



ZIMBABWE REVENUE AUTHORITY
2020 ANNUAL REPORT

We are here to serve...



Contents

| | |
|--|----|
| 'ZIMRA's Mandate to the Government of Zimbabwe | 4 |
| 'ZIMRA's Vision, Mission and Values | 5 |
| ZIMRA Values and Obligations to Clients | 6 |
| Board'Chair's Foreword | 7 |
| Acting Commissioner'General's Executive Strategy Performance Summary* | 9 |
| The ZIMRA Board | 11 |
| 1.1 Global Developments | 12 |
| 1.2 Regional Developments | 12 |
| 1.3 Domestic Developments | 12 |
| 2. ZIMRA 2020 STRATEGY RESULTS | 13 |
| STRATEGIC OUTCOMES | 15 |
| 3. STRATEGIC OUTCOME 1: MAXIMISE REVENUE COLLECTION | 15 |
| 3.1 Revenue Collection Performance | 15 |
| 3.2 Debt Management | 20 |
| 4. STRATEGIC OUTCOME 2: INCREASE VOLUNTARY COMPLIANCE | 22 |
| 4.1 Voluntary Compliance | 22 |
| 4.2 Increasing Compliance – Registration of New Taxpayers | 23 |
| 4.3 Strategies adopted to increase Voluntary Compliance | 23 |
| 5. STRATEGIC OUTCOME 3: ENHANCE TRADE FACILITATION AND PROTECTION OF CIVIL SOCIETY | 24 |
| 6.1.1 Customs Clearance Time | 25 |
| 5.1.2 Customs Automation | 25 |
| 6. STRATEGIC OUTCOME 4: STRENGTHEN INSTITUTIONAL IMAGE | 26 |
| 6.1 Customer Services | 26 |
| 6.2 Preventing and fighting corruption | 27 |
| 6.3 Corporate Social Responsibility | 29 |
| 7. CORPORATE GOVERNANCE | 31 |
| 7.1 Board Constitution and Composition | 31 |
| 7.2 Board Meetings held in 2020 | 31 |
| ZIMRA STRATEGY PILLARS | 33 |
| 8. PILLAR 1 – PEOPLE | 33 |
| 8.1 Staff capacity and retention | 33 |
| 8.3 Employee development initiatives | 34 |
| 8.4 Human Capital Automation | 34 |
| 8.5 Employee Safety and Health in light of the COVID-19 Pandemic | 34 |
| 8.6 Performance driven culture | 34 |
| 9. PILLAR 2 – PROCESSES | 35 |
| 9.1 Embracing Digital Economy - ICT Strategic Focus | 35 |
| 10. PILLAR 3- PARTNERSHIPS | 36 |
| 11. PILLAR 4 – PROJECTS | 37 |
| 12. RISK MANAGEMENT AND ASSURANCE | 40 |
| 12.1 Disclosure and Transparency | 40 |
| 12.2 Audit Assurance | 40 |
| 12.3 Enterprise Risk Management | 40 |
| 13. PROCUREMENT OF GOODS & SERVICES | 42 |
| 14. EXPENDITURE ANALYSIS | 42 |
| 15. 2021 REVENUE OUTLOOK | 45 |
| 16. AUDITED FINANCIAL STATEMENTS | 46 |

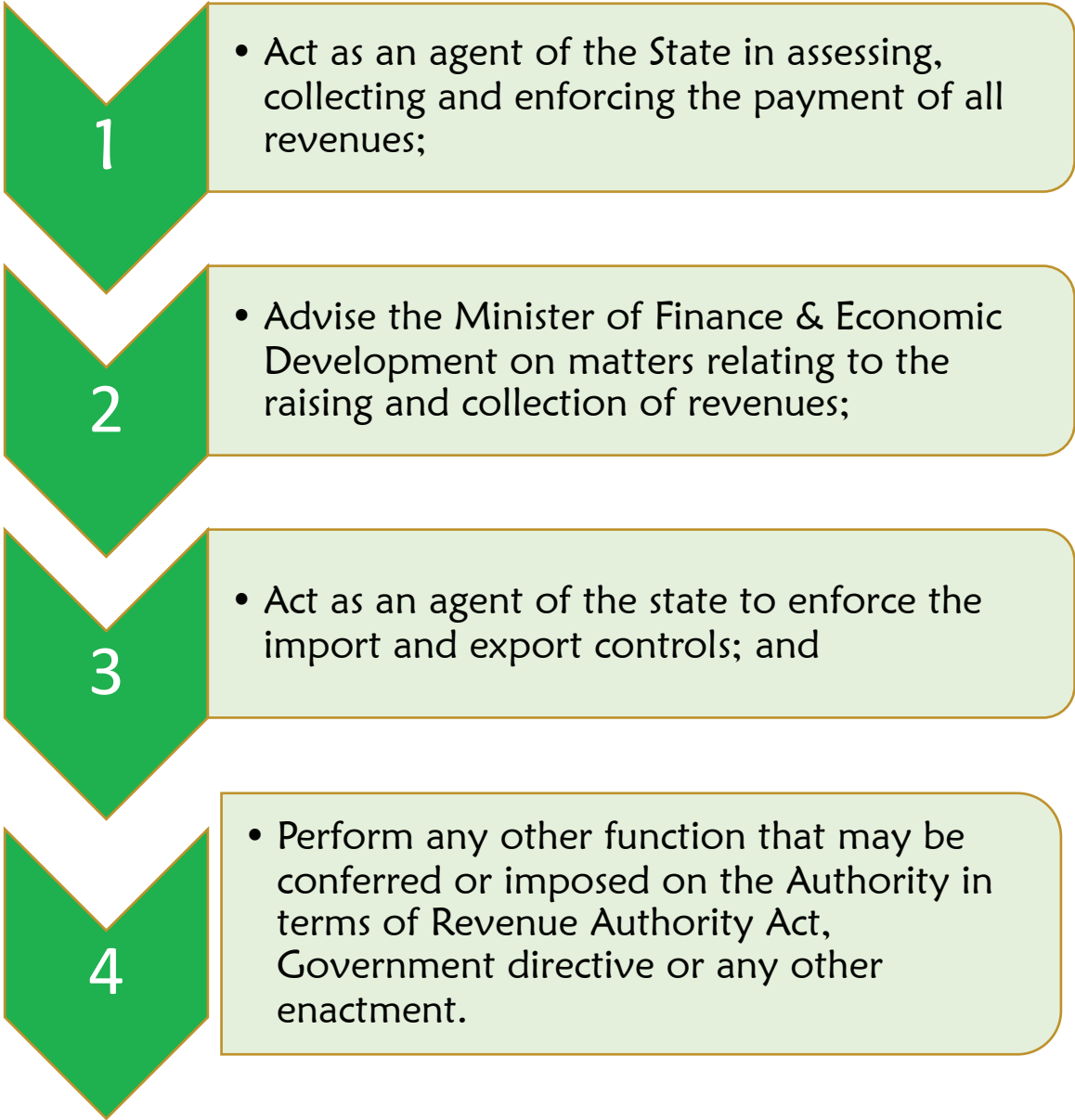
List of Acronyms

| | |
|----------|---|
| AfCFTA | African Continental Free Trade Agreement |
| AEO | Authorised Economic Operator |
| AfDB | African Development Bank |
| AGM | Annual General Meeting |
| AIDS | Acquired Immuno Deficiency Syndrome |
| ASYCUDA | Automated Systems for Customs Data |
| ATAF | African Tax Administration Forum |
| CBN | Collective Bargaining Negotiations |
| CCAZ | Contact Centre Association of Zimbabwe |
| CCTV | Closed Circuit Television |
| CGT | Capital Gains Tax |
| CGWT | Capital Gains Withholding Tax |
| CID | Criminal Investigations Department |
| COMESA | Common Market for Eastern and Southern Africa |
| COVID-19 | Corona Virus Disease - 19 |
| CVR | Central Vehicle Registry |
| DFIR | Dividends, Fees, Interest and Remittances |
| ESA | Eastern and Southern Africa |
| EU | European Union |
| GDP | Gross Domestic Product |
| HIV | Human Immuno Deficiency Virus |
| IAS | International Accounting Standards |
| ICSAZ | Institute of Chartered Secretaries and Administrators in Zimbabwe |
| ICT | Information Communication Technology |
| ICZ | Insurance Council of Zimbabwe |
| IEPA | Interim Economic Partnership Agreement |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| IPSAS | International Public Sector Accounting Standards |
| IRBM | Integrated Results Based Management |
| KPI | Key Performance Indicator |
| MoFED | Ministry of Finance and Economic Development |
| MOU | Memorandum of Understanding |

