicates the impact of the policy change on the IMTT rate. A negative growth was only recorded on Non-tax revenue when comparing collections during the same period in 2017.

Performance of each tax head is as below;

Individual Tax

Annual revenue collections of US$867.38 million from Individual Tax were 2.04% above the targeted

US$850.00 million. Revenue collections grew by 24.01% from the US$699.44 million that was realised in 2017. The Revenue head accounting for 17.13% of total revenue collections was the second highest contributor.

The positive performance recorded was due to salary adjustments and performance rewards awarded prior to the end of the year and voluntary compliance initiatives implemented on this tax head.

Corporate Income Tax (Company Tax)

Revenue collections from Company Tax amounted to US$846.71 million against a target of US$490.00 million to give a positive variance of 72.80%. Revenue collections in 2018 increased by 68.69% from the US$501.93 million collected in 2017. Its revenue share increased to 16.73% from 13.52% attained in 2017.

The positive performance can be attributed to improved profitability by some companies during the year and the use of electronic transactions remained a leverage to providing traceable transactions for audit purposes. However, Corporate Income Tax debt increased by 40.32% from US$1.33 billion in January 2018 to US$1.87 billion at the end of 2018.

VAT on Local Sales

Gross collections for VAT on Local Sales amounted to US$1.18 billion against a target of US$959.00 million, resulting in a positive variance of 22.88%. Gross collections grew by 27.98% from US$920.79 million realized in 2017. Net collections were US$881.25 million missing the target by 8.11% after deducting refunds amounting to US$297.14 million. Despite missing the target, net collections grew by 26.90% from US$694.47 million collected in 2017.

The gross performance of the revenue head was enhanced by the hyped consumer patterns and surge in prices experienced during the fourth quarter of 2018. Net collections performed below expectation due to refunds paid out during the year. The refund bill grew by 31.29% from US$226.33 million in 2017 to US$297.14 million in 2018. Debt under this revenue head increased by 14.40% from US$1.35 billion in January closing the year at US$1.54 billion.

VAT on Imports

Collections for 2018 amounted to US$521.50 million against a target of US$401.00 million, resulting in a positive variance of 30.05%. In comparison to 2017, revenue collections grew by 30.40% from US$399.92 million.

The positive performance of the revenue head is attributed to high demand for imports following relaxation of import controls by the Government in order to supplement deficiencies in supply of locally produced goods.

Customs Duty

Gross revenue collections for 2018 were US$452.52 million while net amounted to US$449.30 million against a target of US$358.88 million, resulting in a positive variance of 25.20%. Revenue growth of 40.53% was recorded from US$319.71 million collected in 2017.

The performance of imports continued to increase in response to demand for essential goods that were not available on the local market. Enhanced performance of the ASYCUDA World system also improved efficiency thereby expediting the imports clearing processes.

Excise Duty

Excise Duty revenue collections were US$843.97 million against a target of US$815.31 million resulting in a positive variance of 3.52%. Excise Duty revenue grew by 19.23% from US$707.87 million collected in 2017. The main contributors were Fuel, Air Time and Beer, each contributing 70.88%, 13.65% and 9.80%, respectively. Excise duty on fuel was the highest contributor to this tax head in 2018.

Performance of the revenue head is attributed to increased supply and demand of petroleum products. The demand for petrol and diesel was heightened by transporters transiting through Zimbabwe who preferred to re-fuel in Zimbabwe due to its flexible exchange rate of Real Time Gross Settlements. Petrol imports increased by 39.92% from 407.49 million litres in 2017 to 570.17 million litres in 2018 whilst diesel imports increased by 26.84% from 834.40 million litres in 2017 to 1.06 billion litres in 2018.

Mining Royalties

The revenue head contributed US$95.67 million against a target of US$90.00 million, translating to a positive variance of 6.30%. Revenue collections grew by 33.24% from the US$71.80 million collected in 2017.

The performance of the revenue head was influenced by the movement of international commodity prices. Mineral prices surged during the first and fourth quarter of 2018, thereby enhancing revenue collections. Major minerals like gold, platinum and diamonds production levels improved significantly owing to the formalisation of small-scale miners.

Withholding Tax on Contracts

Collections amounted to US$160.61 million against a target of US$141.73 million resulting in a positive variance of 13.32%. Revenue growth of 32.20% was recorded from US$121.35 collected in 2017. The positive performance of this revenue head is attributed to efforts by ZIMRA to ensure the withholding and remittance of revenue from traders who operate without valid tax clearance certificates.

Intermediate Money Transfer Tax

Cumulative collections for 2018 amounted to US$186.74 million, of which US$11.12 million was collected at the then rate of US$0.05 per transaction during the first 9 months. Revenue collections grew by 898.95% from US$18.69 million collected in 2017. An amount of US$168.04 million was realised due to the review of Banking Levy of $0.05 per transaction to Intermediated Money Transfer Tax of $0.02 per every $1.00 transacted.

Dividends, Fees, Interest and Remittances

Collections amounted to US$81.21 million against a target of US$69.00 million, translating to a positive variance of 17.69%. The 2018 collections grew by 32.43% as compared to 2017 collections of US$61.32 million.

Improved performance of the revenue head is attributable to improved profitability by some companies that paid dividends and imported services.

Carbon Tax

A total of US$41.71 million was realised from Carbon Tax during the year. This translates to 16.07% above the target of US$35.94 million. In comparison with 2017 collections of US$32.05 million, revenue collection improved by 30.14% owing to increased consumption of petrol and diesel.

Other Taxes

This revenue head consists of Capital Gains Tax and Capital Gains Withholding Tax, Tobacco Levy and Other Indirect Taxes (Stamp Duty, Presumptive Tax and ATM Levy).

Revenue collections were US$73.30 million against a target of US$89.15 million giving a negative variance of 17.78%. In 2018, collections grew by 13.22% from the 2017 collections of US$64.74 million. Capital Gains (Tax and Withholding Tax) and Tobacco Levy were the major contributors with a 65.01% revenue contribution to Other Taxes.

The performance of the revenue head is attributed to increased gains from the 2017/2018 tobacco season, which produced high volumes and returns from local sales. Low compliance under Presumptive Tax and Stamp Duties negatively affected the revenue collections.

1.3 Growing Tax Base

The tax collection base was expanded through review of the Intermediated Money Transfer Tax to incorporate electronic mobile payments and RTGS transactions. To broaden the tax base, the Authority registered 19,497 new tax payers against a target of 18,616.

The informalisation of the economy and huge increase in electronic, mobile phone based and RTGS financial transactions necessitated the review of Banking Levy of $0.05 per transaction to Intermediated Money Transfer Tax of $0.02 per every $1.00 transacted. The IMTT was reviewed to expand the tax collection base and ensure that the tax collection points are aligned with electronic mobile payment transactions and RTGS system.

Growth of the tax base accounted for 4.73% increase in revenue collections.

1.4 Tax Management

1.4.1. Tax Reforms

ZIMRA embraced the need for Tax Reforms which are necessary for attaining Zimbabwe's vision 2030. This requires a shift from enforcement tactics to a strategy for sustainable voluntary compliance that builds on effective taxpayer education with targeted facilitation activities.

The following simplified tax system shown in Figure 6 is aimed at increasing domestic resource mobilisation and enhancing voluntary compliance by implementing measures to widen the tax base and fight corruption.

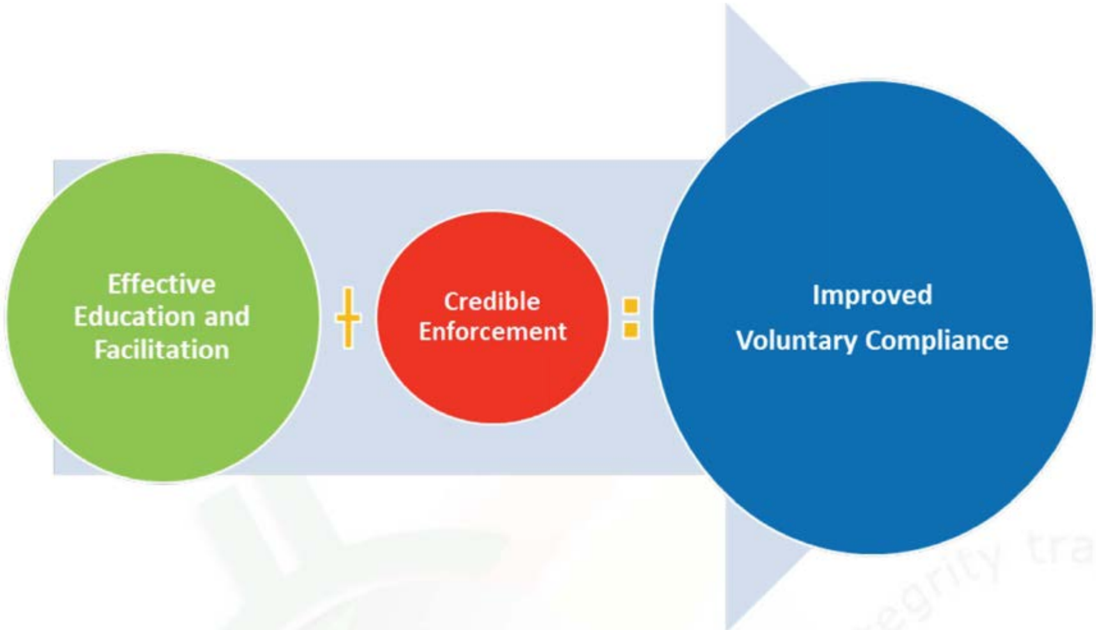


Figure 6: A Reform Strategy and a Strategic Management Framework

The reforms strategies also include sector based taxpayer education programmes, business process re-engineering and strategically investing in a new robust Tax Revenue Management system.

These reforms enable effective core tax administration functions resulting in more taxpayers meeting their filing and payment obligations voluntarily.

Team Zimra...... Zimra Officers during Tax Educational Campaigns aimed at boosting voluntary compliance.

Debt Management

The Tables below show the movement of debt during the year.

Table 8: Debt Position as at 31 December 2018

Category	2017	2018
Opening debt	$2 821 159 592	$3 956 353 039
New Debt	$1 514 296 613	$1 572 971 737
Recoveries	$379 103 166	$490 748 937
Closing debt	$3 956 353 039	$5 038 575 840

Table 9: Debt by Category

CATEGORY	AMOUNT AS AT 31.12.2017	AMOUNT AS AT 31.12.2018
Parastatals	490 780 504.19	819 859 786
Councils	232 281 337.50	274 438 526
Private Sector	3 137 760 073.29	3 830 162 627
Importers	77 460 507	114 114 901
TOTAL	3 956 353 039	5 038 575 840

An audit of Local Authorities, Parastatals and Private Sector raised debt which they failed to honour.

Table 10: Debt by Tax Head – Principal, Interest and Penalty

TAXHEAD	Principal	Interest	Penalty	TOTAL
VAT	1 040 515 657	204 365 276	298 283 646	1 543 164 579
PAYE	568 557 102	290 142 947	169 604 344	1 028 304 392
INCOME TAX	945 530 361	549 294 399	375 972 731	1 870 797 491
WHT/CGT/PTAX/ OTHER	308 515 294	69 905 257	103 773 926	482 194 477
CUSTOMS DUTY	114 114 901			114 114 901
TOTAL	**2 977 233 314**	**1 113 707 878**	**947 634 647**	**5 038 575 840**

Table 10 shows that the principal constitutes 59% of the debt while penalty and interest account for 41%. As a result of Voluntary Compliance a total of **$260,950.48** penalty was reversed while a total of **$9,863,566.60** interest was reversed due to Amnesty.

Table 11: Debtors Ageing Analysis by Year.

Debt Period	2015 & Prior	2016	2017	2018	Cumulative Debt
Total Debt per Period	**1 392 456 823**	**831 752 465**	**1 169 233 251**	**1 645 133 301**	**5 038 575 840**
% Contribution	**28%**	**17%**	**23%**	**33%**	**100%**

The following debt management strategies were adopted;

- Intensified risk based tax audits and investigations;
- Negotiation, close monitoring and review of payment plans for arrears;
- Application of the penalty loading model to review penalty and interest of debt;
- Visits to debtors, demand letters to defaulters, debt set-offs through the government and VAT refunds;
- Inspections on bonded warehouses;
- Call up agents' bonds and sureties on outstanding private and commercial assessments, deferred value

added tax, ATIPs, special warrants and suspense entries (RIBs and RITs);

- Securing revenue through rummage sales;
- Tax amnesty;
- Debt management function was formed as a distinct unit in the organisational structure to clarify accountability.
- Voluntary compliance programme

The Authority introduced a Tax Amnesty waiving interest and penalties for non-compliance and late payments of tax arising prior to December 31, 2017, raising $123 317 924.53. The taxpayers who met the requirements of the tax amnesty were granted the waiver during 2018 and 4 897 tax payers with a principal debt of $778 336 967 had applied with 3 579 having been approved.

There is a vibrant dispute resolution mechanism and a system for clarification of legislation in place. Objections and Applications for Advance Tax Rulings (ATRS) status were as below;

Table 12: Objections and ATRS as At 31 December 2018.

	OPENING BALANCE	RECEIVED	FINALISED	CARRIED FORWARD
Objections	4	53	48	9
A T R	2	16	15	3
Total	6	69	63	12

1.5 Plugging Revenue Leakages

The Authority introduced tax payer master data clean-up, whistle blowing, hotline, post clearance audits, border patrols and electronic cargo tracking to plug revenue leakages. Statutory inspections on state warehouses, bonded warehouses, private siding and IPR bonded warehouses were also actively pursued.

Investigations on 36 hotline cases and 84 intelligence cases resulted in the recovery of revenue amounting to $31,368,258.04.

Intensified enforcement measures...... Seized goods at Beitbridge Border Post

1.6 Compliance Monitoring

The use of risk-based compliance strategies, as well as modern tax data analytics approaches, including data matching or use of third party data will bring non-compliant taxpayers into the net.

Table 13: Returns Submission

TAX Head	Registered Contract Accounts	Number of Expected Returns	Returns Submitted on time during the year	On time Return submission Rate
Income Tax	140,241	127,250	32,984	7%
VAT	31,406	375,436	61,070	16%
PAYE	121,048	1,452,576	221,378	15%
Grand Total	**292,695**	**1,955,262**	**315,432**	**16%**

Electronic Cargo Tracking System curbed smuggling and transit fraud as per the table below showing the major highlights for Reaction Team / Enforcement Activities.

Table 14: Collections from ECTS

Activity	Amount Collected
Sealing fees	$1,057 075.76
Geo-fence and seal tampering fines	$277 720.00
Reaction team activities	$142 714.14
Total Collections	**$1 477 509.90**

The cost of ECTS enforcement was $176 864 that raised $1 477 509.90 above.

- A total of 31 071 transit trucks were sealed compared with 13 906 from the previous year resulting in a remarkable 123% increase in sealing.
- ECTS Supplier is due to roll out an upgrade which will see the system giving alerts/alarms for trucks which would have lost GPS and those which would have been stationary for a long time. The supplier will also remove the 83% cap for a seal to be armed at 91% battery level.

Table 15: ECTS Highlights for 2018.

Activity	2017	2018	% Increase
Transit Trucks sealed	13 906	31 071	123%
Routes on ECTS Platform	23	27	17.4%
Geo-fence Violations	96	188	95.8%
Penalties on Geo-Fence violations	$196, 000.00	$378,000.00	92.85%
Fuel Excise Duty Collected	$490 033 160	$539 667 639	10%

The increased excise duty on fuel in 2018 is partly attributed to increased E-sealing activities which meant that fuel which used to be smuggled as fuel in transit was now duty paying.

Four new routes were created on the ECTS platform to bring the national coverage on proposed Geo-fence routes to 51.9% as at the end of the year.

2. Trade Facilitation

ZIMRA continued to fulfil its trade facilitation mandate by coordinating and chairing the periodic stakeholder meetings, and also led the national teams in bilateral stakeholder engagements held at ports of entry/exit.

In a bid to decongest the border posts, selected cargo targeted for physical examination or inspection was moved inland for examination or inspection. Implementation of the Authorised Economic Operators concept improved as selected compliant importers increased from 6 to 9.

An operation to restore order was undertaken to ensure sanity at border posts. The Zimbabwe Defence Forces (ZDF) assisted in the removal of undesirable elements; touts, beggars and unauthorised persons from major ports of entry.

2.1 Border Efficiency Management

The successful upgrade of ASYCUDA World from version 4.20 to 4.3.2 with the assistance of experts from United Nations Conference on Trade Development (UNCTAD) has stabilized the system and increased uptime to an average of 99%.

Harmonised System (HS) 2017 Tariff was successfully uploaded onto the ASYCUDA World system for effective and up to date charging of correct rates of duty and tariff classification.

E-TIP mobile application usage was promoted during the festive season of the year to improve clearance process for tourists and private foreign registered vehicles temporarily entering the country. Use of E-seals to improve duty security on transiting goods was extended from containers to break bulk cargo.

The following measures were undertaken to increase enforcement of compliance activities to safeguard revenue and improve controls during the year 2018: -

- The customs clearance system was upgraded with numerous new features and systems enhancements implemented to improve efficiency;
- E-seals (ECTS) were procured for use on break bulk cargo;
- The use of Personal Digital Assistants (PDAs) gadgets on ECTS has improved the turnaround time of disarming seals, the efficiency of the sealing process and countering network challenges;
- The continued use of baggage and mobile scanners helped in reducing smuggling especially of prohibited substances;
- Post clearance verifications and audits.

2.2.3. Beitbridge Re-Development

Beitbridge, the busiest port and gateway to land locked Southern Africa is under redevelopment. Zimborders Consortium was selected as the contractor and project designs are being finalised before construction work begins. Implementation of Virtual One Stop Border Post (OSBP) is at an advanced stage.

Proposed Beitbridge Passenger Terminal

Proposed Beitbridge Bus Terminal

3. Supportive Legislation

The Authority`s focus on supportive legislation aimed to strengthen its legislative, governance, litigation and advisory service with a view to improving operational efficiency. This was against the background of increased non-compliance with revenue laws and the year was characterised by an increase in litigation cases against the Authority. Advisory and Legal Drafting services were also provided to stakeholders, internal and external clients.

Widespread consultations on legal issues affecting the Authority included the following key legislative bodies:

- The Law Society of Zimbabwe;
- The Deputy Attorney General responsible for Legal Drafting;
- Office of the Chief Magistrate;
- Prosecutor General's Office;
- Law Society of Zimbabwe;
- The Law Reviser;
- National Prosecuting Authority.

Researches on proposed major changes were conducted on:

- Taxation on trade in Crypto Currencies benchmarked against other jurisdictions.
- Segmentation of clients and guidelines for implementation of SI 246 of 2018 (Taxation of wealth).
- Taxation of online transactions services under section 36C of the Income Tax Act.

A total of thirty three (33) legislative change proposals were submitted to the Ministry in fulfillment of the Authority`s mandate to advise government on fiscal and economic matters. The Ministry adopted 20 of these which translates to an adoption ratio of 60%.

The Authority achieved a 94.8% success rate in litigation cases that were concluded and the overall performance is summarized below:

Table 16: summary of litigation cases

2018 STATISTICS OF LEGAL WORK HANDLED DURING THE YEAR	
ITEM	**NUMBER**
Cases pending at the beginning of the year	260
Cases dealt with during the year (Revenue 261 and Labour 89) - Disciplinary cases 137 - Revenue cases 261 - Other cases 46	398
New cases	138
Cases decided in ZIMRA's favour – Final	42
Cases outsourced to external lawyers	40
Cases withdrawn	23
Cases finalised	80
Cases pending at the end of the year	318
Agreements drafted/reviewed	276
Statutory Instruments and General Notices drafted/reviewed	80
Legal opinions dealt with	36

4. Operational Efficiency

4.1 Technological Innovation

The ASYCUDA World Functional upgrade Phase 2, which involves implementation of new features and functionality, commenced in 2018 and is expected to be completed by end of December 2019.

Computer Assisted Auditing Techniques (CAATs) were introduced to improve proficiency of the Internal Audit through the following:

- IDEA Data Analytics Software was installed on machines for Internal Audit, Domestic Taxes and RASP and training was done;
- Forensic Tool Kit - Contract was regularised;
- TEAMMATE - System upgrade was done successfully on the server and auditors' machines and refresher training was done.
- Digital Forensics was implemented to enable investigations by Internal Audit, Loss Control and RASP.

Development of alternative and simplified e-filing system for Pre-filing, notification of nil tax declarations and Mobile declarations for small taxpayers commenced. The automation of the identified manual processes has increased from 77% to 83.38% for the period under review. This has come with upgrading of technology used by the various business solutions to adhere to current digitalisation trends.

Techno-savvy Zimra demonstrates tax e-filing.

4.2 Human Capital

As at 31 December 2018, the total number of staff in post was 2,727 against an approved staff establishment of 2,973, which translates to 91.7% in relative terms. In addition to the staff in post were interns (59), Field Assistants (78) and secondments (35). Of the Field Assistants 50 were in Domestic Taxes and 28 in Customs & Excise (performing sealing duties).

Staff attrition was with respect to 5 deaths, 45 resignations and 7 retirements.

A total of 24 Human Capital policies which included new and reviewed policies (where review was necessary) were drafted.

A Job fit exercise was done by an external consultant and placement awaits approval of the restructured organogram. Skills alignment and capacity building efforts done are expected to improve operational efficiency.

A total of 124 course sessions were attended by 2,606 participants [1,156 Females & 1,450 Males].Technical assistance for capacity building was received on following areas:

- Data matching
- WTO Valuation
- Drugs and Minerals
- Risk Management and PCA
- CRM, FDS,CGT
- TADAT training facilitated by IMF experts
- Transfer pricing course which was facilitated by ATAF in conjunction with the OECD
- Extractive Industries Course, Farming
- International Standard Industrial Classification (ISIC) workshop.
- Base Erosion and Profit Shifting (BEPS).
- Public Financial Management Legal Frameworks
- Results Scorecard Training

Course Evaluation of Training sessions done in 2018 was at 95% while professionalism and knowledge exhibited by trainers was rated at 98%. In addition, library facilities were available to assist readers, researchers and staff undertaking professional study programmes.

Performance was rewarded based on individual performance awards granted in terms of the Performance Award Policy. The following measures were implemented as part of staff motivation enhancement:

- Motor vehicle loan scheme for Supervisors. As at 31 December 2018, 123 of the targeted employees had benefited from the scheme.
- Mortgage facilities - 137 out of 213 managers in service and 214 non-managerial staff benefited.
- General Loans Policy - loan repayment period for personal and school fees loans increased.

4.2.1. Safety and Health

Numero uno....... The Commissioner General is ready to hand over medals to winning teams at the Zimra Safety and Health Gala.

- Employees participated at 2018 Inter-Revenue Games and Safety and Health Gala.
- Effective practical HIV and reproductive health interventions were adopted such as information dissemination, counselling and voluntary HIV Testing.
- Engaged facilitators from Zimbabwe National Network of People living with HIV (ZNPP+) who provided six sessions of testimonials of living with the HIV virus. A total of 175 employees participated over a period of two days.

4.2.2. Employee Engagement

ZIMRA fosters a more engaging and satisfying work environment for its employees, recognising that having engaged employees who are involved in and committed to their work is critical to the success of the organisation and the quality of programs and services delivered to citizens.

Epitome of Service Excellence...... Commissioner General, Ms F. Mazani gives Rita Gonsaro a token of appreciation for exceptional service to clients.

An employee satisfaction survey was carried out to gauge the satisfaction levels and attend to underlying issues and challenges that exist at the workplace. The Employee Engagement Index was 58, whilst the Employee Satisfaction Index score was 64.

The Authority engages its employees on conditions of service, raised NEC issues and salary increments through Collective Bargaining Negotiations (CBN). Employees were engaged across the organisation through Station Works Councils, Regional Works Councils and National Employment Council to discuss issues that affect staff in their day to day activities. Twenty-one (21) of the twenty-nine (29) outstanding NEC issues were resolved.

4.3 Change Management

The Authority consolidated its strategies through a five year (2014-2018) journey which was characterised by improved operational efficiency in all areas of its operations.

This plan which followed the adoption of the Integrated Results Based Management performance management system in line with government policy underscored our commitment to the provision of fiscal services and facilitation of trade and travel.

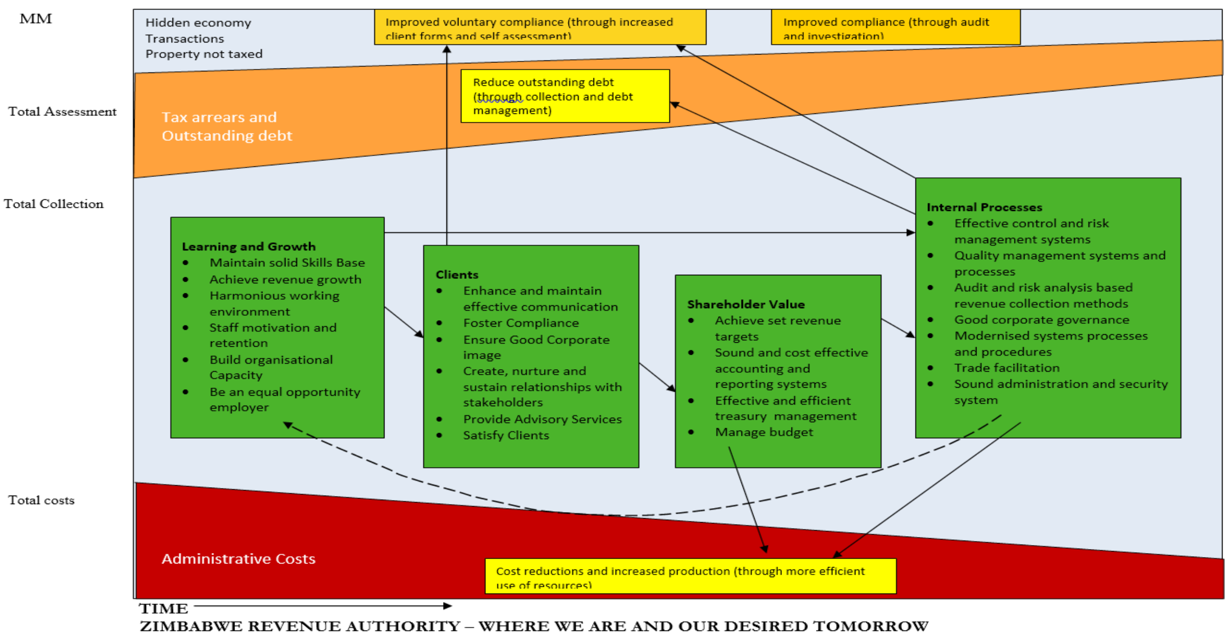


Figure 7: Areas of focus under the 2014-2018 strategy.

The model above highlights the targeted objectives which were reviewed using the Balanced Score Card (BSC). The review of the 2014-2018 strategy highlighted some areas that still need further attention.

For different results the Authority had to transform Strategy into Action and Action into Results, to take the organisation from where it is at present to a state it has never been.

And to do this, we must CHANGE!!!, hence our new five year (2019-2023) strategic plan that will focus on Change Management.

4.3.1 Strategic Planning

The new planning anchored on 4 P's (People, Processes, Partnerships and Projects) aligned to the government vision 2030 Transitional Stabilisation Programme, will usher in Business Process Re-engineering.

4.3.2 Modernisation Projects

ZIMRA developed a projects register for all modernisation projects planned for implementation. The Projects Register was prioritised for implementation in line with PRINCE2 guidelines.

Systems Integration is the cornerstone of ZIMRA modernisation and the following projects were undertaken:

- The ZIMRA - PFMS.

- The ZIMRA - Banks on the file encryption and uploads.
- The SAP - ASYCUDA Interface Phase 1 to upload Payments and Assessments in SAP FI from BizTalk server completed and Phase 2 to automate ASYCUDA CCC in SAP.

4.3.3. Systems Automation Projects

- Development of the Revenue Assurance and Special Projects (RASP) Case Monitoring project was completed.
- SAP HCM 2012 Payroll and Leave Days automation commenced during the year.
- Carried out FI-Contract Accounting Configuration for new;

  a) Point of Sale Accounts;

  b) Foreign Currency Accounts, including US Dollar, Rand and Botswana Pula.
- Microsoft E-Services configured to allow clients to apply for tax clearances before year end system congestion challenges.

4.4 Strategic Partnerships

The Commissioner General engaged key stakeholders: government, border agencies, clearing agents, licensing authorities, professional bodies, consultants, banking institutions, development partners, business executives and players in the tourism sector among other key strategic partners.

The engagements and feedback about the services provided by ZIMRA were intended to meet customers' needs, expectations and provide the highest level of service possible. It is imperative to understand perceptions of tax payers and the challenges they encounter in meeting their tax obligations. The customer satisfaction index for ZIMRA was 67%, while, according to the NCSI for 2018, the national customer satisfaction was 63.7%.


Delegates attending the African Tax Administration Forum (ATAF) course on Tax Treaties pose for a group photo.

The following collaborative stakeholder engagements were done:

- Inter-Ministerial Committee meetings covering anti-smuggling and border management.
- Securities and Exchange Commission of Zimbabwe and telecommunications sector to discuss transfer pricing.
- ZIMRA Managers and Parliament Workshop to discuss legislative issues.
- Rural and urban councils on voluntary and co-operative compliance enhancement.
- IMF on strategic planning, data matching, risk management, debt management, ICT review and tax revenue management.
- World Bank, Ministry of ICT and Ministry of Finance officials - on technical assistance with mining valuation and auditing, telecommunications sector audits and how to integrate government ICT systems and linking them to each other.
- DFID on DRM Review covering Political Economy Analysis.
- WCO on Mercator Project Management program, Digital Customs and RTC Digital Empowerment Customs & Excise E Commerce.
- ATAF Workshop on Tax Agreements.
- EU Embassy - on the possible areas for cooperation under the Economic Partnership Agreement (EPA) and trade facilitation arrangements.
- USAID- on VAT diplomatic refunds, funding and capacity building.

- TADAT workshop for ZIMRA officials and over 200 officers and managers were trained and TADAT Certified by IMF Consultants.


Commissioner General, Ms F. Mazani, seated extreme left with TADAT experts during a TADAT meeting.

The Tax Administration Diagnostics Assessment Tool (TADAT) Secretariat carried out an assessment on ZIMRA and action plans were put in place to address the performance gaps noted.

Missions and engagements were hosted to benchmark with best practices for electronic data exchange and sharing of intelligence on traffic transiting through bordering countries – Zambia, Mozambique, Botswana and South Africa as verified through rules of origin for the AU Free Trade Area, WCO, SADC, COMESA, and other bodies.

It is envisaged that once fully operational, the export transactional data from the exporting country would automatically create the corresponding import clearance in the importing country, thus minimising the likelihood of false declaration by the importers or exporters involved in the transactions.

The Commissioner General, at the centre poses for a photo with International delegates after fruitful discussions.

ZIMRA negotiated MOUs with Namibia and Angola and signed DTAs with UAE and Mozambique.

5. Good Governance

ZIMRA is committed to upholding the principles of good corporate governance in compliance with national laws and regulatory guidelines. In this regard, following the promulgation of the Public Entities Corporate Governance Act [Chapter 10:31] (PECOGO Act) and Regulations, the Authority aligned its governance practices to the new requirements. A compliance matrix was developed to track and monitor corporate governance compliance on a quarterly basis.

5.1 Board Constitution and Composition

ZIMRA operated with a ten member Board of Directors until 01 October 2018 when the term of the Board was terminated. Nine Members of the Board including the Chairman were non-executive. The gender mix for the previous board was four female members and six male members. Skills set of board members were in the fields of accounting, business management, governance, law and economics, among other key areas of specialisation.

Appointment of a new Board of Directors was announced on 20 December 2018, for a three year term, with effect from 04 January 2019.

5.2 Board Committees

The Board established seven committees to which certain functions were delegated as shown on Figure 8; The Board however, retained the overall oversight on ZIMRA`s operations.

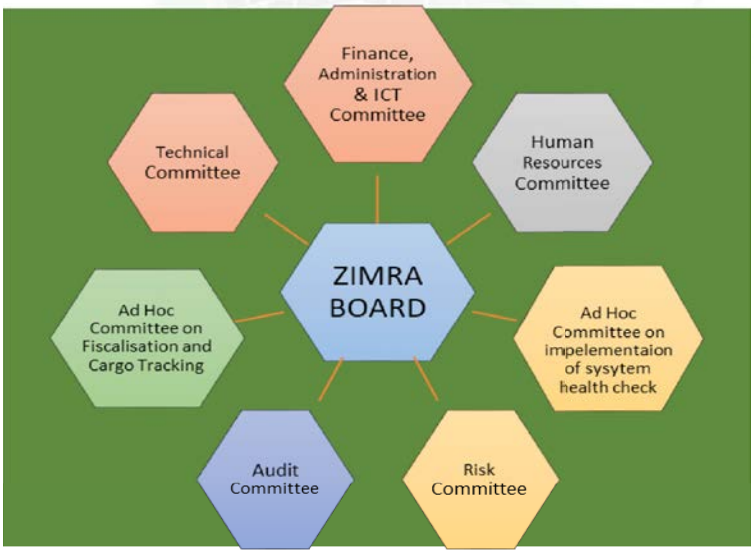


Figure 8: Board Committees

All Committees were chaired by independent non-executive board members and they operated with written Terms of References detailing responsibilities of the committees.