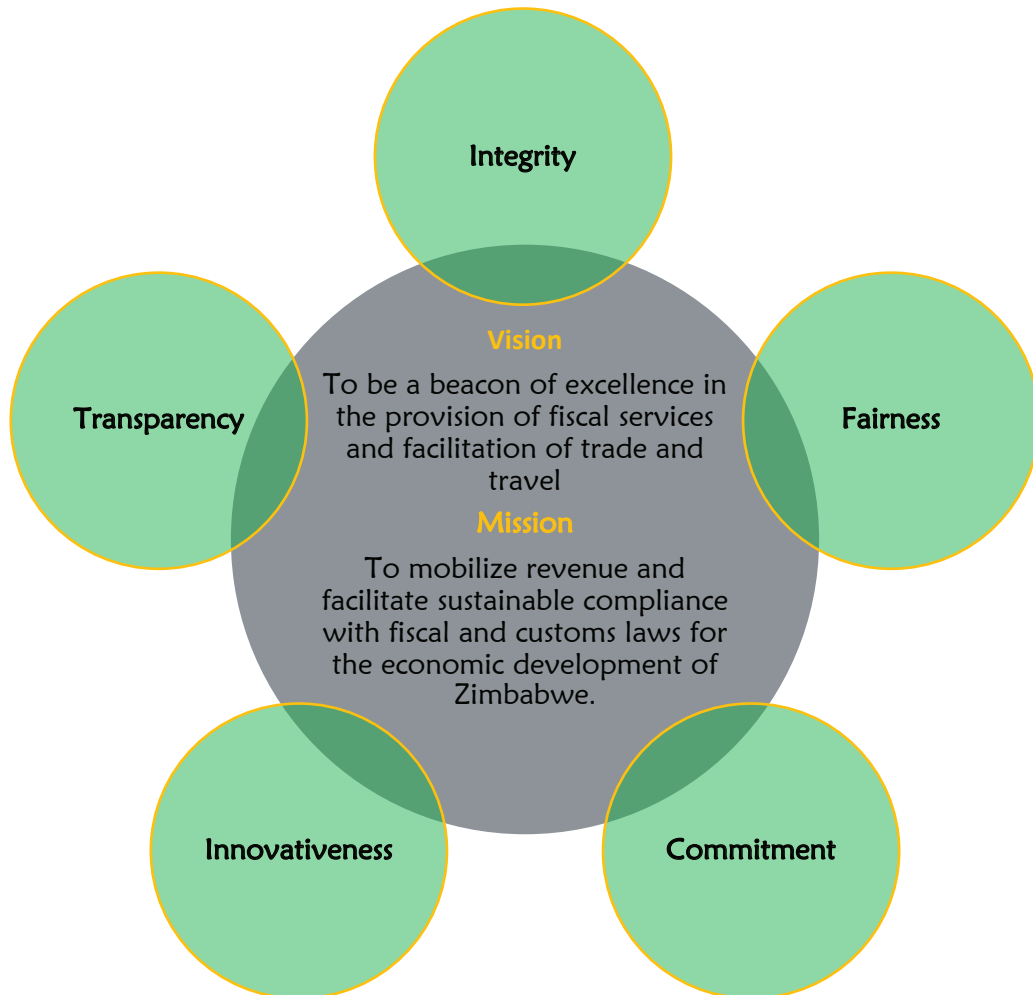
List of Acronyms (continued)

| | |
|------------|--|
| MTA | Mozambique Trade Agreement |
| NDS | National Development Strategy |
| NPA | National Prosecuting Authority |
| OPC | Office of the President and Cabinet |
| OSBP | One-Stop Border Post |
| PAYE | Pay As You Earn |
| PECOGO Act | Public Entities Corporate Governance |
| PCA | Post Clearance Audit |
| PMU | Procurement Management Unit |
| PPPs | Public-Private Partnerships |
| PRAZ | Procurement Regulatory Authority of Zimbabwe |
| RBZ | Reserve Bank of Zimbabwe |
| RIB | Removal In Bond |
| RTGS | Real Time Gross Settlement |
| SADC | Southern African Development Community |
| SAP | Systems Application and Product |
| SARS | South Africa Revenue Services |
| SI | Statutory Instrument |
| SIMMCO | Strategy Implementation and Monitoring Committee |
| SMART | Secure, Measurable, Automated, Risk Management Based and Technology driven |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| TaRMS | Tax and Revenue Management System |
| TIP | Temporary Import Permit |
| TIWB | Tax Inspectors Without Borders |
| TSP | Transitional Stabilisation Programme |
| UNCTAD | United Nations Conference on Trade and Development |
| VAT | Value Added Tax |
| WTO | World Trade Organisation |
| ZACC | Zimbabwe Anti-Corruption Commission |
| ZDF | Zimbabwe Defence Forces |
| ZIMRA | Zimbabwe Revenue Authority |
| ZIMSTAT | Zimbabwe National Statistics Agency |
| ZINARA | Zimbabwe National Roads Administration |
| ZNA | Zimbabwe National Army |
| ZRP | Zimbabwe Republic Police |

ZIMRA'S Mandate to the Government of Zimbabwe



ZIMRA'S Vision, Mission and Values



ZIMRA Values and Obligations to Clients

| | |
|----------------|---|
| Integrity | <ul style="list-style-type: none"> We strive to maintain the highest standards of personal and professional integrity. We can be trusted with confidential and sensitive information. We endeavour to have a workplace that is free of prejudice and has equal opportunities for all. We take responsibility for honouring our commitments and obligations. |
| Transparency | <ul style="list-style-type: none"> We respect each other; are open, trust one another and build on our differences. We strive to communicate effectively, transparently and accurately at all times. |
| Fairness | <ul style="list-style-type: none"> Our aim is to be consistent, fair, honest and ethical in our dealings with our stakeholders. We apply the agreed policies in our organisation equally to all without prejudice. |
| Commitment | <ul style="list-style-type: none"> Our dedication to quality and timely service to clients. We are focused on adding value to clients. Team work and identity with Organisational goals and objectives. |
| Innovativeness | <ul style="list-style-type: none"> We are a learning organisation that embraces change and modern technology. We continuously seek new ways of improvement. We engage in and support new ideas, novelty, experimentation and creative processes. |

Service delivery standards

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

- We answer the telephone promptly and courteously.
- Acknowledge all correspondence within 48 hours and final response within 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.
- All goods selected for physical examinations shall be cleared within 48 hours.
- Income Tax assessments will be issued within three months from the date of submission of correct returns.
- All passengers on a flight will be cleared within two hours.
- A busload with bona-fide travelers will be cleared within an hour.

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

Board Chair's Foreword

I have the pleasure to present the annual report for the year ended 31 December 2020 on behalf of the Zimbabwe Revenue Authority (ZIMRA) Board. The COVID-19 pandemic which was an unanticipated phenomenon changed the face of business operations globally. This was a year full of challenges for businesses as Government instituted measures to protect the population in response to the sting from the COVID-19 virus. These measures resulted in a slowdown in economic activity as operations were restricted in compliance with the lockdown measures for the greater part of the first half of the year.

This negatively affected revenue collection during the first half of the year. However, business performance accelerated in the second half of the year as the Government had swiftly moved in to introduce reforms to support the economy and the health of the people. Such reforms covering fiscal incentives, relaxation of the trade in foreign currency and the foreign currency auction system boosted business confidence resulting in improved revenue collections as the year advanced to its end.

ZIMRA responded swiftly to national lockdowns by activating a Business Continuity Plan (BCP) that ensured reasonable continuity of services at all national ports of entry/exit and inland taxes/customs offices in the given circumstances. Despite the challenging economic environment, the Authority managed to collect annual net revenue of **ZWL\$181.96 billion** against a target of **ZWL\$171.9 billion** (5.85% above target). This included a total amount of USD790,735,736 in foreign currency collections. This result presented a real growth of 74.93% over 2019, with inflation having peaked to as high as 785.5% in May 2020, but coming down to 348.59% at the end of the year.

Strategic Projects

The Board focused on twelve key strategic projects with the intention of broadening the tax base, plugging revenue leakages, fighting corruption, managing the tax debt and improving client service.

These projects have been technically prioritised as follows:

- **TaRMS Project** - Acquisition of a new Domestic Taxes IT System (Tax and Revenue Management System-TaRMS).
- **ASYCUDA Upgrade** - Upgrade of the Customs IT System (ASYCUDA).
- **Systems Automation** - Automation of identified manual internal processes.
- **Systems Integration** - integration of ZIMRA IT Systems with identified external systems.
- **ZIMRA Contact Centre** - Establishment of a central ZIMRA Contact Centre for improved customer services.
- **Dry Ports** - Construction of Dry Ports to decongest the Borders.



Josephine Matambo (Mrs)

- **Drones** - Acquisition and operationalisation of Drones for border surveillance.
- **ZIMRA Surveillance & Monitoring Centre** - Establishment of a central Surveillance & Monitoring Centre to monitor activities at the points of entry/exit through state of the art surveillance cameras linked to a central monitoring and command centre.
- **Staff Accommodation and Offices** - a project to build staff houses at the national borders and construction of inland offices.
- **ZIMRA Data Centre** - Acquisition of state of the art modern servers and setting up of a centralised Data Centre with the capacity to handle and store big data.
- **Debt Management Project** - focused strategic initiatives to reduce the "legacy" debt.
- **Change Management Project** - to create a new service-oriented staff culture, ZIMRA re-branding and business processes re-engineering.