The Committees met quarterly and as need arose.

The Chairpersons of the respective Committees reported to the full board on matters considered by the Committees and recommendations made by the Committees.

Members of the Board and their membership to the Board Committees is outlined in the table below;

Table 17: Board and Board Committees` membership

Name of Director	Board Appointments				Board Committees as Chairperson/Member						
	Executive Director	Non-Executive Director	Independent Director	Non-Independent Director	Audit	Risk	HR	Technical Committee	Finance, Administration & ICT	Ad-Hoc Committee On Fiscalisation & Cargo Tracking	Ad Hoc Committee on Implementation of System health check recommendations
Willia Bonyongwe (Chairman)		√	√		-	-	-	-	-	-	-
Percy Toriro (Vice-Chairman)		√	√		-	-	Chair	-	Member	Member	Member
Sarudzai Njerere		√	√		-	Chair	Member	-	Member	-	-
Moffat Nyoni		√	√		Member	-	-	Member	-	-	
Nation Madongorere		√	√		-	Member	-	Member	Chair	Chair	Chair
Betty Katiyo		√	√		Chair	Member	Member	-	-	Member	Member
Nompumelelo Abu-Basutu		√	√		Member	-	-	Chair	Member	-	-
Arnold Chidakwa		√	√		Member	Member	-	Member	-	Member	Member
Faith Mazani	√			√	-	Member	Member	Member	Member	-	Member
Willard Manungo		√		√	Member	-	-	Member	-	-	-

Details of the number of Board meetings held during the year and the attendance of each Board member at those meetings are disclosed in the table below;

Table 18: Board Meetings and Attendance

Board Member	Scheduled Board Meetings		Special Board Meetings		% attendance per individual board member
	No. Held	No. Attended	No. Held	No. Attended	%
Mrs W. Bonyongwe	3	3	5	5	100
Mr P. Toriro	3	3	5	4	87.5
Mrs N.M. Abu-Basutu	3	3	5	0	42.19
Mrs B.S. Katiyo	3	1	5	3	50
Mr N.C. Madongorere	3	3	5	5	100
Mr M. Nyoni	3	2	5	5	87.50
Ms S. Njerere	3	3	5	3	75
Mr A. M. Chidakwa	3	3	5	5	100
Mr W.L. Manungo	3	3	5	5	100
Ms F Mazani *	3	3	5	4	87.50
% of collective members' attendance					87.92

Key

- did not attend and an apology was noted. *

Details of the number of Board Committee meetings held during the year and attendance of each Board member at those meetings are disclosed in the table below;

Table 19: Attendance at Board Committee Meetings

	Human Resources Committee		Risk Committee		Audit Committee		Finance Administration and ICT		Technical Committee		Ad-Hoc Committee on Fiscalization and Cargo tracking		Ad-Hoc Committee on implementation of system health check recommendations		Attendance per individual Board Member
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No held	No Attended	%
Mrs W. Bonyongwe	3	1**	3	3**	3	1**	3	1**	3	2**	0	0	1	1**	100%
Mr P. Toriro	3	2-	3	*	3	*	3	3	3	*	0	0	1	1	85.80%
Mrs N.M. Abu-Basutu	3	*	3	*	3	3	3	3	3	3	0	0	1	*	100%
Mrs B.S. Katiyo	3	2-	3	2-	3	2-	3	*	3	*	0	0	1	1	70%
Mr N.C. Madongorere	3	*	3	3	3	*	3	3	3	3	0	0	1	1	100%
Mr M. Nyoni	3	*	3	*	3	3	3	*	3	3	0	0	1	*	100%
Ms S. Njerere	3	3	3	3	3	*	3	3	3	*	0	0	1	*	100%
Mr A. M. Chidakwa	3	*	3	2-	3	2-	3	*	3	2-	0	0	1	0-	60%
Mr W.L. Manungo	3	*	3	*	3	2-	3	*	3	3	0	0	1	*	97.20%
Ms. F. Mazani	3	3	3	3	3	*	3	3	3	3	0	0	1	1	100%
% of collective members' attendance															**91.30%**

Key

* not a member.

**not a member but attended the meeting by invitation.

- did not attend and an apology was noted.

Ms F. Mazani was appointed Commissioner General effective 1 February 2018. Mr H. Kuzvinzwa attended the first special board meeting as Acting Commissioner General. Ms F. Mazani attended the remaining scheduled board meetings and special meetings during the rest of the year.

The Board and Board Committees held a total of 38 meetings during the year. Of the total, 18 were scheduled while 20 special or ad hoc meetings were convened to discuss urgent substantive matters. Board or Committee meetings were not held during the last quarter of the year since the previous board was terminated on 1 October 2018 and the new board was announced on 20 December 2018.

Pending the appointment of the new board, ZIMRA reported to and sought guidance from the Ministry of Finance and Economic Development on critical issues that would ordinarily require board approval in line with good corporate governance, disclosure and transparency.

5.3 Board Training and Development

As part of continuous training and development for Board Members, the Board participated and /or attended various conferences and workshops during the year, among them the following: -

- Awareness workshop for Parastatals on the sensitisation of the new Public Procurement and Disposal of Public Assets Act [Chapter 22:23] offered by the Office of the President and Cabinet;
- Tax education workshop for Parliamentarians;
- Strategy development with IMF consultant;
- Public Entities Corporate Governance workshop by ZIMLEF.

Members of the Board visited selected stations as part of continued efforts to familiarise and have first-hand appreciation of key operations of the Authority.

5.4 Corporate Governance Assessment and Board Evaluation

A corporate governance compliance assessment was done using a questionnaire from the Office of the President and Cabinet Corporate Governance Unit. The compliance status for the Authority as at 30 September 2018 was 85%. However, a corporate governance assessment and board evaluation could not be conducted for 2018 since the board`s term was terminated in October 2018. The Authority is targeting to reach 100% compliance by 31 December 2019.

The Authority received a second runner up prize under State Enterprises and Parastatals Category for Best Corporate Governance Disclosures at the 2018 Excellence in Corporate Governance Awards coordinated by Institute of Chartered Secretaries and Administrators in Zimbabwe.

5.5 Ethical Issues

Board and senior management declared their assets and business interests upon appointment, to the Office of the President and Cabinet Corporate Governance Unit in fulfilment of the requirements under the PECOGO Act and Regulations. Interests were also declared at every meeting of the Board or Committees.

Members of Staff were subjected to vetting, lifestyle audits and completed Asset Declarations. Vetting was carried out on 202 new staff members and 264 lifestyle audit cases were investigated. A total of 147 audit cases were finalised and 55 cases had adverse findings. The reasons for failing the audits included failure to account for assets, financial transactions, and refusal to cooperate in accordance with the Lifestyle Audit Policy. Corrective action taken included 101 Disciplinary and Grievance Cases (DGCs) resulting in 40 Suspensions/ Dismissals.

Meetings with staff members were held at all stations to fight corruption and uphold integrity at all times.

5.6 Social Responsibility

The newly appointed ZIMRA Charity Trust Board held its first meeting and awarded scholarships for tertiary education to needy students as well as donating groceries and funding for sustainable development projects to 17 charity institutions.

Old age is Golden...... Commissioner General, Ms F. Mazani hands over a greenhouse to Bumhudzo Old People's Home.

5.7 Standards (IPSAS, ISO, Procurement)

5.7.1. Regulatory Framework

The legal framework governing the operations of the Authority consist of the Revenue Authority Act (Chapter 23:11), the Public Entities Corporate Governance Act [Chapter 10:31] (PECOGO Act), and the Public Finance Management Act [Chapter 22:19] and other applicable pieces of legislation and regulatory directives.

The Authority's primary role of collecting revenue on behalf of the State is done through a number of statutes such as the Customs and Excise Act *[Chapter 23:02]*, Value Added Tax *[Chapter 23:12]*, Income Tax Act *[Chapter 23:06]*, Capital Gains Tax Act *[Chapter 23:01]*, Stamp Duties Act *[Chapter 23:09]*, and the Mines and Minerals Act (Chapter 21:05).

Commissioner General, Ms F. Mazani addressses delegates at a ZIMRA workshop meant to institute revenue reforms.

5.7.2. Financial Standards

The Authority complies with International Accounting and Internal Audit Standards as set out in the applicable laws, governance frameworks and report in line with International Financial Reporting Standards (IFRS).

ZIMRA is ready and committed to the implementation plan that will see government institutions adopting the global accounting systems; the International Public Sector Accounting Standards (IPSAS) reporting framework.

5.7.3. Procurement

A Procurement Management Unit reporting directly to the Commissioner General was established to be responsible for managing all the Authority`s procurement activities in accordance with the Public Procurement and Disposal of Public Assets Act (Chapter 22:23).

5.7.4. ISO Certification

The Authority was ZWS ISO 9001:2008 Quality Management System Standard certified after satisfying Standards Association of Zimbabwe (SAZ's) minimum certification requirements. However, the Authority is transitioning to ZWS ISO 9001:2015 Quality Management System Standard.

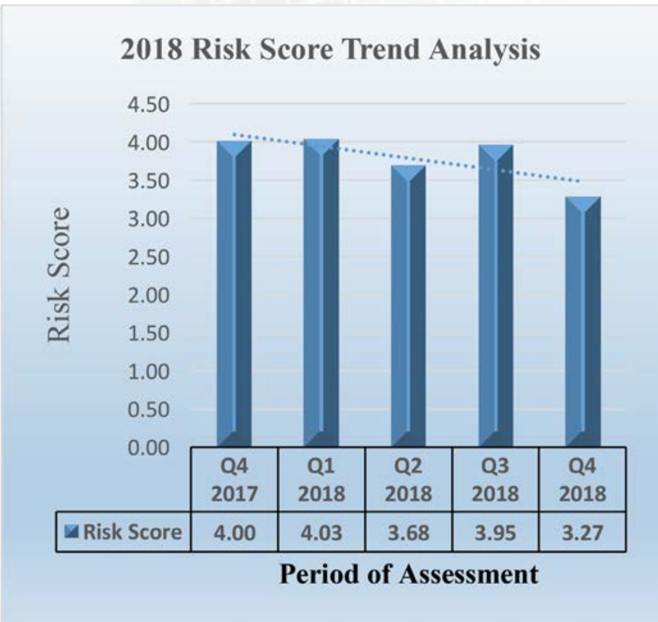
5.8 Audit and Risk Management

The control environment within the Authority was monitored by the Board in line with the Internal Audit & Risk mandate to highlight high risk areas where due management attention was required. The Internal Audit function is headed by an Internal Audit Executive who reports functionally to the Board Audit Committee and administratively to the Commissioner General.

The ZIMRA Risk Policy requires enterprise risk to be assessed to ensure business continuity and attainment of stakeholder interests to create and protect value as per the 2018 ERM plan. The corporate strategic goals overall risk score was **3.27,** in the medium category, as at 31 December 2018.

The enterprise risk is analysed as shown below;

<table>
<tr><th>Risk ratings for year 2018</th><th>Risk Analysis & Comments</th></tr>
<tr><td>



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High Risk Areas

Risks which revealed high exposure were:

- Corruption
- Loss of revenue through fraudulent activities
- Projects deviation from budgets
- High uncollectible debt
- Projects deviation from timelines
- Insufficient forex funds to finance or procure imported goods/services

Medium Risk Areas

The following risks showed medium exposure;

- Scheduled maintenance
- Intrusion in Outlook
- Low staffing levels
- Failure to surpass GDP threshold

Fire Assessment & BCP

- Risk of fire remained high in the Authority as evidenced by monthly fire assessments submissions from various stations.
- The Authority had no consolidated BCP in place and this affected the rating of ZIMRA during the TADAT assessment.

</td></tr>
</table>

Figure 9: Enterprise Risk Analysis

High exposure risks noted from the assessment above will continue to be given priority in order to reduce the impact while medium and low risks will be monitored to ensure that they are further reduced to acceptable levels.

ICT Adequacy and Health Check completed Vulnerability Assessment and Penetration Testing. The network intrusion risk is now low after the installation of Next Generation Firewalls.

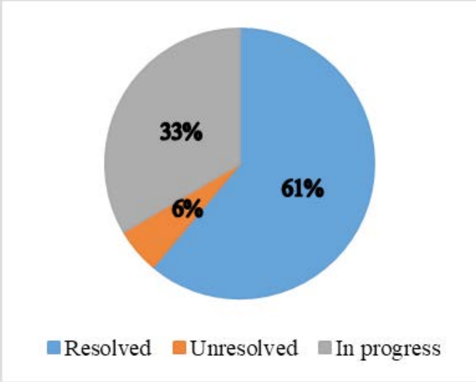

Figure 10: Consolidated Issues Log

A Security Incident and Event Management (SIEM) system was procured to support real time monitoring of audit logs see Figure 10 for all ZIMRA systems including applications and network devices allowing the Security Operations Centre (SOC) to make timely interventions.

5.9 Sustainability Reporting

Taxpayers and citizens want to know how public sector organisations and ZIMRA in particular are addressing sustainability challenges. In promoting transparency, this review seeks to communicate how ZIMRA sustainability reporting is understood and managed with an emphasis on the three non-financial performance issues; environmental, economic and social.

5.9.1 Environment

Smuggling of dangerous and hazardous substances, movement of controlled species and transfer of local wildlife without proper documentation is harmful to the environment. ZIMRA has played a pivotal role to control all ports of entry and exit in the country through use of scanners, laboratory tests and K9 Units where officers are trained on how to handle sniffer dogs. Radiation safety officers were trained on how to protect themselves from radiation and equipped with dosimeters. Radiation Protection Authority of Zimbabwe closely monitors and tests dosimeters monthly for the level of radiation emission and advises on scanner operators who are exposed to radiation.

ZIMRA has a Health and Safety policy that ensures every station has a Health and Safety Committee to ensure the environment is safe. We monitor our working environment to avoid the incident of hazards or to control its consequence, within the legal framework which governs the promotion of health and safety in Zimbabwe.

5.10.2. Economy

ZIMRA has been instrumental in protecting industry, informal traders and the transacting public through strategic sharing of data and information with Treasury, industry, other parastatals and stakeholders like ZIMSTATS.

The Authority implements concessions granted by government through issuance of rebates for companies operating in national projects on capital goods for the mining, manufacturing, agricultural and energy generation and distribution companies. This creates employment and generate domestic taxes revenue in these industries, which entails growth. The companies have potential to export goods manufactured or minerals extracted bringing in the much needed foreign currency for the government which will assist in the importation of fuel and other essentials like medicals.

5.9.3. Social

ZIMRA operates a modest social responsibility program to give back to the society through funding several projects run by charity organisations like childrens` and old people`s homes. School children from disadvantaged communities have benefited from the annual charity ball.

5.10 Public Disclosure

The 2017 Annual Report and the Audited Financial Statements were tabled at the inaugural Annual General Meeting (AGM) held on 5 July 2018 to discuss the Authority`s operations and conduct.

Delegates to the Inaugural Annual General Meeting

The following key stakeholders were invited and attended the AGM:

- Representatives from the Ministry of Finance and Economic Development;
- Representatives of the Office of the President and Cabinet (Corporate Governance Unit);
- Representatives from the Auditor General's Office;
- Representatives from the State Enterprises Restructuring Agency;
- The Accountant General.

The Authority also updated the public through Radio and Television, Website, Facebook, SharePoint, Twitter and LinkedIn platforms and the 'Taxman's Corner' published in print and electronic media.

Issues addressed ranged from revenue performance, responses to enquiries from the media and clients, public notices, systems updates, rummage sale notices, adverts, invitation to tender and new requirements introduced by the new Finance Act.

6. Sufficient Resources

ZIMRA was funded by a grant from the government to the tune of **$139,934,645** made up of $123,934,645 for operational costs and $16,000,000 for Capital Expenditure, The total operational expenditure was **$133,529,951** excluding depreciation a non-cash expense of $21.49 million.

While the Authority records were maintained in United States Dollars, some of its operating transactions were conducted in a 'multi-tiered' pricing environment during the year under review, where settlement of transactions was depended on the mode of payment, whether United States Dollar cash, electronic payment, mobile money or bond notes. This resulted in a funding gap.

ZIMRA was authorised to generate additional resources to bridge the **$9,595,306** million operational expenditure funding gap. To fund recurrent operations, $5,668,477 (4.57%) was raised from interest and agency collection fees while $4, 577, 493.85 million was raised from clearance fees intended for capital expenditure.

6.1 EXPENDITURE ANALYSIS

6.1.1 Recurrent Expenditure

The table below shows an analysis of expenditure versus budget for the year.

Table 14: Expenditure versus budget

Description	Budget	Expenditure	Variance ($)	Variance
	USD	USD	USD	(%)
Staff Costs	**89,389,645**	**98,181,426**	**(8,791,781)**	**-10%**
Other Recurrent Expenditure	**34,545,000**	**56,835,049**	**(22,290,049)**	**-65%**
Total Recurrent Expenditure	**123,934,645**	**155,016,475**	**(31,081,830)**	**-25%**
Capital Expenditure	**16,000,000**	**7,744,201**	**8,255,799**	**52%**
Grand Total	**139,934,645**	**162,760,676**	**(22,826,031)**	**-16%**

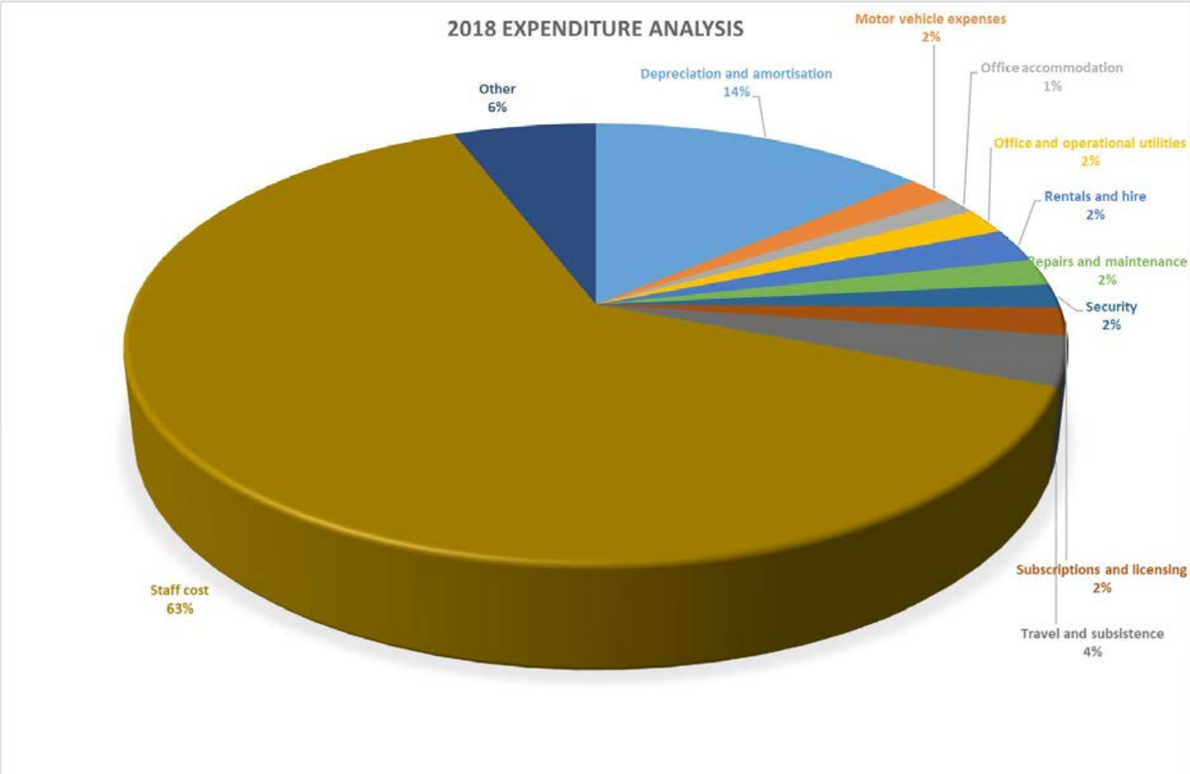

Figure 11: Expenditure drivers

- Staff Costs accounted for 69% of the total recurrent expenditure. The over-run of $8.79 million (**10%)** against the budget was due to $6.12 million towards 25% arbitral award for salary review to employees and labour cases disputes before the courts.

➢ Non-cash items like depreciation and amortisation 5% ($21.49 m), fiscalisation devices ($0.7 m) and other accruals such as Microsoft (previously accounted for under e-government) accounted for the **25%** excess on other recurrent expenditure.

  - Travel and Subsistence 4% ($5.64 million) of the total expenditure was largely driven by staff reliefs (deployed to busy stations), training for revenue trainees and increase in hotel accommodation costs.
  - Subscriptions cost of 3% ($4.17 million), was largely on software licenses.
  - Rentals and Hire consumed 3% ($3.86 million). The bulk of this expenditure went to rental of bandwidth ($2.7 million) to facilitate communication between stations and external stakeholders.
  - Motor Vehicle Expenses, Office and Operational Utilities, Security and Repairs and Maintenance accounted for 2% each.

- The total operational costs of $133.53 million ($155,016.48 million inclusive of $21.49 million depreciation a non-cash item) to gross collection $5.363 billion, resulted in a cost of collection ratio of 2.49%.

Of the total expenditure, 95% was spend on recurrent while 5% on capital expenditure.

6.1.2 Capital Expenditure

The approved Capital budget was USD16 million and 7,744,201 was spent mostly towards construction works (USD2.44 million), ICT equipment (USD 3.165 million) and Computers, Software, Furniture, Generators and Motor vehicles.

Capital expenditure was below budget by $8.3 million (52%) carrying forward balance of USD17.735 million as works in progress, as shown in Table below. The under-performance was largely due to failure to secure foreign currency for foreign purchases like, Oracle Supercluster, Motor Vehicles etc. Some projects stalled as contractors asked for price variations.

Table 20: Capital Expenditure for 2018

Project	Approved Budget 2018	Unexpended Balance B/Forward From 2017	Total Available Funds-2018	Expended During the Year Ended 31 December 2018	Unexpended Balance C/Forward to 2019
Buildings		-			
Computer equipment	4,819,223.15	2,234,663	7,053,886.15	3,165,727.39	3,888,158.76
Construction work in progress	6,814,062.24	4,866,782	11,680,844.24	2,441,889.22	9,238,955.02
Furniture, Fixtures and Fittings	941,050.99	211,152.06	1,152,203.05	786,175.92	366,027.13
Network equipment	130,776.85	-	130,776.85	130,776.85	-
Software	650,000	934,766	1,584,766.00	375,000.00	1,209,766
Office equipment	48,672.35	-	48,672.35	48,672.35	-
Plant and Machinery	110,276.66	-	110,276.66	110,276.66	-
Generator	100,000	712,456.94	812,456.94	-	812,456.94
Land	585,937.76	-	585,937.76	585,937.76	-
Motor vehicles	1,800,000	447,000	2,247,000.00	27,200.00	2,219,80.00
Total	16,000,000	9,406,820	25,406,820.00	7,671,656.15	17,735,163.85

The expenditure above was provided for in a Procurement Plan that summarised and published the list of goods, construction works and services as annual plan for procurement during the coming financial year in compliance with Section 22 of the Public Procurement and Disposal of Public Assets Act [Chapter 22:23].

7. Audited Financial Statements

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-04-793611/3/4, 762817/8/20-23
Telegrams: AUDITOR
Fax: 706070
E-mail: ocag@auditgen.gov.zw
Website: www.auditgen.gov.zw

OAG ZIMBABWE
Office of the Auditor-General

OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: SB2

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE

ZIMBABWE REVENUE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2018.

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the accompanying financial statements of the Zimbabwe Revenue Authority set out on pages 6 to 30, which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph of my report, the accompanying financial statements do not present fairly the financial position of the Zimbabwe Revenue Authority as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in notes 2,1, 2.3 and 20.2 the Authority was operating in a 'multi-tiered' pricing environment during the year under review, where settlement of transactions was depended on the mode of payment, whether United States Dollar cash, electronic payment, mobile money or bond notes. This 'multi- tiered' pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21, would apply. Had the Authority complied with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially affected. As a result, the impact of the Authority's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements are considered material and pervasive to the financial statements as a whole.

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the Zimbabwe Revenue Authority for the year ended December 31, 2018. These matters were addressed in the context of my audit of the Zimbabwe Revenue Authority financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
Valuation and impairment of property, plant and equipment estimated useful life. Refer to note 2.4.1-2.4.2 on the accounting policy and note 4 The Authority held property, plant and equipment with revalued carrying amount of \$153 577 317 as at December 31, 2018. The assets were revalued in accordance with IAS 16. Property, plant and equipment was revalued by the Authority using management valuations. This method also takes into account unobservable inputs and therefore requires significant judgement in determining the fair value of the assets. The useful life and residual values are also reviewed annually by management with reference to current, forecast and relevant	The audit procedures that I performed to address the risk of material misstatement relating to the valuation of property plant and equipment included: • Analysed and tested management's assumptions used to determining the recoverable amounts in testing for impairment, • Evaluated management's estimates regarding useful lives and residual values of these assets in relation to the Authority's historical experience, industry practice and future operating plans. • Critically evaluated the methodology and assumptions used by the Authority when performing the valuation. • Inspected of documentary evidence of the state of property, plant and equipment. Based on evidence gathered, I found the management's assumptions in relation to useful lives and the revalued carrying amounts of property, plant and equipment reasonable.

Key Audit Matter	How my audit addressed the Key Audit Matter
technical factors. This involves a significant degree of management judgement and assumptions. As a result, valuation of property, plant and equipment were considered to be a key audit matter.	
Contingent Liabilities and provisions for outstanding labour cases. Note 13 The Authority had pending labour cases for which the provision recognized amounted to $8 982 542. Management applied judgement and estimate in assessing and analysis of the legal or constructive obligation. Due to the level of judgement relating to recognition, valuation and presentation of provisions and contingent liabilities, this was considered to be a key audit matter.	The audit procedures that I performed to address the risk of material misstatement relating to the contingent liabilities and provisions included: • Reviewed management's estimates for reasonableness. • Analysed the responses to inquiry of both legal and financial staff in respect of ongoing claims, proceedings. • Inspected relevant correspondence, inspected the minutes of the meetings of those in charge of Governance to acknowledgement. • Evaluated and tested the Authority's policies, procedures and controls surrounding the identification and reporting of claims against the Authority • Assessed the disclosure regarding (contingent) liabilities from legal proceedings to confirm compliance with the requirements of IAS 37. Based on the evidence gathered, I found management's assumptions in relation to completeness and disclosures of contingent liabilities and provision for claims reasonable.

Other Information in the Annual Report

The Directors are responsible for the other Information. The other Information comprises all the information in the Zimbabwe Revenue Authority's 2018 annual report other than the financial statements and my auditor's report thereon ("the other Information").

My opinion on the Authority's financial statements does not cover the other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority 's financial statements, my responsibility is to read the other Information and, in doing so, consider whether the other Information is materially inconsistent with the Authority's financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the Financial Statements

The Authority's management and those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Zimbabwe Revenue Authority [Chapter 23:11] and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], and other relevant Statutory Instruments.

June 12, **2019.**

M. CHIRI,
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

STATEMENT OF FINANCIAL POSITION

as at December 31, 2018.

	Note	31-Dec-18 USD	31-Dec-17 USD
ASSETS			
Non current assets		**186 396 797**	**151 167 777**
Property, plant and equipment	*4*	153 577 317	128 630 699
Intangible assets	*5*	23 841 056	13 940 279
Biological assets	*6*	44 938	45 250
Mortgage support investment	*7.1*	8 933 486	8 551 548
Current assets		**73 752 063**	**55 876 053**
Inventory		2 721 215	2 999 497
Accounts receivables	*8*	4 230 377	3 800 888
Assets held for sale	*9*	15 200	16 000
Investments	*7.1*	2 870 938	6 410 658
Cash and cash equivalents	*10*	63 173 037	42 366 859
Prepayments		741 296	282 152
Total assets		**260 148 859**	**207 043 830**
RESERVES AND LIABILITIES			
Reserves		**163 973 318**	**119 479 012**
Non distributable reserve		90 854 867	90 854 867
Accumulated fund		12 687 408	16 818 007
Revaluation reserves		60 431 044	11 806 138
Deferred income	*11*	61 281 711	61 516 904
		34 893 828	**26 047 911**
Non current liabilities		**327 973**	**329 133**
Finance lease obligation	*12*	327 973	329 133
Current liabilities		**34 565 855**	**25 718 778**
Short term portion of finance lease	*12*	21 164	20 118
Provisions	*13*	14 754 544	7 690 792
Payables	*15*	19 790 147	18 007 867
Total reserves and liabilities		**260 148 859**	**207 043 830**

07 JUNE, 2019.

P. MWASHITA,
(Director Fin, Admin & Infrastructure)
CPA, ACMA

7th June, 2019.

F. MAZANI,
(Commissioner General)

7th June, 2019.

C. JOKONYA
(Board Chairperson)

ZIMBABWE REVENUE AUTHORITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2018.

	Note	31-Dec-18 USD	31-Dec-17 USD
Income		**151 089 646**	**132 720 527**
		148 079 561	131 114 216
Government grant		123 934 645	107 840 406
Amortised capital grant	*11*	21 486 524	15 130 524
Interest earned		2 282 158	2 641 579
Discount received		-	5 049 401
Rental income		376 234	452 306
Other income	*14*	**3 010 084**	**1 606 311**
Less operating expenses		**(155 016 475)**	**(119 047 766)**
Employment cost	*16*	(98 181 426)	(67 958 446)
Administrative costs	*17*	(56 835 049)	(51 089 320)
Operating surplus		**(3 926 829)**	**13 672 761**
Finance costs		(203 769)	(93 499)
Surplus for the year		**(4 130 598)**	**13 579 263**
Other comprehensive income		-	-
Revaluation		48 624 906	-
Total comprehensive income for the year		**44 494 308**	**13 579 263**

ZIMBABWE REVENUE AUTHORITY

STATEMENT OF CHANGES IN RESERVES

for the year ended December 31, 2018.

	Accumulated Fund	Revaluation reserve	Non distributable reserve		Total
	USD	**USD**	**USD**		**USD**
Balance at January 1, 2017	3 238 744	11 806 938	90 854 867	150 168 357	105 900 549
Loss on disposal	-	(800)	-		(800)
Surplus for the year	13 579 263	-	-		13 579 263
Balance at December 31, 2017	**16 818 007**	**11 806 138**	**90 854 867**	**150 168 357**	**119 479 012**
Balance at January 1, 2018	16 818 007	11 806 138	90 854 867		119 479 012
Revaluation	-	48 624 906	-	(800)	48 624 906
Surplus for the year	(4 130 598)	-	-		(4 130 598)
Balance at December 31, 2018	**12 687 408**	**60 431 044**	**90 854 867**	**(800)**	**163 973 319**

ZIMBABWE REVENUE AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended December 31 , 2018.

	Note	31-Dec-18 USD	31-Dec-17 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated /(utilised) by operating activities		**1 756 405**	**(1 405 284)**
Operating loss before working capital changes		**583 676**	**3 944 093**
Operating profit for the year		(4 130 598)	13 579 263
Adjustments to reconcile profit to net cash flows:		**4 714 275**	**(9 635 170)**
Loss on disposal of biological assets		14 063	3 375
Profit on disposal of assets		(6 644)	120 000
Depreciation of property, plant and equipment	*4*	12 878 720	7 883 788
Amortisation of intangible assets	*5*	8 607 804	7 246 734
Write down of consumables to net realisable value	*17*	6 557	5 784
Amortised grant	*11*	(21 486 524)	(15 130 524)
Unrealised exchange gain		(80 456)	-
Impairment loss		1 581	-
Increase/Decrease in provisions		7 063 752	(7 434 639)
Allowance for credit loss		6 059	(29 271)
Exchange loss		9 805	212 656
Gain on price differences		(3 768)	(2 699)
Obsolete stock written off	*17*	227	101 933
Interest earned		(2 320 421)	(2 641 579)
Working capital adjustments		**1 172 729**	**(5 349 377)**
(Increase)/decrease in accounts receivables		(429 489)	26 573
(Decrease) in prepayments		(459 144)	(23 405)
Assets held for sale		800	-
Decrease/(increase) in consumables		278 282	(1 123 403)
Decrease/(increase) in payables		1 782 280	(4 229 143)
CASH FLOWS FROM INVESTING ACTIVITIES		**(2 201 557)**	**(3 472 856)**
Interest received		2 049 909	2 430 686
Proceeds from sale of property, plant and equipment		41 050	988
Purchase of financial investments		(2 423 628)	(3 459 416)
Proceeds from financial investments		5 875 313	278 222
Purchase of intangible assets		(1 466 446)	(499)
Purchase of property, plant and equipment		(6 277 755)	(2 722 837)
CASH FLOWS FROM FINANCING ACTIVITIES		**21 251 330**	**15 460 130**
Government capital grant		16 673 836	11 446 000
Clearance fees		4 577 494	4 014 130
Net increase in cash and cash equivalents		**20 806 178**	**10 581 990**
Cash and cash equivalents at beginning of the year		42 366 859	31 784 869
Cash and cash equivalents at December, 31	*10*	**63 173 037**	**42 366 859**

1. NATURE OF BUSINESS

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in term of the Zimbabwe Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond. ZIMRA is funded by the Government of Zimbabwe through grants.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements for the year ended December 31, 2018 have been prepared with the aim to comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). While full compliance has been possible in the previous periods only partial compliance has been achieved for the financial year ended December 31, 2018 because it has not been possible to comply with International Financial Reporting Standard 21 "The effects of Changes in Foreign Exchange Rates" (IAS 21).