The above strategic projects have a high national impact in terms of improving ease of doing business, plugging revenue leakages and enhancing domestic resources mobilisation.

Health and Safety

Underpinned by the Government's support and regulatory relief measures, ZIMRA was able to implement robust

safety measures to cushion its staff from the impact of COVID-19. As normal work processes were disrupted, it became of paramount importance to focus on managing the health of staff and the security of the revenue collection machinery. ZIMRA staff demonstrated an excellent level of cooperation and loyalty during this difficult time.

Corporate Governance

The Board membership was increased to ten during the year with the appointment of Mrs Ruth Ncube and Ms Mutsa Remba on the 1st of June 2020 and 1st of July 2020 respectively. This enhanced the financial services and legal skills capacity of the Board and enabled the separate functioning of the Risk and Audit Committees.

The Authority has continued to adhere to the principles of corporate governance and best practices in the course of its duties to mobilize domestic revenue for the Government.

Executive Appointments

The following Executive Management changes occurred during the year:

- Ms Cynthia Mugwira was appointed Director Legal Services with effect from 01 September 2020.
- Ms Regina Chinamasa was appointed Commissioner Revenue Assurance with effect from 22 October 2020.
- Mr Judah Tarume was appointed Acting Director Procurement with effect from 01 January 2020 after the resignation of Mr Dennias Kagande on 31 December 2019.
- Mr Benjamin Chitege was appointed Acting Director Internal Audit with effect from 20 January 2020. Mr Nesbert Mutsaka, Director Internal Audit, resigned on medical grounds on 31 August 2020.
- Mr Samuel Sithole was appointed Acting Director Human Capital with effect from 02 November 2020 after the resignation of Mrs Betty Chimbera on 31 October 2020.

Post 31 December 2020 Executive Management Changes

- The Commissioner General – Ms. Faith Mazani resigned with effect from 31 January 2021.
- Mr. Rameck Masaire – substantive Commissioner for Domestic Taxes was appointed Acting Commissioner General with effect from 01 February 2021.
- On a sad note, Mr. Hapias Kuzvinzwa, Commissioner Customs & Excise passed away on 26 January 2021 (May His Soul Rest in Eternal Peace).
- Mr. Jephath Mujuru was appointed Acting Commissioner – Customs & Excise with effect from 01 February 2021.
- Mr. Misheck Govha was appointed Acting Commissioner – Domestic Taxes with effect from 01 February 2021.

Outlook

The resumption of lockdown in January 2021 is a sign that there could be a protracted negative impact of COVID-19 to business operations. On a positive perspective, the good 2020/2021 agricultural season and the continued stabilization of the foreign exchange rate through the foreign exchange auction platform is expected to inject growth in the economy. ZIMRA expects that this growth will translate into a corresponding real growth in tax revenues in the year 2021. As such ZIMRA is committed to leverage on these positive developments to drive its revenue growth agenda. Efforts will be made to upgrade our tax systems in order to provide secure access to information on a continuous basis.

Appreciation

I extend my appreciation to the former Commissioner General – Ms. Faith Mazani, for leading the Authority in the right direction throughout her tenure.

I express my sincere appreciation to the ZIMRA Board, Management and Staff for their commitment, drive and determination to serve Zimbabwe even in the face of COVID-19. Without this, it would have been an impossible mission.

The entire Board and I are indebted to the Minister of Finance and Economic Development, Honourable Professor Mthuli Ncube and the Permanent Secretary Mr George Guvamatanga for always being there for ZIMRA in the challenging times. A special thank you to the entire Ministry, Executives and Staff for the support rendered throughout the year.

My heartfelt appreciation goes to our valued and compliant taxpayers who understand the importance of paying their taxes in full and on time. ZIMRA's mandate would be impossible to fulfil without corporates and citizens who appreciate the importance of domestic resources mobilisation to prop up the economy and look after the welfare of the citizens. I request that we all continue to pull together towards the vision of a middle-income economy by 2030. This can only be achieved through a united commitment to pay our taxes and duties on time and in full.

I thank you.



Mrs J. Matambo
ZIMRA Vice Board Chair

Acting Commissioner General's Executive Strategy Performance Summary

I am pleased to present a high-level summary of ZIMRA's strategic performance for the year ended 31 December 2020. ZIMRA's strategy (2021-2023) mainly supported the following Government's Transitional Stabilisation (TSP) Pillars:

- Restoration of Fiscal Balance
- Improving Ease of Doing Business
- Plugging Revenue Leakages.

Restoration of Fiscal Balance

ZIMRA played its role in restoring fiscal balance through mobilisation of domestic resources (Taxes and Customs Duties). The Table below shows that the Authority collected 5.85% above the annual net revenue target.

Table 1: Net Revenue Collected against Target – Year 2020

Net Revenue Collections for 12 Months ended 31 December 2020 (ZWL\$)

| | |
|---------------------------|--------------------|
| Actual Net Revenue | 181,956,938,692.79 |
| Annual Net Revenue Target | 171,895,234,426.08 |
| Variance | 5.85% |

Cost of Collection improved to 2.21% from 2.46% in 2019. Strategies to integrate mobile money payment platforms to address virtual services under the New Normal also resulted in improved service delivery on online collection systems.

Widening the Tax Base

The Authority continued with its drive of broadening the tax base through new registrations. Active taxpayer education and engagement programs implemented resulted in 21 643 new registrants who contributed \$558,234 million (19.48%). Management also enhanced the project on integration of databases between Government agencies to facilitate registration in sync with the Government's thrust of widening the tax base.

Improving Ease of Doing Business

The convenience and safety of the tax paying public continued to be a top priority for ZIMRA. The Authority has fully embraced the digital age, hence implementing different platforms for taxpayers to interact and transact with ZIMRA; most notably, the adoption of the electronic cargo manifest system to facilitate an efficient and effective way of clearing commercial traffic. This has helped to ease congestion at the border posts.

Plugging Revenue Leakages

ZIMRA responded to the risks within and outside ports of



Rameck Masaire (Mr)

entry and stepped up efforts to plug revenue leakages. Collaborative operations were carried out with relevant stakeholders such as the Zimbabwe Anti-Corruption Commission (ZACC), Vehicle Inspectorate Department (VID) and the Zimbabwe Republic Police (ZRP). Lockdowns that were instituted to contain the spread of COVID-19 pandemic led to increased illegal activities along the country's porous borders where goods are smuggled. Joint patrols with the security arms of the State were conducted to combat smuggling. Internally, lifestyle audits were carried out and corruption cases were investigated as the Authority maintained a zero tolerance towards corruption.

Tax Relief Measures

The Authority swiftly responded to Covid 19, by increasing VAT refunds from an average of 19% between January and March to as much as 51% in April, averaging 21% by end of year.

Table 2: VAT Refunds Processed

| Month | VAT Refunds | Gross VAT Local Sales | % Refunds to Gross VAT |
|--------------|-------------------------|--------------------------|------------------------------|
| January | 151,707,307.44 | 843,222,315.32 | 17.99% |
| February | 152,053,477.92 | 689,629,577.64 | 22.05% |
| March | 133,044,801.42 | 793,544,553.66 | 16.77% |
| April | 530,569,221.13 | 1,034,332,976.48 | 51.30% |
| May | 550,800,936.22 | 1,104,967,306.20 | 49.85% |
| June | 413,054,971.27 | 1,560,921,588.62 | 26.46% |
| July | 591,651,812.06 | 1,954,941,548.94 | 30.26% |
| August | 332,841,073.07 | 3,315,342,985.72 | 10.04% |
| September | 875,061,632.05 | 3,777,164,441.96 | 23.17% |
| October | 680,831,479.65 | 4,432,803,938.03 | 15.36% |
| November | 1,403,529,520.92 | 4,867,760,331.83 | 28.83% |
| December | 668,478,337.33 | 6,286,623,994.31 | 10.63% |
| TOTAL | 6,483,624,570.48 | 30,661,255,558.71 | 21.15% |

Outstanding debt position as at 31 December 2020 closed at ZWL\$8.669 billion which translates to debt to revenue ratio of 3% against a target of 5%; a decrease from 21% in 2019. Despite the increase in debt from ZWL\$4,791 billion as at 31 December 2019, debt to revenue ratio improved due to increased revenue collected during the year.

Revenue Foregone

Revenue foregone, also known as tax expenditures, consists of tax NOT collected due to tax exemptions, incentives, trade agreements or concessions. A total of ZWL\$111.55 billion was foregone through tax expenditures, an increase of 555.79% from the ZWL\$17.01 billion recorded in 2019. Yearly revenue foregone for 2020 comprised of ZWL\$76.76 billion and ZWL\$34.79 billion from Domestic Taxes and Trade Taxes respectively.