According to the conceptual framework for financial reporting, for fair presentation of financial statements, entities should consider beyond legal form of transactions but the economic phenomena of the transactions and the impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. The same standard requires an entity to make certain judgements, where applicable regarding appropriate exchange rates between the currency where exchangeability through a legal and market exchange mechanism is not achievable.

In the opinion of the directors, the requirements to comply with Statutory Instrument 33(SI 33) of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS conceptual framework, and the Guidance issued by Public Accountants and Auditors Board (PAAB) on March 21 , 2019. This has resulted in the resulted in the adoption of the accounting treatment in the current year's financial statements which is at variance from that which would have been applied if the Authority had been able to fully comply with IFRS.

2.2. Basis of measurement

The financial statements are prepared under the historical cost convention except for Biological assets which are all measured at fair values and property, plant and equipment, intangible assets, of which are shown at revalued amounts.

2.3. Functional and presentation currency

These financial statements are presented in United States Dollars (US$) as prescribed under Statutory Instrument 33 of 2019 and in compliance with local laws as well as relevant guidance provided by the Public Accountants and Auditors Board on March 21, 2019. The Authority adopted the US$ as the functional and presentation currency.

2.4 Critical accounting judgments, assumptions and estimates

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant judgments include the following:

2.4.1 Impairment and provisioning policies

At each statement of financial position date, the Authority reviews the carrying amount of its assets to determine whether there is an indication that those assets suffered any impairment. If any such indication exists, the recoverable amount of the assets is estimated to determine the extent of the impairment (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

In the event that, in the subsequent period, an asset that has been subject to an impairment loss is no longer considered to be impaired, the value is restored and the gain is recognised in the statement of comprehensive income. The restoration is limited to the value which would have been recorded had the impairment adjustment not taken place.

2.4.2 Useful lives and residual values of property, plant and equipment

The Authority assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes. The depreciation rates are set out in note 3.2 and changes to useful lives have been considered necessary during the year. Management has set residual values for all classes of property, plant and equipment at zero.

2.4.3 Uncollectable accounts receivable

The Authority estimates the allowance for uncollectible accounts based on management's assessment of collection indicators to determine the rate applied.

2.4.4 Fair value measurement

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset

Or

- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

External valuers are involved for valuation of land and buildings. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

2.5 New and revised standards and interpretations

2.5.1 Standards effective from 1 January 2018

IFRS 9 Financial Instruments

The standard was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 supersedes IAS 39. The objective of this standard is to establish principles for the financial reporting of financial instruments that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. The Authority adopted and implemented the IFRS 9 in line with the mandatory adoption date.

2.5.2 New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2018 and not early adopted

The following new standards and amendments to standards have not been applied in preparing these financial statements. Earlier application is permitted, however, the Authority has not early adopted the following standards but intends to adopt these standards, where applicable, when they become effective.

IFRS 16, leases effective for annual periods beginning on or after 1 January 2019, with early application permitted but only if the entity is also applying IFRS 15, revenue from contracts accounts with customers.

Under the new standard, IFRS 16, leases, a lessee recognizes a right of use asset and a lease liability. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly .The liability accrues interest.

Impact of IFRS 16 are as follows;

The impact may be on small leases which might be less as the IASB offers an exemption of assets with a value of $5,000 or less when new. Low value assets meeting this exemption do not have to be recognized on the balance sheet

The cost to implement and continue to comply with the new leases standard could be significant for most lessees. Particularly if they do not already have an in-house lease information system.

Lessor accounting remains largely unchanged from IAS 17 however, lessors are expected to be affected due to the changed needs and behaviours from customers which impacts their business model and lease products.

3. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the period ended December 31, 2017, except for property, plant and equipment (PPE). The accounting policy on PPE changed in 2018 from the cost model to revaluation model. The change was motivated by the need to ensure compliance with IAS 16 in terms of fair value presentation as the authority had accumulated assets which are still in use but fully depreciated.

3.1 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. Work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation. This is a change in accounting policy, refer to note 4.1. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate major components of property, plant and equipment.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or loss when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss section of the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

3.2 Depreciation

Provision for depreciation is based on straight line basis over the asset's expected useful life. Land and work in progress are not depreciated. The depreciation rates are set out below. Useful lives for assets across the classes were carried out during the year 2018. This had the effect of extending useful lives for specific assets after a fair assessment of their usefulness to the Authority going forward. The reviews had the effect of extending lives and the rates of depreciation remained as set out below. The annual rates used for this purpose are:

Fixtures and fittings	10%
Furniture and equipment	10%
Plant and machinery	10%
Motor vehicles	20%
Buildings	2%
Computer equipment	33.33%

3.3 Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less cost to sale. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the profit or loss. Once classified as held for sale, the non-current assets are no longer depreciated.

3.4 Revenue grants and donations

Revenue grant is recognised as income during the year in which it is received. Donation are recorded as income when received

3.5 Capital grants and donations

Capital grant is recorded as deferred income in the statement of financial position when it becomes receivable and is then recognised as income on a systematic basis over the period necessary to match the grant with the related costs which they are intended to compensate. Grant amortised is credited to the income statement over the expected useful lives of the respective assets, on a straight line basis.

3.6 Employee benefits

i. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined contribution plan

Obligations for contribution plans are expensed as the related service provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iii. Termination benefits

Termination benefits are expensed at the earlier of when the Authority can no longer withdraw the offer of those benefits and when the Authority recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

3.7 Inventories

Inventories are valued using the moving average method. Inventory values in the system are determined by the average of the existing inventory value and the price of incoming inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.8 IFRS 9 Financial Instruments

The Authority has fully adopted IFR 9, Financial Instruments with effect from the 1st January 2018. This is a new standard that replaced IAS 39. From a classification and measurement perspective the standard requires that all financial instruments' assessment be based on the authority's business model of managing the financial instruments and the cash flow characteristics of the same, except for derivatives and equity instruments.

The Authority has fully complied with the IFRS 9 and the standard brings significant changes in terms of measurement and recognition from IAS 39. The authority has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

3.8.1 Business Model Assessment

The authority determines its business model at the level that best reflects how it manages its financial assets to achieve its business objectives. The authority's model is assessed on an instrument by instrument basis, based on the following factors;

- The risks that affect the performance of the business model and how the risk is managed within each financial asset.
- The level of amounts held within each financial instrument.
- The security available on securing each asset.

3.8.2 Measurement

Effective 1st January 2018, the authority has classified all its financial assets based on the business model for managing the assets and the asset's contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOIC)
- Fair value through Profit and Loss (FVPL)

With effect from 1st January 2018, the authority now measures loans and advances to staff, money market investments and mortgage investments at amortised cost if both of the following conditions are met;

- The financial asset is held within a business model with the objective to hold financial assets in order collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

3.8.3 Impairment of financial assets

IFRS 9 replaced the incurred loss model in IAS 39 with an expected credit loss model. The new impairment model applies to debt instrument recorded at armotised cost or at fair value through other comprehensive income.

3.8.4 Classification of financial assets and liabilities

The authority classifies its financial assets and liabilities as follows;

- **Financial assets held at amortised cost**
  These include loans and advances to staff and trade advance payments, assets which were previously recognised as held for sale under IAS 39.

- **Cash and cash equivalents**
  For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances investments with up to 90days maturity.

- **Financial Liabilities**
  All loans and borrowings which are measured at initial recognition at fair value less directly attributable transactional costs. After initial recognition interest bearing loans are measured at amortised costs.

3.8.5 De-recognition of financial assets

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired.

3.8.6 De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

3.9 Risk management

3.9.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the unforeseen changes in interest rates. The Authority's exposure to the risk of change in market interest rates relates primarily to the held to maturity investments

Exposure to interest rate risk is managed at management level on a proactive basis. Management mitigates interest rate risks by investing in shorter maturity securities.

3.9.2 Foreign currency transaction and balances

While the Authority records are maintained in United States Dollar, some of its transactions are conducted in other major foreign currencies including South African Rand, Pula, British Pound and Euros. Transactions in foreign currencies are translated to United States Dollar at rates of exchange ruling at the time of the transactions. Transaction and translation gains and losses arising on conversion of settlement are dealt with in the statement of comprehensive income in determination of the operating income.

3.10 Taxation

The Authority`s receipts and payments are exempt from income tax in terms of the third schedule to the Income Tax Act [Chapter 23:04].

3.11 Development costs

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Authority intends to and has sufficient resources to complete development and to use the asset. Otherwise expenditure is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Any expenditure capitalised is normally amortised over three years.

3.12 Leases

The authority intends to adopt IFRS 16 for the purposes of managing and reporting leases. The Authority will apply the standard from its mandatory date of 1st January 2019. The simplified transition approach will be adopted and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses)

3.12.1 Operating leases

The Authority operates in leased premises in some of the locations. Leases under which the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Obligations incurred under operating leases are charged to the statement of comprehensive income in equal instalments over the period of the lease, except when the alternative method is more representative of the time pattern from which benefits are derived. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.12.2 Finance leases

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce constant periodic rate of interest on the remaining balance of a liability.

3.13 Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Authority. Software acquired separately is measured on initial recognition at cost. Following initial recognition, it is carried at cost less any accumulated amortization and accumulated impairment loses.

The useful lives of intangible assets are assessed as finite. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset is reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern or consumption of amortisation period or method as appropriate and are treated as changes in accounting estimates. The amortisation expense is recognised in the statement of comprehensive income.

Amortisation is recognised in the statement of comprehensive income on straight line basis over the useful life of the software. Amortisation methods, useful lives and residual lives are reviewed at each financial year end and adjusted if appropriate.

The estimated economic useful life applied is as follows:

SAP Operating software	3 years
Other software	3 years

3.14 Biological assets

Biological assets are measured at fair value less cost to dispose, with any change therein recognised in profit or loss.

4 Property, plant and equipment

	Buildings	Land	Plant and Machinery	Office Equipment	Furniture, Fixtures, Fittings and Equipment	Computer Equipment	Motor Vehicles	Network Equipment	Construction Work In Progress	**31-Dec-18**	**31-Dec-17**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Opening carrying amount	79 137 337	4 071 282	18 844 522	742 441	2 037 017	3 527 886	2 088 619	1 999 826	16 181 769	128 630 699	135 542 113
Gross carrying amount	88 587 558	4 071 282	34 019 495	1 303 721	4 104 273	22 022 541	10 237 877	3 391 774	16 181 769	183 920 290	182 982 558
Accumulated depreciation and impairment	(9 450 220)	-	(15 174 973)	(561 280)	(2 067 256)	(18 494 654)	(8 149 258)	(1 391 948)	-	(55 289 591)	(47 440 445)
Additions at cost	40 032	585 938	1 120 692	48 672	786 176	2 130 531	27 200	130 777	1 407 737	6 277 755	2 722 837
Revaluation			6 041 449	1 455 651	1 053 821	21 056 980	1 974 869			31 582 770	
Reclassification to land from building	(3 555 600)	3 555 600	-	-	-	-	-	-	-	-	(1 629 662)
Reclassification to building from cons-ruction work in progress	180 383	-	-	-	-	-	-	-	(180 383)	-	-
Disposal - carrying amount	-	-	-	(1 964)	-	-	(31 642)	-	-	(33 606)	(120 800)
Disposal at cost/deemed cost	-		-	(4 714)	-	-	(177 900)	-	-	(182 614)	(155 442)
Depreciation on disposals	-	-	-	2 750	-	-	146 258	-	-	149 008	34 642
Impairment loss	-	-	-	-	-	-	(1 581)	-	-	(1 581)	-
Depreciation charge for the year	(1 810 325)	-	(1 986 411)	(203 239)	(347 276)	(7 677 910)	(694 120)	(159 437)	-	(12 878 720)	(7 883 788)
Closing carrying amount	73 991 827	8 212 820	24 020 252	2 041 561	3 529 738	19 037 487	3 363 344	1 971 165	17 409 123	153 577 317	128 630 699
Gross carrying amount	85 252 373	8 212 820	41 181 636	2 803 331	5 944 270	45 210 052	12 062 046	3 522 551	17 409 123	221 598 202	183 920 290
Accumulated depreciation and impairment	(11 260 546)	-	(17 161 384)	(761 770)	(2 414 533)	(26 172 565)	(8 698 702)	(1 551 385)	-	(68 020 884)	(55 289 591)

4.1 Effects of revaluation

The Authority with effect from the 1st of January 2018 adopted asset Revaluation Model to replace the Cost Model This was in pursuit of the need to present fairly financial statements for the organisation and also to fully comply with IAS 16. The effective date of the revaluation is therefore the beginning of January 2018.The revaluation process was purely an internal matter with no independent valuers involved, however values from independent valuers such insurance companies were considered as part of investigation to obtain market values.

The effect of the revaluation was to increase the revaluation surplus by $31 582 770 and depreciation for the year by $8 276 095, and on accumulated depreciation of $10 908 957

Property plant and equipment	**USD**
Opening Carrying Amount	27 240 485
Additions during the year	4 113 271
Disposals During the year	(33 606)
Depreciation	(10 908 957)
Revaluation Gain	31 582 770
Impairment Loss	(1 581)
Closing Carrying Amount	51 992 382

Intangible assets	**USD**
Opening Carrying Amount	13 940 279
Additions during the year	431 250
Armotisation	(8 607 804)
Revaluation Gain	17 042 136
Work in progress	1 035 196
Closing Carrying Amount	23 841 057

A revaluation was carried out for the year ended 31 December 2018, by management. The revaluation affected the following classes ;Motor vehicles, Plant and Equipment, Office Equipment, Furniture & Fittings, and ICT Equipment.If the assets had not been revalued, the assets would have the following carrying amounts;

	USD
Motor Vehicles	1 792 802
Plant & Machinery	18 582 914
Office Equipment	731 475
Furniture and Fittings	2 581 299
ICT Equipment	4 997 217
Whilst the intangible assets would have had a carrying amount of	12 478 589

		31-Dec-18 USD	31-Dec-17 USD
5	**Intangible assets**		
	SAP software and development cost		
	Opening carrying amount	13 940 279	19 588 997
	Gross carrying amount	43 755 747	42 157 731
	Accumulated amortisation	(29 815 468)	(22 568 734)
	Additions at cost	431 250	499
	Revaluation	17 042 136	-
	Work in progress	1 035 196	1 597 517
	Amortisation	(8 607 804)	(7 246 734)
	Closing carrying amount	23 841 056	13 940 279
	Gross carrying amount	62 264 329	43 755 747
	Accumulated amortisation	(38 423 273)	(29 815 468)
6	**Biological assets**		
	Opening balance	45 250	48 625
	Fair value	13 750	-
	Disposal	(14 063)	(3 375)
		44 938	45 250

The fair value measurement of canine dogs has been categorised as ***Level 1*** fair values based on market prices of dogs of similar age, weight and market values.

		31-Dec-18 USD	31-Dec-17 USD
7	**Financial asset and liabilities**		
7.1	**Non- current**		
	Mortgage support investment	8 933 486	8 551 548
	Current		
	Money market investments	2 870 938	6 410 658
		11 804 424	14 962 206

7.2 Financial assets and financial liabilities

This note provides information about the Authority's financial instruments, including;

- An overview of financial instruments held by the Authority
- Specific information about each type of financial instrument
- Accounting Policies
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Authority holds the following financial instruments;

	31-Dec-18 USD	31-Dec-17 USD
Financial assets armotised at cost:		
Accounts receivables	4 210 437	3 800 888
Mortgage support investment	8 933 486	8 551 548
Investments	2 870 938	6 410 658
Cash & cash equivalents	63 035 955	42 366 859
	79 050 816	**61 129 953**
Financial Liabilities		
Liabilities armotised at cost:		
Acounts payables	19 790 147	18 007 867
	19 790 147	**18 007 867**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

7.3 Receivables

	31-Dec-18 USD	31-Dec-17 USD
Current Assets		
Receivables	2 826 976	2 072 189
Loss allowance (Expected credit loss)	(6 059)	-
	2 820 917	**2 072 189**

Classification of accounts receivables

Accounts receivables are amounts due from employees, tenants and agents for services performed in the ordinary course of business. Services include loans extended to employees, acommodation services provided to tenants and revenue collection services. They are generally due for settlement within 30 days to a maximum of a year and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Fair value of accounts receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Mortgage support investment

Mortgage support investment is an investment in support of the ZIMRA Staff Mortgage loan scheme. The investment is seed money to enable to the banks to give out loans to staff at concessionary rates. The loan is recognised at the consideration amount, unless if they are significant financial components changes when it will be recognised at fair value. The carrying amount is considered to be the same as the fair value.

Short-term investments (money market)

These are shortterm investments 30 to 90 days made with funds not immediately required for use but can be called back when required without loss of interest. Their carrying amounts are considered to be the same as their fair value. Investments are based on prevailing money market rates.

Cash and cash equivalents

This is composed of bank balances as at the financial statements date. The balances are made of Nostro amounts in USD, ZAR, EURO,GBP, BWP and also RTGS and bond notes amounts. As at the financial statements date the Bond notes and RTGS were a surrogate to the USD hence were treated as such. The RTGS and Bond note balances were converted to USD at 1:1 ratio.The other Nostro, currencies were converted to USD at the previaling international cross rates.

	31-Dec-18	31-Dec-17
Current assets	**USD**	**USD**
Cash and cash equivalents	63 173 037	42 366 859
	63 173 037	**42 366 859**

7.4 Accounts and other payables

Current liabilities		
Accounts payable	19 790 147	18 007 867
Provisions	14 754 544	7 690 792
Finance lease obligation (short-term)	21 164	20 118
	34 565 855	**25 718 777**

Accounts payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

	31-Dec-18	31-Dec-17
8 Accounts receivables	**USD**	**USD**
Other debtors	175 721	976 809
Rent receivable	158 814	183 179
Commission receivable	731 752	290 606
Staff debtors	2 826 976	2 072 189
Travelling and subsistence advances	104 630	67 212
Accrued interest	232 485	210 893
	4 230 377	3 800 888

9 Assets held for sale

These are assets earmarked for disposal and have gone through the disposal process and approved for sale. The balances are a result of timing of sale. The assets are held at fair value or net realisable amounts. During 2018 assets valued at $800 were sold.

Current assets	31-Dec-18	31-Dec-17
	USD	**USD**
Assets held for sale	15 200	16 000
	15 200	**16 000**

10 Cash and cash equivalents		
Bank balances	12 196 400	5 988 666
Bank balances nostro fca	2 199	-
Cash in hand petty cash	11 319	7 820
Funds on call and deposits	50 963 119	36 370 372
	63 173 037	42 366 859

		31-Dec-18 USD	31-Dec-17 USD
11	**Deferred income**		
	Opening balance	61 516 904	61 187 298
	Additions during the year	21 251 330	15 460 130
	Amortised during the year	(21 486 524)	(15 130 524)
		61 281 711	61 516 904

12 Finance lease

Finance lease relates to land with a 99 year lease term. Annual Instalments are payable in advance. The Authority's obligations under the finance lease are secured by the lessor's title to the leased assets. There is an annual escalation of lease rentals of not more than 5% on the minimum lease instalments. The future minimum lease payments payable under the finance lease are as follows:

Reconciliation between minimum lease payments and their present value:	31-Dec-18 USD	31-Dec-17 USD
Total minimum finance lease payments	1 661 821	1 704 363
Not later than one year	21 271	21 271
Later than one year but not later than five years	63 814	85 085
Later than five years	1 576 735	1 598 006
Finance costs	(1 354 760)	(1 375 924)
Accrued finance costs for current year	(21 164)	(21 164)
Finance costs still to be recognised over lease term	(1 333 596)	(1 354 760)
Present value of minimum lease payments	349 138	349 251
Not later than one year	21 164	20 118
Later than one year but not later than five years	74 166	70 147
Later than five years	253 808	258 986

13	**Provisions**		
	Performance award	879 000	768 396
	Provisions for pending labour disputes	8 982 542	2 349 641
	Leave pay provision	4 893 002	4 572 756
		14 754 544	7 690 792

The provision represents the directors' best estimate of the Authority's liability having taken legal advice.

		31-Dec-18 USD	31-Dec-17 USD
14	**Other income**		
	Profit on disposal of assets	6 644	
	Auction income	21 761	988
	Insurance	1 292 783	924 875
	Clearing of vehicles(Central Vehicle Registration)	281 204	246 425

	31-Dec-18 USD	31-Dec-17 USD
Exchange gain	80 456	-
Gain from price difference	3 768	2 699
Fair value income	13 750	-
Tender documents sales	10 560	5 400
Other commissions	51 971	44 706
Fiscal device income	1 238 350	379 400
Commission on Kariba dam toll fees	2 080	1 797
Miscellaneous	6 757	22
	3 010 084	1 606 311

15 Payables

	31-Dec-18 USD	31-Dec-17 USD
Bandwidth	403 947	157 000
Electricity and rates	115 568	73 790
Cellphone charges	5 505	18 197
Hotel accommodation	70 990	109 886
Consultancy	193 127	521 053
Insurance excess	-	1 010
Hire of conference facilities	550	14 850
Legal fees	-	33 853
Hardship allowance	35 415	3 101
Transport allowance	-	3 750
Overtime	382 101	308 631
Salary arrears	-	32 486
Housing allowance	1 043	9 293
Acting allowance	19 000	16 114
Funeral benefit	29 791	15 800
Repairs and maintenance motor vehicles	41 859	82 585
Cleaning	28 405	79 200
Security	86 965	3 382 442
Books and courier services	-	1 234
Operational utilities	1 484	1 604
Licencing and subscriptions	1 592 070	968 093
Repairs and maintenance	74 914	107 546
Marketing and publicity	111 863	141 952
Protective clothing	673	-
Travelling and subsistence	24 618	21 803
Rentals	34 495	175 673
Telephone charges	9 266	29 286
Benefit allowance	-	17 924
Hire - computer equipment	-	13 689
Board Fees and Allowances	22 000	-
Fuels and oils	-	-

		31-Dec-18 USD	31-Dec-17 USD
	GRIR		
	Trade creditors	10 983 815	6 343 736
	Invoice management system	3 836 758	3 836 758
	Retention for default liability on projects	470 849	466 905
	Tax obligations	866 686	1 018 624
		19 790 147	18 007 867
16	**Employment cost**		
	Cash in lieu of leave	1 527 993	610 675
	Overtime	2 698 508	2 447 184
	Medical expenses	4 450 602	3 926 518
	Pension contributions	4 752 317	4 144 393
	Social security contributions	1 212 996	1 201 826
	Salaries and benefits	82 223 994	54 547 255
	Zimbabwe manpower development and standard levy	1 315 017	1 080 595
		98 181 426	67 958 446
17	**Administration costs**		
	Allowance for credit loss	6 059	29 271
	Discontinued projects	352 939	193 055
	Board fees and allowances	246 733	292 582
	Cleaning	756 987	865 104
	Consultancy and legal fees	2 193 573	1 555 465
	Depreciation and amortisation	21 486 524	15 130 524
	Obsolete stock written off	227	101 933
	Write down of consumables to net realisable value	6 557	5 784
	Loss on disposal of property, plant and equipment items	-	123 375
	Donation of biological assets	14 063	-
	Marketing and publicity	1 007 348	1 339 208
	Motor vehicle expenses	3 068 339	2 695 230
	Office accommodation	2 051 497	1 768 310
	Office and operational utilities	2 942 817	2 541 982
	Printing and stationery	1 152 279	882 043
	Protective clothing	22 637	12 604
	Recruitment fees	171 576	20 486
	Rentals and hire	3 859 352	2 995 621
	Repairs and maintenance	3 006 830	2 864 726
	Security	2 725 078	5 825 265
	Staff welfare	52 622	15 637
	Subscriptions and licensing	3 207 217	4 446 097
	Telephone and postages	1 396 699	1 414 993
	Training costs	427 166	323 852
	Uniforms	247 188	348 035
	Fiscalisation devices	694 265	165 298

	31-Dec-18 USD	31-Dec-17 USD
Auditor General	53 664	61 086
HLB Zimbabwe	-	8 534
Deloitte and Touche	-	16 857
Ernst and Young	29 623	29 623
Impairment loss	1 581	-
Travel and subsistence	5 643 804	4 804 084
Exchange loss	9 805	212 656
	56 835 049	**51 089 320**

18 Related party transactions

18.1 Board of directors

The board of directors consisted of ten members. The board was appointed with effect from June 26, 2015 and was dissolved on 1st October 2018. Gross sitting allowances and fees for the directors up to to the date of dissolution for the year ended December 31, 2018 were as follows:

	31-Dec-18 USD	31-Dec-17 USD
Board fees	**157 500**	**170 000**
Board chairperson	18 000	24 000
Vice Board chairperson	15 000	20 000
Other board members	124 500	126 000
Sitting allowances	**89 233**	**122 583**
Board chairperson	6 150	20 761
Vice Board chairperson	9 500	15 400
Other board members	73 583	86 422
	246 733	**292 582**

18.2 Key management compensation

The Authority's executive management consists of ten directors. Remuneration of executive directors of the Authority comprise of an annual base salary, annual bonus, social security contribution, pension contributions, medical aid contribution and other benefits. The bonus is based on actual performance (including individual and entity performance.)

	31-Dec-18 USD	31-Dec-17 USD
18.3 Short term employee benefits	**2 414 374**	**2 666 090**
Basic salary	1 328 507	763 262
Benefit allowance	563 524	253 377
Subscriptions	1 157	25 447
Motor vehicle allowance	173 714	830 145
School fees	104 959	339 319
Perfomance Award	49 526	126 077
Board fees	54 000	16 500
Clothing allowance	29 924	61 521
Gardner's allowance	2 451	11 893

	31-Dec-18 USD	31-Dec-17 USD
Cook's allowance	2 451	11 893
Housing allowance	3 895	12 982
Holiday allowance	61 174	162 417
Medical aid	26 720	47 134
Acting allowance	12 372	4 124
Post employment benefits	**153 367**	**130 242**
Pension	125 928	114 495
NSSA	13 759	2 695
Group life assurance	12 080	11 525
Funeral fund	1 600	1 526
Total	**2 567 741**	**2 796 332**
Cost per employee		
Employment cost	98 181 426	68 262 001
Number of employee	2 786	2 831
Tax revenue collected	5062 450 433	3712 759 178
Cost of collection	52	54

19. Pension arrangements

19.1 Pension Scheme

The Authority operates a Defined Contributory Scheme plan administered by Old Mutual. The retirement benefits for the Fund administered by Old Mutual are determined by reference to the employee's contributions plus employer's contribution and interest earned on the Fund and contributions by the employer. Currently 15% of pensionable income is charged to the statement of profit or loss. During the year under review pension fund contributions amounted to USD4 752 317 (2017:USD4 144 393).

19.2 National Social Security Authority (NSSA)

The National Social Security Authority was introduced on 1st October 1994 and with effect from that date all employees are members of the scheme, to which both the company and its employees contribute as follows:

Employees: 3.5% of the monthly basic salary

Authority: 3.5% of the monthly basic salary

Amount charged through the statement of profit or loss during the year under review amounted to USD1 212 996, (2017: USD 1 201 826).

20. Subsequent events

20.1 Warehouse damage by fire

On the 29th of January 2019, a ZIMRA warehouse in Beitbridge was gutted down by fire. The warehouse was housing goods detained from travellers and importers pending payment of duty or had already been forfeited to the state. The warehouse had a book value of $318 953, and was insured for the same value. An insurance claim was lodged with the insurer claiming for the damaged warehouse. Management is positive that the claim will be accepted and claimed funds will be used to construct a new ware house as the current site will no longer be suitable due to the border upgrade. The warehouse was extensively damaged and the cause of fire is still a subject of investigation. This has a bearing on the status of assets as reported in the Financial Statements of 2018.

20.2 Change in functional currency

On 20 February 2019, the Governor of the Reserve Bank of Zimbabwe, announced a Monetary Policy Statement. Set out below are the key matters

- The introduction of the RTGS dollars as part of the multicurrency basket
- RTGS dollar to be used as the accounting and pricing currency for Zimbabwe from 22 February 2019
- Establishment of the interbank foreign exchange market where the exchange rates of the multi-currencies against the RTGS dollar would be determined by the market

The Directors have assessed and concluded that this be disclosed as a non- adjusting subsequent event as per IAS 10: Events after the Reporting Period.

The following is an illustrative sensitivity analysis of the impact of applying different exchange rates on the 2018 statement of financial position. (based on assumptions of parity and inter-changeability between the USD and RTGS balances.

Sensitivity Analysis

	Components of reported Period				**Sensitivity Analysis**		
Element	**Monetary Assets/ Liabilities Nostro FCA USD**	**Monetary Assets/ Liabilities RTGS Dollar**	**Non-Monetary Assets/ Liabilities USD**	**Total USD @ 1:1**	**Total RTGS $ @ 1:2.5**	**Total RTGS $ @1:3**	**Total RTGS @ 1:5.242**
Non Current Assets	**8 596 485**	**177 800 311**	**-**	**186 396 796**	**199 291 524**	**203 589 767**	**222 863 087**
Property & Equipment		153 577 317	-	153 577 317	153 577 317	153 577 317	153 577 317
Intangible assets		23 841 056	-	23 841 056	23 841 056	23 841 056	23 841 056
Biolgocial Assets	44 938	-	-	44 938	112 344	134 813	235 562
Mortgage Support Investment	8 551 548	381 938	-	8 933 486	21 760 808	26 036 582	45 209 152
Current Assets	**98 613**	**73 653 449**	**-**	**73 752 062**	**73 283 816**	**73 949 289**	**74 170 379**
Inventory	-	2 721 216	-	2 721 216	2 721 216	2 721 216	2 721 216
Accounts Receivables	-	4 230 377	-	4 230 377	4 212 955	4 230 377	4 230 377
Assets held for sale	-	15 200	-	15 200	15 200	15 200	15 200
Investments	-	2 870 938	-	2 870 938	2 870 938	2 870 938	2 870 938
Cash & Cash Equivalents	98 613	63 074 422	-	63 173 035	63 181 357	63 370 262	63 591 353
Prepayments	-	741 296	-	741 296	282 150	741 296	741 296
Total Assets	**8 695 099**	**251 453 760**	**-**	**260 148 858**	**272 575 340**	**277 539 056**	**297 033 467**

	Components of reported Period				Sensitivity Analysis		
Element	**Monetary Assets/ Liabilities Nostro FCA USD**	**Monetary Assets/ Liabilities RTGS Dollar**	**Non-Mon-etary Assets/ Liabili-ties USD**	**Total USD @ 1:1**	**Total RTGS $ @ 1:2.5**	**Total RTGS $ @1:3**	**Total RTGS @ 1:5.242**
Current Liabilities	**7 491 487**	**27 074 368**	**-**	**34 565 855**	**45 803 086**	**49 548 830**	**66 344 744**
Short term portion of finance lease	-	21 164	-	21 164	21 164	21 164	21 164
Provisions	-	14 754 544	-	14 754 544	14 754 544	14 754 544	14 754 544
Accounts Payables	7 491 487	12 298 660	-	19 790 147	31 027 378	34 773 122	51 569 036
Net Assets	**1 203 611**	**224 379 392**	**-**	**225 583 003**	**226 772 254**	**227 990 226**	**230 688 723**

Key assumptions

The following assumptions were made in arriving at the sensitivity analysis

The exchange rates used are the official rates at policy change date (22 February 2019), at the date of finalising the financial statements (8 May 2019) and the third is a forecast of the exchange rate in the future.

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OAG ZIMBABWE
Office of the Auditor-General

OFFICE OF THE AUDITOR-GENERAL
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REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE REVENUE RETURN

OF THE ZIMBABWE REVENUE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2018.

Report on the Audit of Revenue Return

Opinion

I have audited the Revenue Return of the Zimbabwe Revenue Authority set out on pages 5 to 8 for the year ended December 31, 2018. The return reflects assessed Revenue as at December 31, 2018.

In my opinion, the Revenue Return presents fairly, in all material respects, the Revenue as at December 31, 2018.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Revenue Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Revenue Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Revenue Return for the year ended December 31, 2018. These matters were addressed in the context of my audit of the Revenue Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
Validity of Value Added Tax (VAT) refunds. Refer to the receipts and disbursements return. There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT on goods and services refunds amounting to $297 141 873 was processed by the Authority and this amount was significant to this return.	My audit procedures to address the risk of material misstatement relating to VAT Refunds which was considered to be a significant risk, included: • Tested controls over the Authority's information technology VAT refunds system assisted by my information technology specialist. • Tested and evaluated the Authority's authorisation and processing procedures • Evaluated and scrutinised tax audits performed by the Authority From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2018 annual report other than the revenue return and my auditor's report thereon ("the Other Information").