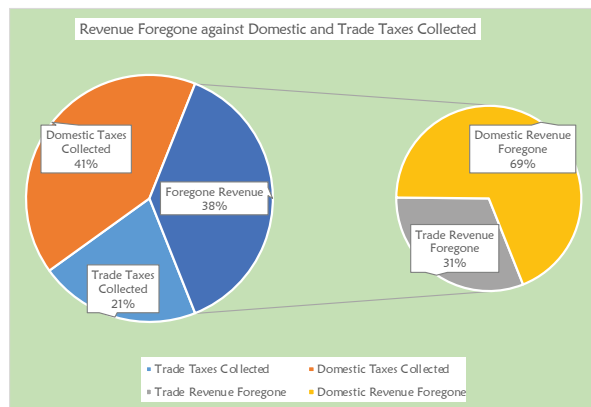


Figure 1 : Revenue Foregone from Domestic and Trade Taxes

The Charts above show that out of the 76.76 billion revenue foregone which is 38% of potential for the year, 69% was in respect of domestic taxes while 31% was in respect of trade taxes.

Overall Strategy Performance

ZIMRA's Strategy has 16 Strategic Goals and 33 Key Performance Indicators. The Authority managed to surpass targets or perform within acceptable tolerance levels on 20 Key Performance Indicators, representing a 60.6% strategy implementation success rate.

Gratitude

I would like to express my gratitude to the outgoing Commissioner General –Ms. Faith Mazani for steering the ZIMRA ship from 01 February 2018 to 31 January 2021. The Authority consistently surpassed annual revenue targets throughout her leadership period.

My heartfelt gratitude goes to ZIMRA Management and Staff for the resilience displayed during the COVID-19 challenges. The Authority managed to offer essential services throughout the period.

I appreciate the wisdom, leadership, and guidance offered by the Board, which contributed immensely to the success of the strategies implemented.

The Authority's mandate cannot be effectively discharged without sufficient resources. I thank the Ministry of Finance and Economic Development for the provision of resources to fund ZIMRA operations.

A big thank you to our taxpayers for contributing to the national revenue despite the harsh operating environment.

R. Masaire

Acting Commissioner General

*Acknowledgement – The substantive Commissioner General for the period under review was Ms. Faith Mazani who left the Authority on 31 January 2021

THE ZIMRA BOARD



Mr. Calisto Jokonya

Board Chairperson



Mrs. Josephine Matambo

Vice Board Chairperson



Dr. Grace Muradzikwa

**Finance and Admin
Committee Chair**



Mrs. Ruth Ncube

Chair of Risk Committee



Mr. George T. Guvamatanga

**Permanent Secretary for Finance
and Economic Development**



Mr. Rameck Masaire

**ZIMRA Acting Commissioner
General**



Ms. Mutsa Remba

Board Member



Mr. Isaac Kwesu

Chair of Audit Committee



Mr. Memory Nguwi

**Human Resources Committee
Chair**



Dr. Moris Bekezela Mpofu

Technical Committee Chair

1. OPERATING ENVIRONMENT

1.1 Global Developments

The global economy was negatively affected by the COVID-19 Pandemic, as a result most countries imposed travel and trade restrictions. Lockdowns were imposed throughout the world as a way of containing the virus to protect public health, and this resulted in disruptions in economic activities and uncertainties in financial markets. As Governments moved in to protect industry from total collapse, an array of measures were introduced including industry stimulus packages, tax incentives, tax deferrals and import concessions on industrial and COVID-19 supplies.

Against this background, the World Economic Outlook of October 2020 projected a global economic contraction of 4.4% in 2020. The contraction led a number of Governments to face constraints in domestic resource mobilisation amidst increased pressure from additional costs incurred in financing various COVID-19 mitigation strategies.

To cushion revenue generation, a 'New 'normal' was adopted which included use of online platforms to conduct business and virtual business interactions.

1.2 Regional Developments

Economic activity in Africa was constrained in 2020 by an unprecedented COVID-19 global pandemic with disruptions in financial inflows and investments. Real GDP in Africa is believed to have contracted by 2.1 percent in 2020, the worst recession in more than half a century. The COVID-19 induced business disruptions caused Governments in Africa to announce various fiscal stimulus packages ranging in cost from about 0.02 per-cent to about 10.4 percent of GDP. These fiscal stimulus packages have largely had immediate, direct implications on budgetary balances, borrowing needs, and debt levels.

1.3 Domestic Developments

The economy experienced continued recession in 2019 and 2020, with the GDP estimated to have contracted by -6% and -4.1%, respectively, mainly due to natural disasters particularly the ripple effects of Cyclone Idai as well as the drought that occurred in 2019 and the COVID-19 Pandemic in 2020. Fiscal pressures increased as more funding was required for the health sector, industry stimulus packages and social safety nets.

Therefore, the economy was already in recession at the onset of the COVID-19 pandemic, which further slowed down manufacturing, tourism, trade, transportation, and the financial sector.

However, the economic decline was contained following interventions under TSP that included the introduction of the foreign exchange reforms instituted in June 2020 to dampen inflationary pressures. Inflation soared, averaging 622.8% in 2020, up from 226.9% in 2019. Among the reforms introduced was a Foreign Exchange Auction System which increased transparency and efficiency in foreign currency trading. This measure stabilised the market exchange rates which were the main drivers of inflation.

2. ZIMRA 2020 STRATEGY RESULTS

2.1 Summary ZIMRA Strategy (2019-2023)

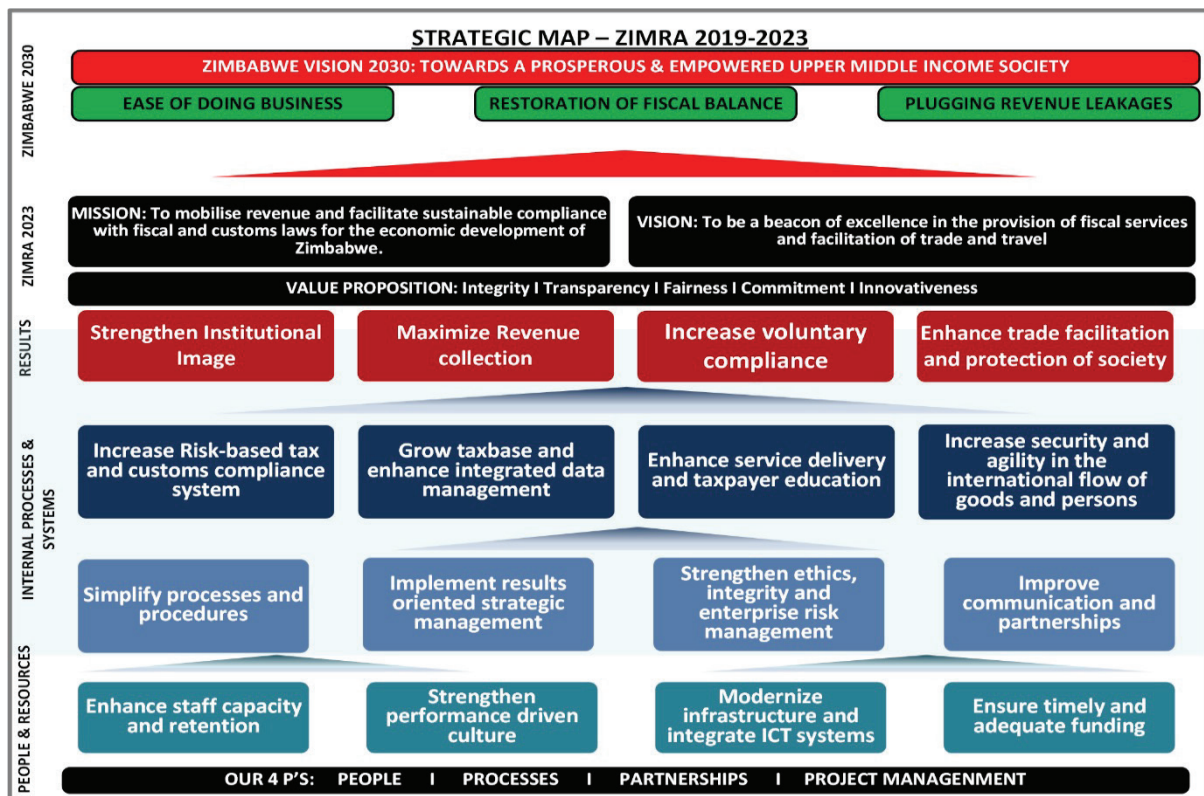
ZIMRA's Strategy (2019-2023) ran concurrently with the Government's Transitional Stabilisation Programme (TSP: 2019-2020). The Authority's strategy successfully supported the following TSP Pillars:

- Ease of Doing Business
- Restoration of Fiscal Balance
- Plugging Revenue Leakages

The strategy had 16 Strategic Goals which are grouped into the following broad categories:

- People and Resources Perspective
- Internal Processes and Systems Perspective
- Results Perspective

The Strategic Map below summarises the ZIMRA Strategic Goals and how they are linked to the Government's Transitional Stabilisation Programme and ultimately to the National Vision 2030.



2.2 Overall 2020 Strategy Performance

For strategy implementation, monitoring and evaluation, Key Performance Indicators (KPIs) and Targets were developed for every strategic goal depicted in the ZIMRA Strategy Map above.

Table 3 below summarises the 2020 Actual Strategy Performance statistics – the Table shows that there were a total of 33 KPIs. The Authority surpassed the target in 14 of the KPIs, while 6 performed below target but with acceptable tolerance levels giving an overall strategy implementation success rate of 60.6%.

Table 3: 2020 Summary Strategy Success Rate

| Colour Code | Strategic Performance Interpretation | No. | %age | % Above Target or within acceptable variance |
|--|--|-----------|---------------|--|
| Green | Performance met OR was above target | 14 | 42.4% | 60.6% |
| Amber | Performance below target BUT within acceptable variance | 6 | 18.2% | |
| Red | Performance below target and outside acceptable variance | 11 | 33.3% | |
| Dark Blue | Not rated during the period under review | 2 | 6.1% | |
| Total number of Key Performance Indicators (KPIs) | | 33 | 100.0% | |

3. STRATEGIC OUTCOME 1: MAXIMISE REVENUE COLLECTION

3.1 Revenue Collection Performance

3.1.1 Net Revenue Collected Vs. Target

The Authority collected net revenue of \$181.96 billion, surpassing the 2020 annual net revenue target of \$171.90 billion (5.85% above target). The Table below summarises the annual revenue performance for 2020:

Table 4 : 2020 Annual Net Revenue Collections Vs Targets and 2019 Collections

| REVENUE HEAD | 2020 MOFTARGET | 2020 ACTUAL | VARIANCE | VARIANCE | 2019 ACTUAL | NOMINAL GROWTH |
|----------------------------------|---------------------------|---------------------------|--------------------------|--------------|--------------------------|----------------|
| | \$ | \$ | \$ | % | \$ | % |
| Individuals | 26,583,881,557.43 | 27,929,163,055.85 | 1,345,281,498.42 | 5.06% | 3,431,968,067.20 | 713.79% |
| Companies | 27,068,573,184.77 | 35,866,245,843.64 | 8,797,672,658.87 | 32.50% | 3,187,708,365.93 | 1025.14% |
| Gross VAT Local Sales | 25,687,686,382.00 | 30,661,255,558.71 | 4,973,569,176.71 | 19.36% | 3,744,486,124.67 | 718.84% |
| Less VAT Refunds | | 6,483,624,570.48 | | | 688,438,311.02 | 841.79% |
| Net VAT L/Sales | 25,687,686,382.00 | 24,177,630,988.23 | -1,510,055,393.77 | -5.88% | 3,056,047,813.65 | 691.14% |
| VAT on Imports | 19,976,434,985.33 | 20,464,633,120.05 | 488,198,134.72 | 2.44% | 2,993,041,979.42 | 583.74% |
| Gross Customs Duty | 16,337,383,309.00 | 17,019,915,623.90 | 682,532,314.90 | 4.18% | 1,981,129,247.54 | 759.10% |
| Less Customs Refunds | | 32,962,114.52 | | | 19,291,001.73 | 70.87% |
| Net Customs Duty | 16,337,383,309.00 | 16,986,953,509.38 | 649,570,200.38 | 3.98% | 1,961,838,245.81 | 765.87% |
| Excise Duty | 24,904,965,465.47 | 25,818,000,843.82 | 913,035,378.35 | 3.67% | 4,117,326,864.36 | 527.06% |
| Mining Royalties | 5,953,064,396.25 | 5,910,907,673.26 | -42,156,722.99 | -0.71% | 555,011,931.47 | 965.01% |
| WHT on Contracts | 2,618,738,525.02 | 2,572,989,582.21 | -45,748,942.81 | -1.75% | 444,836,251.70 | 478.41% |
| Intermediated Money Transfer Tax | 15,072,266,486.00 | 13,800,041,292.74 | -1,272,225,193.26 | -8.44% | 2,653,206,122.29 | 420.13% |
| Other Taxes | 1,820,112,019.27 | 1,531,275,807.61 | -288,836,211.66 | -15.87% | 218,698,897.11 | 600.18% |
| CGT & CGT Withholding | 852,835,346.08 | 717,008,390.29 | -135,826,955.79 | -15.93% | 68,156,402.95 | 952.00% |
| Other Indirect Taxes | 582,268,116.67 | 408,245,021.75 | -174,023,094.92 | -29.89% | 88,817,891.71 | 359.64% |
| Tobacco Levy | 385,008,556.52 | 406,022,395.57 | 21,013,839.05 | 5.46% | 61,724,602.45 | 557.80% |
| Carbon Tax | 1,172,646,555.65 | 1,303,725,872.66 | 131,079,317.01 | 11.18% | 56,264,492.23 | 2217.14% |
| DFIR | 4,699,481,559.89 | 4,516,296,639.01 | -183,184,920.88 | -3.90% | 248,099,457.47 | 1720.36% |
| Gross Non Tax | | 1,086,694,788.81 | | | 265,337,831.33 | |
| Less Other Refunds | | 7,620,324.48 | | | 1,638,157.07 | 365.18% |
| Net Non-Tax | | 1,079,074,464.33 | | | 263,699,674.26 | |
| Total Net Revenue | 171,895,234,426.08 | 181,956,938,692.79 | 10,690,868,016.31 | 5.85% | 23,187,748,162.90 | 684.71% |
| Total Gross Revenue | 171,895,234,426.08 | 188,481,145,702.27 | 17,215,075,025.79 | 9.65% | 23,897,115,632.72 | 688.72% |

3.1.2 Comparison of 2020 Performance Vs. 2019

Nominal Growth

Net Revenue Collected in 2020 grew by 684.71% in nominal terms as compared to 2019. Figure 2 below shows that the net revenue collected grew in nominal terms in 2020 as compared to 2019 for all the months.

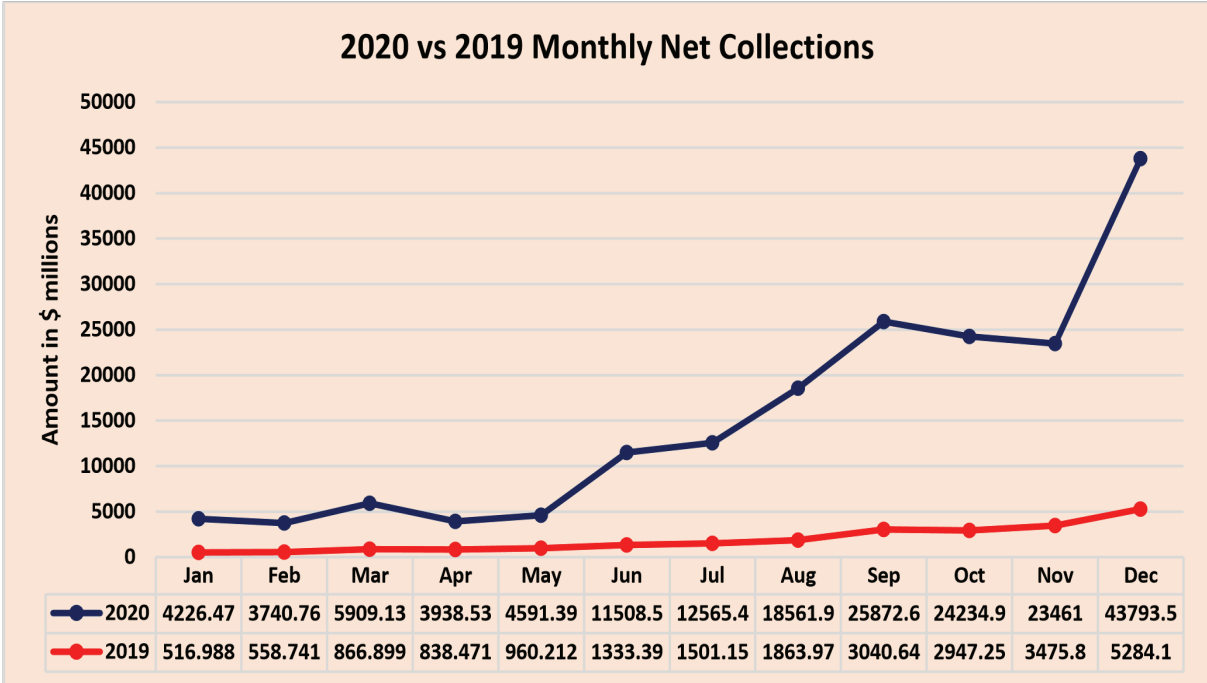


Figure 2: Comparison of monthly net revenue collections, 2020 vs 2019

Real Growth (2020 Vs. 2019)

Net revenue collected grew by 74.93% in real terms (after adjustment for inflation). An increase in real growth was witnessed when COVID-19 lockdown restrictions were relaxed, and the impact was felt from August 2020 as there was a sharp growth in revenue collection as compared to 2019, where there was a steady growth.

Figure 3 below shows the monthly movements in 2020 net revenue collected against target as well as a comparison of 2020 inflation-adjusted collections against 2019 collections.