My opinion on the Authority's revenue return does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority 's revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's revenue return or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Revenue Return

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Revenue Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Revenue Return

The objectives of my audit are to obtain reasonable assurance about whether the Revenue Return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Revenue Return, including the disclosures, and whether the Revenue Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE REVENUE RETURN

for the year ended December 31, 2018

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the Revenue Return of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Revenue Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

June 12, **2019.**

M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

REVENUE RETURN

for the fiscal period ending December 31, 2018

DESCRIPTION	ACTUAL 31/12/2018 USD$	BUDGET 31/12/2018 USD$	ACTUAL 31/12/2017 USD$	BUDGET 31/12/2017 USD$
TOTAL REVENUE	**5 062 450 433**	**4 300 000 000**	**3 712 759 178**	**3 400 090 000**
1 TAXES ON INCOME AND PROFITS	**1 827 915 255**	**1 439 062 000**	**1 293 203 073**	**1 196 235 000**
1.1 Income Tax				
Individuals	918 804 919	850 000 000	736 598 885	763 000 000
Companies	846 706 602	490 000 000	501 927 067	337 200 000
Aids levy	(51 422 666)	-	(37 155 779)	-
	1 714 088 854	**1 340 000 000**	**1 201 370 173**	**1 100 200 000**
1.2 Capital Gains				
Capital gains taxes	26 746 880	26 454 560	25 896 313	25 400 000
CGT companies	-	-	922 367	-
CGT witholding	5 871 098	3 607 440	3 691 668	3 600 000
	32 617 978	**30 062 000**	**30 510 347**	**29 000 000**
1.3 Domestic dividends and interest				
Non resident shareholders' tax-executive directors	5 797 988	18 255 501	3 874 015	17 325 000
Non resident tax on fees	40 918 691	14 139 206	30 923 223	13 602 000
Non resident tax on royalties	5 240 702	3 526 442	1 739 428	3 596 000
Non resident tax on remittance	3 568 307	9 418 568	2 290 311	9 235 000
Non resident tax on interest	13 503	-	95 867	-
Non resident shareholders' tax	15 558 601	9 377 219	8 518 040	9 030 000
Resident shareholders' tax	5 556 322	7 263 321	6 554 910	7 152 000
Resident tax on interest	4 408 041	7 019 744	7 188 671	7 095 000
Non executive directors fees	146 268	-	138 086	-
	81 208 422	**69 000 000**	**61 322 552**	**67 035 000**
2 TAX ON GOODS AND SERVICES	**2 696 023 552**	**2 534 188 000**	**2 121 968 824**	**1 974 391 000**
2.1 Customs Duties				
Prime and surtax	425 281 594	358 880 000	314 556 517	287 540 000
Less duty refunds	(3 216 785)	-	(339 278)	-
Deposits made in advance	27 238 846	-	5 496 847	-
	449 303 654	**358 880 000**	**319 714 086**	**287 540 000**

ZIMBABWE REVENUE AUTHORITY
REVENUE RETURN
for the year ended December 31, 2018.

2.2 Excise Duties

	ACTUAL 31/12/2018 USD$	BUDGET 31/12/2018 USD$	ACTUAL 31/12/2017 USD$	BUDGET 31/12/2017 USD$
Beer	82 699 042	65 000 000	46 963 573	71 011 000
Tobacco	32 312 726	25 800 000	22 848 478	22 040 000
Wine and spirits	11 973 476	20 000 000	29 622 757	16 895 000
Second hand motor vehicles	3 554 885	3 500 000	2 839 215	3 125 000
Fuel	598 202 665	634 000 000	544 219 126	501 338 000
Electric lamb	205	8 000	1 413	12 000
Airtime	115 226 008	67 000 000	61 372 826	60 295 000
	843 969 006	**815 308 000**	**707 867 387**	**674 716 000**

2.3 Value Added Tax

	ACTUAL 31/12/2018 USD$	BUDGET 31/12/2018 USD$	ACTUAL 31/12/2017 USD$	BUDGET 31/12/2017 USD$
On local sales	1 178 390 322	959 000 000	920 793 928	666 235 000
Import tax	521 502 442	401 000 000	399 920 962	345 900 000
Less refunds	(297 141 873)	-	(226 327 540)	-
	1 402 750 892	**1 360 000 000**	**1 094 387 351**	**1 012 135 000**

	ACTUAL 31/12/2018 USD$	BUDGET 31/12/2018 USD$	ACTUAL 31/12/2017 USD$	BUDGET 31/12/2017 USD$
3 OTHER TAXES	538 511 626	326 750 000	297 587 282	229 464 000
Tobacco levy	15 189 333	13 950 000	13 754 159	10 904 000
Clearance fees	-	-	-	-
Presumptive tax (Informal traders tax)	6 350 471	11 042 637	4 852 532	6 830 000
Withholding tax on contracts	160 607 045	141 725 508	121 350 570	87 510 000
Intermediate money transfer	186 735 055	-	18 693 070	-
Stamp duties and fees	13 832 507	31 745 417	11 673 357	19 587 000
Net mining royalties	95 669 293	-	71 801 227	-
Mining royalties	95 669 293	90 000 000	73 110 941	68 770 000
Less refunds	-	-	(1 309 714)	-
Carbon tax	41 714 251	35 940 000	32 052 988	35 340 000
ATM levy	5 306 122	846 437	3 944 875	523 000
Miscellaneous	134 768	-	2 019 900	-
Sport betting tax	-	1 500 000	-	-
Accounting fees	350 828	-	355 120	-
Fines	5 292 014	-	3 502 449	-
Interest	116 058	-	237 968	-
Cancellation fees	77 071	-	101 500	-
Net rummage sales	3 747 722	-	950 900	-
Gross rummage sales	4 305 503	-	1 250 332	-
Less rummage sale expenses	(557 781)	-	(299 432)	-

ZIMBABWE REVENUE AUTHORITY
REVENUE RETURN
for the year ended December 31, 2018.

DESCRIPTION	ACTUAL 31/12/2018 USD$	BUDGET 31/12/2018 USD$	ACTUAL 31/12/2017 USD$	BUDGET 31/12/2017 USD$
Bussiness licences	90 329	-	55 003	-
State warehouse rent	1 290 278	-	760 328	-
Deposits not yet classified	2 008 481	-	9 503 877	-
Treasury bills maturities	-	-	1 977 459	
	538 511 626	**326 750 000**	**297 587 282**	**229 464 000**

07 JUNE, 2019.

P. Mwab ita
Director Fin, corp Planning & Modernization

7th JUNE, 2019.

F. MAZANI
(Commissioner General)

7th June, 2019.

C. d b ng
(Board Chairperson)

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Revenue Return for the year ended December 31, 2018, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Revenue Return was prepared based on the statutory records that were maintained under the cost basis.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar. On 20 February 2019, through the Monetary Policy statement, the Reserve Bank announced the introduction of the RTGS $ as an official electronic currency and to be subsequently adopted as the functional and reporting currency for Zimbabwe effective February 25, 2019. This change means that in 2019 the reporting currency for this return will change to the RTGS $, all foreign currencies will be converted at the spot rate to RTGS $.

3. ACCOUNTING POLICIES

The Revenue Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

3.2. Revenue return

All collections by way of taxes, duties, royalties, fees and refunds are reflected in the Revenue Return.

4. NOTES TO THE REVENUE RETURN

4.1 Deposits made in advance

Deposits made in advance are amounts, which are deposited into a clearing agent business partner account for consignments which are levied customs duties when coming into the country. The payments are made in advance. During the year under review deposits made in advance amounted to USD27 238 846 (2017 USD5 496 847).

4.2 Amounts not receipted

Amounts not receipted arise when a client deposits a tax obligation without adequate details to the Authority's bankers. These deposits will remain unreceipted until the clients provide adequate details which will facilitate receipting. The amount not receipted was remitted to Treasury in 2018. During the year under review the amount not receipted was USD5 831 135 (2017 USD USD9 503 877).

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Telephone 263-04-793611/3/4, 762817/8/20-23
Telegrams: AUDITOR
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E-mail: ocag@auditgen.gov.zw
Website: www.auditgen.gov.zw

OAG ZIMBABWE
Office of the Auditor-General

OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: SB72

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE RECEIPTS AND DISBURSEMENTS RETURN

OF THE ZIMBABWE REVENUE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2018.

Report on the Audit of Receipts and Disbursements Return

Opinion

I have audited the Receipts and Disbursement Return of the Zimbabwe Revenue Authority set out on pages 5 to 9 for the year ended December 31, 2018. The return reflects assessed Receipts and Disbursements as at December 31, 2018.

In my opinion, the accompanying Receipts and Disbursements Return presents fairly, in all material respects, the Receipts and Disbursements as at December 31, 2018.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Receipts and Disbursement Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Receipts and Disbursement Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to Note 2.3 and 8.1

Change in functional and reporting currency

As explained in note 2.3 and 8.1, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at 1:1 for the period up to its effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued bond notes as currency. The Authority has maintained their functional currency as the USD and have presented the outstanding revenue Return in USD using an exchange rate of 1:1, in compliance with SI 33/19. The financial effect on the Outstanding Revenue Return will result in the debts disclosed in USD to be subsequently reported in the RTGS Dollar

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Zimbabwe Revenue Authority's Receipts and Disbursements Return for the year ended December 31, 2018. These matters were addressed in the context of my audit of the Receipts and Disbursements Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
Value Added Tax refunds There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT on goods and services refunds amounting to $297 141 873 was processed by the Authority and this amount was significant to this return.	My audit procedures to address the risk of material misstatement relating to Receipts and Disbursements, which was considered to be a significant risk, included: • Tested controls over the Authority's information technology, VAT refunds system assisted by my information technology specialist. • Tested and evaluated the Authority's authorisation and processing procedures over disbursements. • Evaluated and scrutinised tax audits performed by the Authority From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2018 annual report other than the Receipts and Disbursements return and my auditor's report thereon ("the Other Information").

My opinion on the Authority's Receipts and Disbursements does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority's Receipts and Disbursements Return, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's Receipts and Disbursements Return or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Receipts and Disbursements Return

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Receipts and Disbursements Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Receipts and Disbursements

The objectives of my audit is to obtain reasonable assurance about whether the Receipts and Disbursements return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, my exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement , whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Receipts and Disbursements Return, including the disclosures, and whether the Receipts and Disbursements Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the Receipts and Disbursements Return of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Receipts and Disbursement Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

June 12, **2019.**

Mchiri

M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

RECEIPTS AND DISBURSEMENTS ACCOUNT

for the year December 31, 2018

Description		Historical Cost 2018 Dr		2017 Dr	
		2018		**2017**	
Description		**Dr**	**Cr**	**Dr**	**Cr**
		U S$	**US$**	**US$**	**US$**
Opening balance as @ 01.01.2018		23 001 829		17 094 774	
Opening investment bank balances as @ 01.01.2018		650 885		3 842 704	
Opening investment bank balances adjustment as @ 01.01.2018		1 100 455			
Additions during the year	*5*	5 264 754 610		4 085 638 282	
Less Disbursements in respect of;					
VAT refunds			272 345 527		208 404 711
Ekx equer ao unt			4 613 104 823		3 606 343 759
Retention grant	*6*		145 414 584		123 476 872
Bank b arges			149 532		14 863
Aids ley			48 076 721		35 054 990
NOCZIM ley			49 569 426		35 954 502
Vehic e regis ration numbers			4 813 155		4 642 337
Commis ons			1 413 578		1 031 725
Motor ins rane			10 199 561		6 851 146
Toll fees			17 588		16 588
Strategic ley			26 009 066		19 529 294
Petroleum ley			2 064 015		2 723 897
Trans t fees			1 072		421
Road ae s fees			9 148 310		2 385 467
Veterinary ins ect ion fees			47 846		27 026
Reaffores ation ley			4 867 975		8 219 001
Pres mptie tax ley			5 845 563		2 085 388
Health fund-airtime ley			51 141 611		25 332 661
Health ins ect ion fees			360 799		377 474
Plant quarantine s riv e s & fertlie r, feeds & remmedies			342 180		450 924
Clos ng inve s ment bank balane s as Dee mber 31, 2018			863 864		650 885
Main ao unt bank balane as at Dee mber 31, 2018	*7*		43 710 983		23 001 829
TOTAL		**5 289 507 779**	**5 289 507 779**	**4 106 575 760**	**4 106 575 759**

07 JUNE, 2019.

P. Mwashita,

Director Fin,Admin and Infrastructure.

7th June, 2019.

F. Maa ni,

Commissioner General.

7th June, 2019.

C. Jokonya,

(Commissioner General).

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

1.1 Statement of compliance

The Receipts and Disbursements Return for the year ended December 31, 2018, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Receipts and Disbursements Return was prepared based on the statutory records that are maintained under the historical cost basis.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

On 20 February 2019, through the Monetary Policy statement, the Reserve Bank announced the introduction of the RTGS$ as an official electronic currency and to be subsequently adopted as the functional and reporting currency for Zimbabwe effective February 25, 2019. This change means that in 2019 the reporting currency for this return will change to the RTGS $, all foreign currencies will be converted at the spot rate to RTGS$.

3. ACCOUNTING POLICIES

The Receipts and Disbursements Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

3.2. Receipts

Collections from clients for various statutory obligations are accounted for as receipts.

3.3 Disbursements

Payments to Exchequer, third parties and Treasury are accounted for as disbursements.

4. NOTES TO THE RECEIPTS AND DISBURSMENTS RETURN.

4.1 Motor Insurance

The Authority entered into an agreement with the Motor Insurance Pool to sell third party insurance cover to foreign registered vehicles entering Zimbabwe at all border posts.

In accordance with the existing agreement, the Pool shall pay ZIMRA an issuing and collection fee of ten percent (10%) of the total collected from issued policies.

4.2 Investments

For the fiscal year ended December 31, 2017, the Authority have an investment of USD650 885 in Treasury bill, which relates to amounts that were taken over by the Reserve bank, which were redeemed in 2018.

4.3 Exchange gains

Included in the transfers to Exchequer accounts are exchange gains relating to duties, taxes and fees paid in another currency, which results in a gain when the amount is converted to USD.

4.4 Retention

The retention relates to taxes that the Authority retains from collections for use in their operations. During 2018 The Authority retained Grant, Clearance Fees, Sealing Fees and Sealing Fines

4.5 Commissions

The commission relates to amounts the Authority retains from acting as an agent.

5 Additions during the year

	2018 US$	2017 US$
Deposits from tax	5 253 867 134	4 085 638 282
Proceeds from investment matured during the year	887 476	-
TOTAL	**5 264 754 611**	**4 085 638 282**

6 Retention grant

	2018 US$	2017 US$
Grant	139 884 645	119 286 406
Clearance fees	4 394 825	4 190 466
Sealing fees	866 704	-
Sealing fines	268 410	-
Total	**145 414 584**	**123 476 872**

7 Main balance

Amount held in:

Main RTGS	39 354 451
Nostro	5 220 394

8 Subsequent Events

8.1 Change of Functional and Reporting Currency

On 20 February 2019, the RBZ Governor announced a new Monetary Policy Statement whose key highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS $ become part of the multi-currency system.

- RTGS Dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.

- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$ 2.5.

On the 22nd of February 2019 Statutory Instrument 33 of 2019 (SI33) was published. The Statutory Instrument gave effect to the introduction of the RTGS Dollar as legal tender and prescribed that “for accounting and other purposes” certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date.

Despite introduction of the RTGS $ this is the Directors have assessed and concluded that this be disclosed as a non-adjusting subsequent event.

The impact on the 2018 Receipts and Disbursements Return (based on the assumption that foreign currency will be obtained on the interbank market and not any other market) of applying different exchange rates is shown on the table below.

Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. Table below illustrates the different scenarios based on RTGS$ exchange rates. At inception of RTGS $ the balance is converted to RTGS $ from USD at 1:1, there after the interbank rate is applied.

	Components of reported Period				Sensitivity Analysis		
Element	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/ Liabilities RTGS Dollar	Non- Monetary Assets/ Liabilities USD	Total USD @ 1:1	Total RTGS $ @ 1:2.5	Total RTGS $ @1:3	Total RTGS @ 1:5.242
Investment bank balance	-	863 864	-	863 864	863 864	863 864	863 864
Cash and bank balances	5 220 394	39 354 451	-	43 710 983	52 405 436	55 015 633	66 719 756

Key assumptions

The following assumptions were made in arriving at the sensitivity analysis:

The exchange rates used are the official rates at policy change date (22 February 2019), at the date of finalising the financial statements (8 May 2019) and the third is a forecast of the exchange rate in the future

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OAG ZIMBABWE
Office of the Auditor-General

OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
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Ref: SB2

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE OUTSTANDING REVENUE RETURN FOR THE

ZIMBABWE REVENUE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2018.