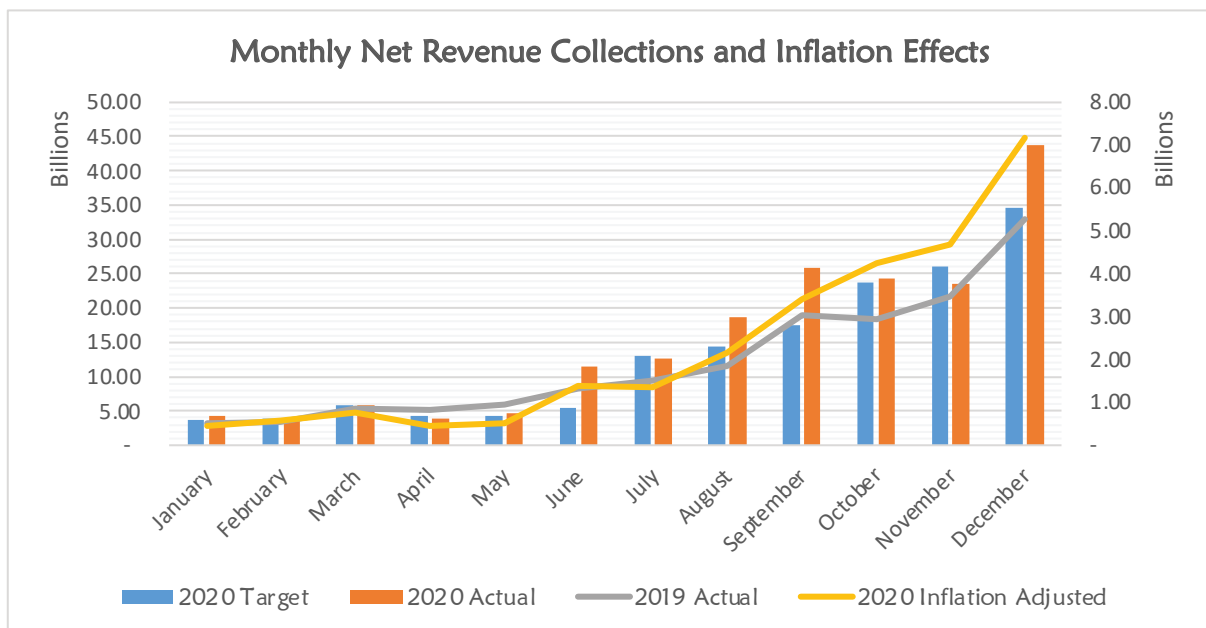


Figure 3: 2020 Inflation adjusted net revenue collections vs 2019 Net Collections

Monthly revenue contributions maintained a positive trajectory on the back of sound monetary and fiscal policy interventions, which tamed inflation and improved growth prospects.

3.1.3 Foreign Currency Collections

Foreign currency collections for 2020 amounted to \$787.85 million. There was increased use of foreign currency after the RBZ authorised local trade using free funds by individuals and corporates through Statutory Instrument 85 of 2020 to mitigate the effects of the COVID-19 Pandemic.

3.1.4 Sector Contribution to Total Revenue

The Zimbabwean economy is segmented into key business sectors. The figure below shows that 81% of the revenue was realised from 6 Sectors.

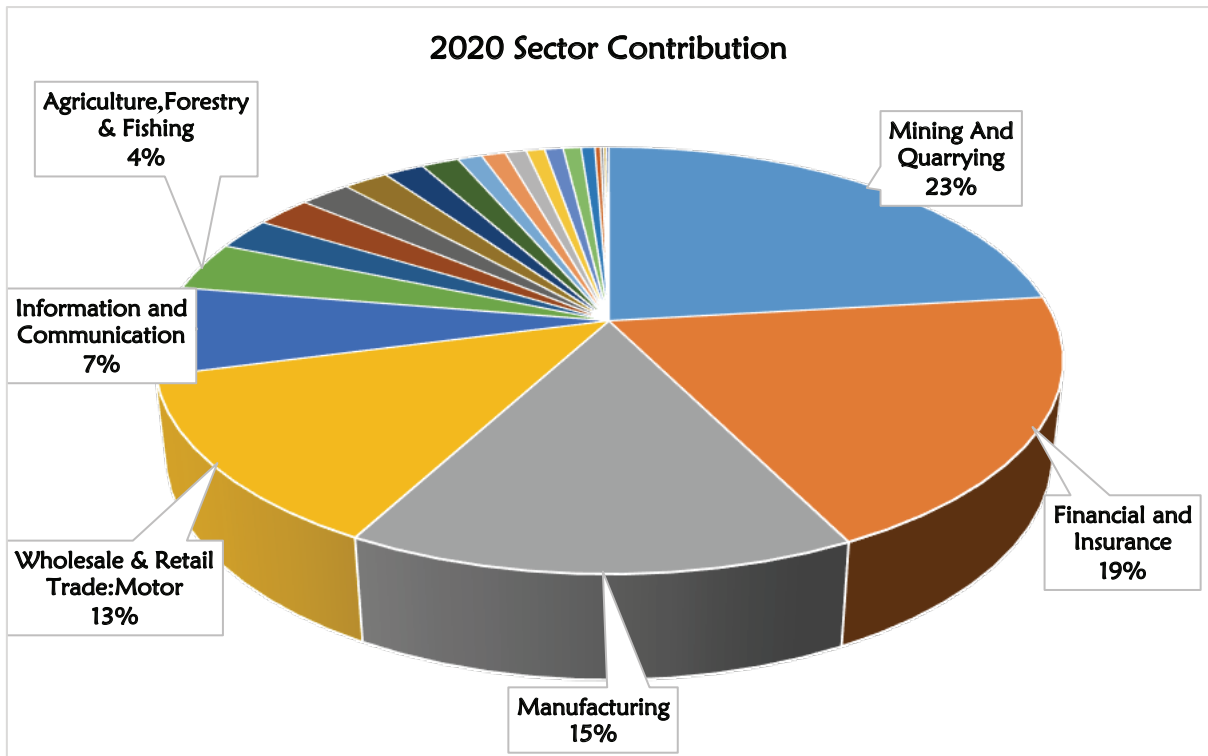


Figure 4: Revenue contribution by sector

The top six (6) sectors which contributed 81% of the revenue were Mining and Quarrying, Finance and Insurance, Manufacturing, Wholesale and Retail, Information and Communication and Agriculture, Forestry and Fishing. The productive sectors, namely mining, manufacturing and agriculture contributed a combined 42% out of the 81%.

3.1.4 Analysis of Major Tax Heads

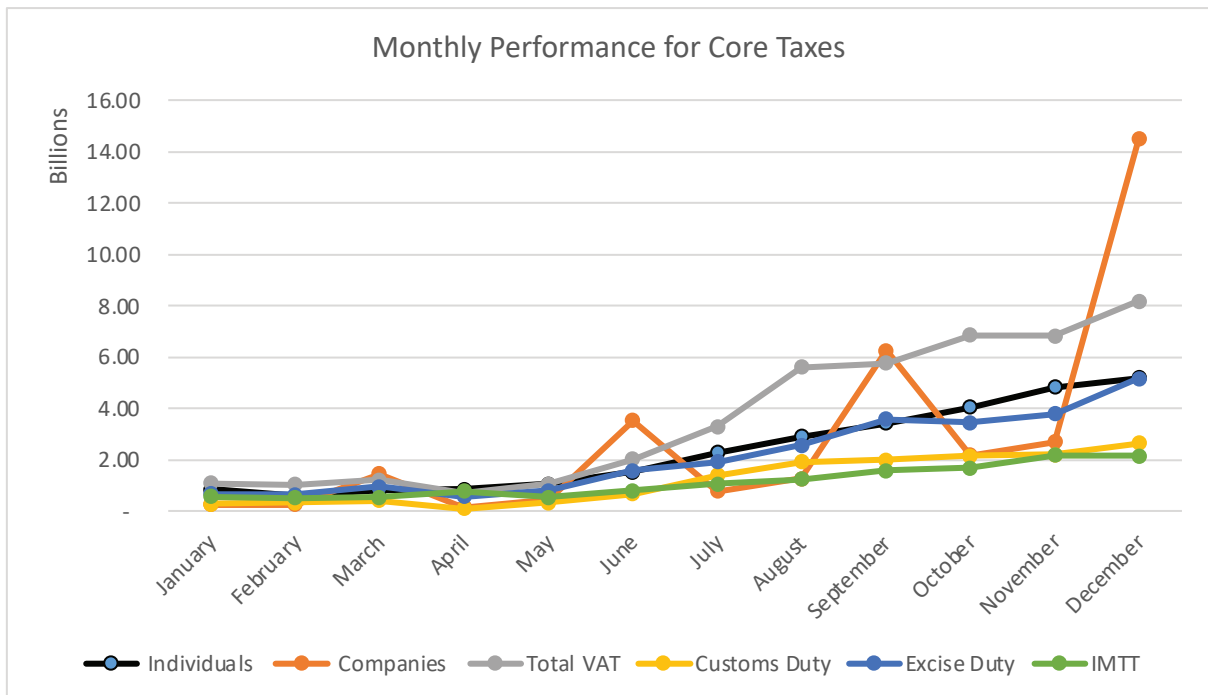


Figure 5 : Monthly Revenue Performance for Core Taxes

Revenue collections dropped in April 2020 at the height of the COVID-19 induced lockdowns but collections picked up as the year progressed.

Individuals – Annual revenue collections from Individual Tax, commonly known as Pay As You Earn or PAYE, accounted for 15.35% of the total revenue collections, a growth of 713.79% from 2019. The increase was due to cost of living adjustments meant to cushion employees against rising inflation.

Companies - Revenue collections from Company Tax grew by 1025.14% from ZWL\$3.19 billion collected in 2019. The revenue head contributed 19.71% of the total revenue collections.

The positive performance registered is attributed to most businesses realising high inflation driven nominal profits. This increase occurred despite the marginal reduction in the corporate income tax rate from 25% to 24%.

VAT on Local Sales –Net collections grew by 691.14% from ZWL\$3.06 billion realised in 2019. VAT on Local Sales contributed 13.29% of the total revenue collections. The shortage of hard cash enhanced the use of electronic and mobile platforms, which provided essential information for audits. However, there is still room for this tax head to improve.

VAT on Imports –The revenue head contributed 11.25% of total revenue collections. In comparison to 2019, revenue collections grew by 583.74% from ZWL\$2.99 billion. The introduction of the Foreign Currency Auction System assisted businesses to access financing for imports.

Customs Duty – Net revenue collections grew by 765.87% from ZWL\$1.96 billion collected in 2019. The revenue head contributed 9.34% of the total revenue collections, an increase from 8.46% in 2019 even though most companies were affected by shutdowns as a result of the COVID 19 pandemic which caused closure of borders. Customs duty was also negatively affected by the tax incentives that were offered during the year.

Excise Duty –Excise Duty revenues grew by 527.06% from ZWL\$4.12 billion realised in 2019. The revenue head contributed 14.19% of total revenue collections. Business operations were resuscitated under level 2 lockdown; hence consumption of fuel increased leading to higher excise duty collections. Increased demand for internet data under the new normal of working from home also resulted in positive performance.

Intermediated Money Transfer Tax (IMTT) –The revenue head contributed 7.58% of total revenue collections. The increase in the IMTT exemption thresholds had a negative impact on the performance.

Mining Royalties – Collections from the revenue head contributed 3.25% of total revenue collected. The reduction of royalties on diamonds from 15% to 10% of gross revenue had a negative impact on performance.

2020 Revenue Head Contribution

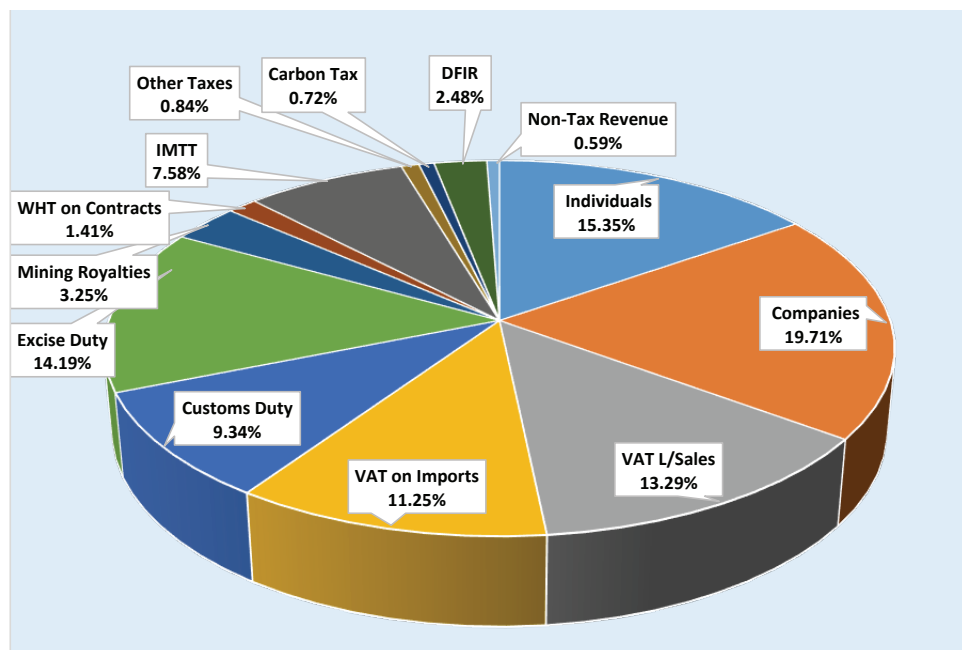


Figure 6: 2020 Revenue Head Contribution

3.2 Debt Management

The Authority is undertaking a special Debt Management Project whose objective is to clear debt accrued before 31 December 2018 and reduce debt to revenue ratio to below 5%. The debt to revenue ratio dropped to 3% as of 31 December 2020 from 21% in 2019, which is favourable compared to the TADAT benchmark of 10%. The Tables below show debt movement and spread by category.

Table 5 : Debt Position as at 31 December 2020

| Category | 2019 | 2020 |
|---------------------|-----------------------|------------------------|
| Opening Debt | 5,038,575,839 | 4,791,190,100 |
| New Debt | 1,448,684,870 | 7,096,285,673 |
| Recoveries | 1,696,070,609 | 3,218,634,336 |
| Closing Debt | 4,791,190,100 | 8,668,841,437 |
| Total Revenue | 23,187,748,163 | 181,956,938,693 |
| Debt /Revenue ratio | 21% | 3% |

Table 6 : Debt Ageing Analysis

| Debt Period | Customs & Excise | Domestic Taxes | Total | Cumulative |
|--------------|--------------------|----------------------|----------------------|----------------------|
| 2017 & Prior | 34,124,311 | 1,932,218,095 | 1,966,342,406 | 1,966,342,406 |
| 2018 | 26,636,302 | 485,350,446 | 511,986,748 | 2,478,329,154 |
| 2019 | 11,446,045 | 371,940,040 | 383,386,085 | 2,861,715,239 |
| 2020 | 448,921,817 | 5,358,204,381 | 5,807,126,198 | 8,668,841,437 |
| Cumulative | 521,128,475 | 8,147,712,962 | 8,668,841,437 | |

Table 7 : Debt by Category

| Category | 2019 | 2020 |
|----------------|----------------------|----------------------|
| Parastatals | 1,025,831,718 | 1,350,191,947 |
| Councils | 174,955,326 | 306,472,228 |
| Private Sector | 3,403,569,732 | 6,491,048,787 |
| Importers | 186,833,324 | 521,128,475 |
| Total | 4,791,190,100 | 8,668,841,437 |

Table 8 : Debt by Tax Head - Principal, Penalty and Interest

| Tax Head | Principal | Penalty | Interest | Total |
|-----------------------|----------------------|--------------------|----------------------|----------------------|
| VAT | 2,413,913,059 | 167,563,355 | 128,950,947 | 2,710,427,361 |
| PAYE | 2,058,068,618 | 99,348,097 | 396,743,249 | 2,554,159,964 |
| Income Tax | 720,329,473 | 264,027,475 | 626,138,781 | 1,610,495,729 |
| WHT/Other | 1,082,794,292 | 71,451,713 | 118,383,903 | 1,272,629,908 |
| Customs & Excise Duty | 506,649,353 | 9,999,179 | 4,479,943 | 521,128,475 |
| Grand Total | 6,781,754,795 | 612,389,819 | 1,274,696,823 | 8,668,841,437 |

The major strategies used in managing the debt included:

- **Prosecution of Tax and Customs defaulters** – ZIMRA is now carrying out criminal investigations to prosecute taxes and customs defaulters. The Authority also enforces the Money Laundering and Proceeds of Crime (Amendment) Act, 2019. A campaign on the Unexplained Wealth Orders has been launched and will be run in collaboration with the Zimbabwe Anti-Corruption Commission (ZACC) and the National Prosecution Authority (NPA).
- **Establishment of a fully-fledged debt recovery office** – The Authority established a debt management function office at Head Office to direct and monitor the debt management strategy implementation by operations.
- **Tax Dispute Resolution** - Management of tax disputes remained critical as a tool to ensure fairness in compliance management.