Report on the Audit of Outstanding Revenue Return

Qualified Opinion

I have audited the Outstanding Revenue Return of the Zimbabwe Revenue Authority, as set out on pages 6 to 10 for the year ended December 31, 2018. The return reflects assessed Outstanding Revenue as at December 31, 2018.

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the accompanying Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue as at December 31, 2018.

Basis for Qualified Opinion

i) Removal in Transit (regional consignments) entries amounting to $13 991 861 which originated at ports of entry had not been acquitted as at December 31, 2018. Some of the entries date back to the year 2015. As a result, the extent of outstanding duty payable to be included in the outstanding revenue return could not be ascertained as some of the goods might have been consumed locally.

ii) The SAP system allowed creation of duplicate contract accounts for the same revenue head under one business partner number. Evidently, assessments by the Authority and payments from clients were posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners.

iii) Vehicles that enter the country temporarily are given Temporary Import Permits. As at December 31, 2018 there were 35 210 electronic Temporary Importers Permits that had not been acquitted despite the fact that they had expired. Some of the entries date back to the year 2014. Some of the vehicles may have been localised as they are long outstanding compromising potential duty payable.

iv) The SAP E-services platform was not charging civil penalties for some outstanding returns. As a result, some business partners with outstanding returns were not charged civil penalties on all outstanding returns. In addition, the SAP platform was incorrectly charging interest to some clients despite being up todate. I could not establish the extent of the misstatement.

v) Tobacco levy returns were not submitted by some clients as required by the Income Tax Act [Chapter 23:06]. The client's account balances were in credit and this misrepresented the tax status of the clients. Had the returns been captured, the credit balances would be cleared. I could not establish the extent of the understatement.

vi) The Authority introduced a Tax Amnesty waiving interest and penalties for late payments of tax arising prior to June 31, 2018. As at December 31, a total of 1340 clients had applied for the tax amnesty. However the interest and penalties were yet to be reversed on these clients' accounts. I could not determine the total amount of penalties and interest to be reversed which was included in the Outstanding Revenue Return.

Emphasis of Matter

Without further qualifying my opinion, I draw your attention to the following:

Change in functional and reporting currency

As explained in note 2.3 and 5 a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at 1:1 for the period up to its effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued bond notes as currency. The Authority has maintained their functional currency as the USD and have presented the outstanding revenue Return in USD using an exchange rate of 1:1, in compliance with SI 33/19. The financial effect on the Outstanding Revenue Return will result in the debts disclosed in USD to be subsequently reported in the RTGS Dollar

Tax Amnesty

The Board requested a forensic audit into the tax amnesty program. The findings from the forensic audit could have a material impact on the audited Outstanding Revenue Return. The effect of this matter cannot be determined until the forensic audit is completed.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Zimbabwe Revenue Authority's outstanding revenue return for the year ended December 31, 2018. These matters were addressed in the context of my audit of the Outstanding Revenue Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How my audit addressed the Key Audit Matter
Value Added Tax refunds There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT refunds amounting to \$297 141 873 was processed by the Authority and this amount was significant to this return. Therefore, I considered this to be a key audit matter.	My audit procedures to address the risk of material misstatement relating to outstanding revenue recognition, which was considered to be a significant risk, included: • Tested of controls over the Authority's information technology VAT refunds system assisted by my information technology specialist. • Tested and evaluated of the Authority's authorisation and processing procedures • Evaluated and scrutinised of tax audits performed by the Authority From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.

Other information in the Annual Report

The Directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2018 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's revenue returns does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority 's revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's revenue returns or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Outstanding Revenue Return

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Outstanding Revenue Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Outstanding Revenue Return

The objectives of my audit are to obtain reasonable assurance about whether the Outstanding Revenue Return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Outstanding Revenue Return, including the disclosures, and whether the Outstanding Revenue Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the outstanding revenue return of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Outstanding Revenue Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

June 12, **2019.**

Mchiri

M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

OUTSTANDING REVENUE RETURN

as at Dee mber 31, 2018

REVENUE HEAD	**Note**	**OUTSTANDING AMOUNT** 31/12/2018 US$	31/12/2017 US$
ATM Levy		1 843 329	107 915
Capital gains tax (CGT)		41 643 031	18 882 548
Capital gains withholding tax		82 197	11 059 748
Carbon tax		292 384	366 007
Customs duty		69 264 503	29 046 639
Excise duty		14 971 367	20 295 392
Non - executive directors fees		6 356 381	7 057 858
Non - residence shareholder tax		5 031 432	255 150
Non - residence tax on fees		64 899 790	64 252 139
Non - resident tax on Intrest		12 490	9 213
Non - resident tax on remittance		5 296 948	5 374 141
Non - resident tax on royalties		2 036 004	1 340 128
Special excise		10 445	2 569
Resident shareholders tax		4 724 744	2 710 550
Resident tax on intrest		44 290 713	3 035 274
Income tax companies		1 870 797 491	1 333 273 850
Intermediate money transfer tax		2 645 972	1 167 248
Noczim levy		416 415	291 195
Clearance fees		70	410
Other		9 950 197	9 337 170
Demutualisation levy		105	90
Pay as you earn (PAYE)		1 028 306 184	867 142 515
Penalty		3 236 854	4 470 989
Presumptive tax		5 618 803	5 307 347
Royalties on minerals		62 460 095	59 219 005
Stamp duties		20 683 939	17 094 822
State warehouse rent		1 123 273	1 294 317
Surtax		1 251 127	890 920
Pension directives		18 903 029	1 166 876
Tobacco levy		2 367 806	-
Fines		72 751	130 991
VAT		1 543 164 579	1 348 876 806
VAT withholding tax		13 674 445	10 653 185
Vat on imports services		7 430 532	4 017 676
VAT on imports		13 234 530	12 690 184
Withholding tax on tenders		171 716 758	115 015 818
Withholding tax non resident Tax		765 125	516 353
TOTAL	4.3	**5 038 575 840**	**3 956 353 039**

07 JUNE, 2019.

P. Mwab ita,
Director Fin, Admin & Infrastructure

7th June, 2019.

F. Maa ni,
Commissioner General.

7th June, 2019.

C. d b ng ,
Board Chairperson.

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Outstanding Revenue Return for the year ended December 31, 2018, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Outstanding Revenue Return was prepared based on historical records of assessed tax and audit of tax returns.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

On 20 February 2019, through the Monetary Policy statement, the Reserve Bank announced the introduction of the RTGS $ as an official electronic currency and to be subsequently adopted as the functional and reporting currency for Zimbabwe effective February 25, 2019. This change means that in 2019 the reporting currency for this return will change to the RTGS $, all foreign currencies will be converted at the spot rate to RTGS$.

3. ACCOUNTING POLICIES

The Outstanding Revenue Return was prepared based upon accounting policies which have been consistently applied and which are supported by the reasonable judgments of estimates.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

3.2. Domestic taxes outstanding revenue

Domestic taxes outstanding revenue is calculated based on the due dates for the various tax heads. This outstanding revenue excludes revenue that may subsequently be established through tax audit assessments.

3.3. Customs and excise outstanding revenue

Customs and excise outstanding revenue is calculated based on customs duty on cleared bills of entry and excludes bills of entry for Removal in Transit (RITs) and any duty from Temporary Import Permits (TIPs) which may have been liable for duty.

4. Reconciliation of 2018 Outstanding Revenue

4.1 Domestic taxes outstanding revenue

	2018	2017
	US$	US$
Opening debt balance at January1, 2018	**3 878 892 532**	**2 745 479 486**
Less : Receipts for amounts owing		
(Collections in 2018)	(301 838 663)	-
Sub Total old debt as at December 31, 2018	**3 577 053 869**	**2 745 479 486**
Add: Assessments for current year	1 490 969 407	1 491 731 022
Less: Receipts for assessments raised		
in current year	(143 562 338)	(358 317 976)
Closing debt balance as at 31st December	**4 924 460 938**	**3 878 892 532**

4.2 Customs outstanding revenue

	2018 US$	2017 US$
Opening debt balance	77 460 507	75 680 106
Less : Receipts for amounts owing (collections)	(15 002 419)	-
Sub Total old debt	**62 458 088**	**75 680 106**
Add: Assessments for current year	82 002 330	22 565 591
Less: Receipts for assessments raised in current year	(30 345 517)	(20 785 190)
Closing debt balance as at 31st December	**114 114 901**	**77 460 507**

4.3 Debt grand total	**5 083 575 840**	**3 956 363 039**

4.4 Removal in Transit (RIT) not yet acquitted

	December 31, 2018	December 31, 2017
	US$	US$
Opening RITs	40 200 187	19,800,102
Recovery during the year	32 727 438	10 367 126
Collections	1 822 382	90 281
Cancellations	8 018 203	3 107 833
Acquittals	22 886 853	7 169 013
Additions	6 447 111	30 767 211
Closing balance	**13 919 861**	**40 200 187**

The total Removal in transit not yet acquitted as at December 31, 2018 amounted to $13 919 861

4.6 Amounts held by entities under liquidation and judicial management

INTERFIN	1 709 391
METBANK	4 899 050
TETRAD	1 849 796
GRAND TOTAL	**8 458 237**

5. Subsequent Events

5.1 Change of Functional and Reporting Currency

On 20 February 2019, the RBZ Governor announced a new MPS whose key highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS $ become part of the multi-currency system.
- RTGS Dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$ 2.5.

On the 22nd of February 2019 Statutory Instrument 33 of 2019 (SI33) was published. The Statutory Instrument gave effect to the introduction of the RTGS Dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date.

Despite Introduction of the RTGS $ this is the directors have assessed and concluded that this be disclosed as a non-adjusting subsequent event.

The impact on the 2018 Receipts and Disbursements Return (based on the assumption that foreign currency will be obtained on the interbank market and not any other market) of applying different exchange rates is shown below.

Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. Table below illustrates the different scenarios based on RTGS$ exchange rates. At inception of RTGS $ the debt balance is converted to RTGS $ from USD at 1:1, there after the interbank rate is applied.

	Components of reported Period				**Sensitivity Analysis**		
Element	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/Liabilities RTGS Dollar	Non-Monetary Assets/ Liabilities USD	Total USD @ 1:1	Total RTGS $ @ 1:2.5	Total RTGS $ @1:3	Total RTGS @ 1:5.242
Outstanding Revenue (Revenue Debt)	-	5 038 575 840	-	5 038 575 840	5 038 575 840	5 038 575 840	5 038 575 840

Key assumptions

The following assumptions were made in arriving at the sensitivity analysis:

The exchange rates used are the official rates at policy change date (22 February 2019), at the date of finalising the financial statements (8 May 2019) and the third is a forecast of the exchange rate in the future.

All communication should be addressed to:
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Website: www.auditgen.gov.zw

OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: SB2

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE TAX RESERVE CERTIFICATES RETURN

OF THE ZIMBABWE REVENUE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2018.

Report on the Audit of Tax Reserve Certificates Return

Opinion

I have audited the Tax Reserve Certificates Return of the Zimbabwe Revenue Authority set out on pages 4 to 5 for the year ended December 31, 2018. The return reflects Tax Reserves as at December 31, 2018.

In my opinion, the Tax Reserve Certificates Return presents fairly, in all material respects, the Tax Reserves for the year ended December 31, 2018.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Tax Reserve Certificates Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Tax Reserve Certificates Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the Zimbabwe Revenue Authority's Tax Reserve Certificates Return for the year ended December 31, 2018. I have determined that there are no key audit matters to communicate in my report.

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2018 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's Tax Reserve Certificates Return does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority 's Tax Reserve Certificates Return, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's Tax Reserve Certificates Return or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Tax Reserve Certificates Return

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Tax Reserve Certificates Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Tax Reserve Certificates Return

The objectives of my audit are to obtain reasonable assurance about whether the tax reserve certificates return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF TAX RESERVE CERTIFICATE RETURN

for the year ended December 31, 2018

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Tax Reserve Certificates Return, including the disclosures, and whether the Tax Reserve Certificates Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the Tax Reserve Certificates Return of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Tax Reserve Certificates Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Tax Reserve Certificates Act [Chapter 23:10], Public Finance Management Act [Chapter 22:19], and other relevant Statutory Instruments.

June 12, **2019.**

mchiri

M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

TAX RESERVE CERTIFICATES RETURN

as at December 31, 2018

REVENUE HEAD	**TAX RESERVES** 31/12/2018 US$	**TAX RESERVES** 31/12/2018 US$
Value of certificates not converted	-	-
Add sales from January to December	-	-
Less conversions from January to December	-	-
Balance at year end	-	-
Total	-	-

07 JUNE, 2019.

P. Mwashita
(Director Fin, Corp Planning & Modernization)

7th June, 2019.

F. MAZANI
(Commissioner General)

7th June, 2019.

C. Jokonya
(Board Chairperson)

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Tax Reserve Certificates Return for the year ended December 31, 2018, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11], Tax Reserve Certificates Act [Chapter 23:10] and Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Tax Reserve Certificate Return was prepared based on the statutory records that are maintained under the historical cost basis.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency.

3. ACCOUNTING POLICIES

The Tax Reserve Certificate Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is accounted for on a cash basis as receipted.

3.2. Tax Reserves

Tax reserves are amounts which have been prepaid by clients in relation to tax reserves granted by the Commissioner General and are paid into the Consolidated Revenue Fund.

8. Clients Charter

8.1 Core Values

Our core values are Integrity, Transparency and Fairness.

8.2 Service Delivery

We commit ourselves to meeting the following minimum standards in our service delivery:

- Answer the telephone promptly and courteously.
- Acknowledge all correspondence within 48 hours and respond in 14 working days.
- All objections will be determined and the decision communicated to clients within 60 days from the date of receipt of the letter of objection.
- All members of the public who call at our inland offices will be attended to within 15 minutes of arrival.
- Upon meeting requirements for VAT or PAYE, clients will be registered within one working day.
- Upon meeting requirements for Customs, commercial consignments will be cleared within three working hours from the submission of correct and complete documentation unless selected for physical examination.
- Income Tax assessments will be issued within three months from the date the correct return is submitted.
- All passengers on a flight will be cleared within two hours.
- A bus load with bona-fide travellers will be cleared within an hour.
- Physical examination of road, air and containerised cargo will be done within 48 hours.

8.3 ZIMRA's Obligations to Clients

- We are accountable to the nation of Zimbabwe.
- We shall conduct our business within the confines of the Law.
- We do not tolerate smuggling, tax evasion, corruption, favouritism and discrimination.
- We are here to serve you and we are open to your suggestions, criticisms and advice.
- We shall carry out our duties professionally, diligently and courteously.
- We shall clearly explain the procedure and your rights should you be required to undergo a physical search.
- We promise to handle your information with strict confidence and to maintain your privacy.
- We are committed to minimising your compliance costs.
- We shall carry or wear the proper identification at all times as we carry out our duties.

8.4 Information

We are committed to providing proactive client education, which includes:

- Making relevant information available to clients, orally and in the print/electronic media as well as on our website (www.zimra.co.zw).
- Making available pamphlets, posters and relevant material.
- Access to a Client Care staff member at any station.

8.5 Client's Obligations

In return, the Zimbabwe Revenue Authority requires you to comply with all relevant laws, by providing accurate and complete information. More specifically:

- To treat our staff fairly and with courtesy.
- To submit statutory returns and make payments due within the required time.
- To be open and honest in providing any additional information that may be requested.
- To be fully co-operative in all business dealings with the Zimbabwe Revenue Authority.
- To report and refrain from corrupt tendencies in all dealings with the Zimbabwe Revenue Authority.
- To ensure that you have accurately completed all the necessary forms before departure from or arrival into Zimbabwe.
- To be aware that all travellers, baggage or cargo are subject to physical examinations.
- To use the services of a licensed clearing agent if you are importing or exporting commercial cargo. The list of licensed clearing agents can be accessed on our website (www.zimra.co.zw).

Notes

Notes

Notes

SAY "NO" TO CORRUPTION

Call our Toll Free Hotline on:

0800 4174
0800 4185

integrity transparency fairness

ZIMRA

Zimbabwe Revenue Authority

"We are here to serve"


Efficient Revenue Management
Effective Tax Dispute Resolution
Accurate Reporting in Declarations
Timely Payment of Taxes
Timely Filing of Tax Declarations
Supporting Voluntary Compliance
integrity transparency fairness
ZIMRA
Zimbabwe Revenue Authority
Performance Outcome Areas