Table 9 : Tax Dispute Resolution

| | OPENING BALANCE | RECEIVED | FINALISED | CARRIED FORWARD |
|--------------|-----------------|-----------|-----------|-----------------|
| Objections | 6 | 17 | 19 | 4 |
| ATR | 3 | 5 | 8 | 0 |
| Total | 9 | 22 | 27 | 4 |

Revenue Enhancement Strategies

The following strategies were implemented to enhance revenue collection in 2020:

- **Plugging revenue leakages** - The Authority intensified efforts to plug revenue leakages through closing of smuggling loopholes, reconciling VAT payments in foreign currency and local currency and reconciling IMTT returns and payments. Some of the activities undertaken to combat smuggling included post clearance audits, post clearance verifications, desk audits, border patrols, roadblocks, statutory inspections of bond facilities, physical examinations, K9 unit searches, escorts of high risk cargo, sealing of transit cargo, and use of non-intrusive inspection techniques (scanning of cargo).
- **Automated whistle blower process** – The whistle blower automation program was initiated. This is expected to reduce the reward payment time to 24 hours of having received the client’s payments. It is also expected to minimise physical contact between the whistleblowers and the ZIMRA officials and protect the identity of the whistleblowers.
- **Risk management** - The Authority’s efforts to generate more revenue through risk based audits, debt management and expedited case management processes is paying dividends as shown by positive performance by most of the revenue heads.
- Enhanced Risk Based Intelligence focusing on research and analysis of results of issues emanating from projects and practical cases under investigation and recent judgements.
- Utilised Risk Management principles in the selection of high-risk cargo and carried out 3 risk reviews:
 - o Implemented capacity building and skills development programs on various technical and soft areas including WCO Economic Competitiveness Packages and ASYCUDA Performance Measurement (ASYPM) Module, Peer Counselling and Stress Management, Authorised Economic Operators, Advanced Excel, BCP, IRM register and Enterprise Risk Management.
 - o Conducted 127 PCA based on risk analysis and data matching result.
 - o Carried out joint enforcement activities with other law enforcement agencies, including 33 roadblocks, 64 escorts, and 25 border patrols.
- Debt recovery management systems - Conducted effective debt recovery management systems, (report order acquittals), and debtors’ follow’up’s.

4. STRATEGIC OUTCOME 2: INCREASE VOLUNTARY COMPLIANCE

4.1 Voluntary Compliance

The Authority continues to push for increased voluntary compliance wherein Taxpayers file accurate returns within stipulated deadlines (On-time Filing Compliance) and pay correct tax amounts within stipulated deadlines (On-time Remittance Compliance).

The tax compliance culture remained low in 2020. The adoption of the dual pricing (local and foreign currency) system in 2020 increased compliance challenges as taxpayers received income in foreign currency yet remitted the respective tax in local currency.

The diagram below gives a summary of key performance results and strategic initiatives adopted in ensuring compliance for purposes of domestic revenue mobilisation.



4.1.1 On-Time Filing Compliance

The 'Authority's overall On-Time Filing compliance rate was weighed down by the Small Taxpayer segment where taxpayers found it hard to comply or delinquently just did not comply. ZIMRA has begun the process of enhancement and capacitation of a stand-alone Small Clients Tax Department whose core focus is to assist and make it easy for Small Clients to comply.

4.1.2 On-Time Remittance Compliance

Corrective measures have been instituted to improve the On-Time Remittance Compliance which was negatively affected by the COVID-19 lockdowns in 2020.

4.2 Increasing Compliance – Registration of New Taxpayers

The 'Authority's deliberate drive to widen the tax base through registration of new taxpayers resulted in an additional 21,623 new taxpayers in 2020. These new taxpayers contributed ZWL\$558.2 million against a target of \$218.7 million. The Table below shows the 2020 new taxpayers statistics:

Table 10 : New Taxpayers Statistics

| Registration Target | Actual Registered | Amount collected (ZWL\$) | Collection Target (ZWL\$) | Variance |
|---------------------|-------------------|--------------------------|---------------------------|----------------|
| 35,000 | 21,643 | 558,234,064.35 | 218,705,620.45 | 339,528,443.90 |

The new taxpayers registered in 2020 included non-resident taxpayers who supplied digital services to consumers in Zimbabwe. The inclusion of non-resident taxpayers who supply digital services to consumers in Zimbabwe was a Tax Policy Reform promulgated in 2019 and this reform started yielding positive results in 2020.

4.3 Strategies adopted to increase Voluntary Compliance

- Strengthened Taxpayer Segmentation – Different taxpayer segments require different approach in terms of compliance. The Authority re-classified taxpayers into clear segments and adopted tailor made Voluntary Compliance Strategies for each segment. This re-segmentation was also coupled with creating a strong Head –Office function that focuses on tax policy, planning and procedures; taxpayer services and debt management; dispute resolution and legislation; and audit and risk management, thereby enhancing compliance.
- Voluntary Disclosure Programmes - A Voluntary Disclosure Programme was adopted as part of Compliance Management responding to taxpayers who were failing to declare taxes due in foreign currency. The programme encouraged dealers who were trading in foreign currency to voluntarily approach ZIMRA in order to rectify and ratify tax transactions.
- Increased Compliance Monitoring – The Authority intensified continuous compliance monitoring to ensure timely submission of returns. The ZIMRA E-filing platform was further complimented by a Centralised Return Processing function and utilisation of E-mail facilities to lodge returns.
- Integration with External Databases - The tax base was expanded by integrating data from various stakeholders such as Registrar of Companies and City Councils. Data matching and Audit Software was used to verify accuracy of clients' declarations.
- Taxpayer Education and Awareness Programmes - Voluntary compliance and client education campaigns were done through virtual workshops. Public notices were also posted on an online Tax & Customs education portal. Information was effectively conveyed using the electronic, print media, online platforms, television and social media online shows. The Authority continues to frequent its presence on social media to increase the Voluntary Compliance Awareness coverage and reach.

5. STRATEGIC OUTCOME 3: ENHANCE TRADE FACILITATION AND PROTECTION OF CIVIL SOCIETY

The Authority embarked on a number of Customs automation projects aimed at improving border efficiency management, despite the challenges caused by the COVID-19 pandemic.

5.1 International Movement of Goods and Services

- The total imports for the year 2020 were \$324.6 billion against total exports of \$257 billion, representing a trade deficit of \$67.6 billion.



Figure 7: 2020 Trade Deficit

- The top 20 exported products consisting mainly nickel mattes, semi-manufactured gold, and flue-cured tobacco contributed 94% of the total exports.
- The main trading partner for Zimbabwe for the year 2020 was South Africa. South Africa has maintained its dominance as the main Zimbabwean trading partner in terms of total value of imports and exports compared with Zimbabwe's trade with the rest of the world. Imports from South Africa were 47.10% and the exports were 45.20%.

Imports under trade agreements in 2020 were \$54.7 billion compared to \$6.5 billion for 2019. This was an increase of 748% from 2019 which was mainly due to exchange rate fluctuations. Most imports under trade agreements were imported under the SADC (South Africa) trade agreement. EPA accounted for the least imports in both 2020 and 2019. The Table below highlights the imports under trade agreements:

Table 11 : Imports under Trade Agreements

| Trade Agreement | Import Value 2020 | Import Value 2019 |
|--|----------------------------|---------------------------|
| SADC(ZA) | \$41,380,321,020.71 | \$5,234,632,609.11 |
| COMESA | \$6,259,913,166.47 | \$464,094,992.11 |
| SADC (Diff Offer) | \$6,139,218,808.96 | \$634,340,891.04 |
| Trade Agreement Group | \$361,110,310.41 | \$31,395,506.40 |
| Mozambique bilateral | \$493,962,971.58 | \$82,883,583.47 |
| Interim Economic Partnership Agreement | \$70,353,513.23 | \$4,967,369.01 |
| Grand Total | \$54,704,879,791.36 | \$6,452,314,951.14 |

5.1.1 Customs Clearance Time

- The Authority revised and reviewed 52 Customs and Excise operational procedures and 46 operational instructions in response to changes in the operating environment, including the restrictions brought about by the COVID-19 Pandemic to ensure the facilitation of trade and travel.
- Continued to implement the AEO Facility, and this year the number increased to 11 accredited operators who are now enjoying the benefits under the programme. The benefits include expedited clearance procedures which significantly reduced physical examinations.
- The final implementation solution and plan for the Single Window was concluded together with the implementation partner UNCTAD, and development is set to begin with the first phase of the project set to be implemented by the end of 2021.
- The Authority continued to participate in the implementation of the WTO Trade Facilitation Agreement commitments and the ratified bilateral and multilateral trade agreements, including COMESA, SADC, EU-ESA5 iEPA and the AfCFTA (ratified in 2021), which all advocate for the enhancement of trade facilitation.
- Continued the implementation processes for the Dry Ports and the Drones projects during the year. The first phases of both projects are expected to be implemented by the end of 2021.
- The integration of the clearance systems with Zambia Revenue Authority and other internal stakeholders (CVR, RBZ and ICZ) continued during the year; this will facilitate seamless clearance processes.

5.1.2 Customs Automation

- The automation of Identified Manual Customs Processes was undertaken during the year as per plan with the following being successfully implemented:
 - The automated clearing agents licensing module;
 - ICZ integration project;
 - Road Cargo Manifest Module;
 - ASYCUDA World Performance Management Module (ASYPM);
 - Restricted goods quota management system; and
 - Integration of CVR/ZIMRA systems.
- Conducted business process reviews to streamline operational processes and automate manual processes.
- Promoted the mandatory Customs pre-clearance facility in order to improve customs compliance.

6. STRATEGIC OUTCOME 4: STRENGTHEN INSTITUTIONAL IMAGE

ZIMRA is implementing strategies to strengthen institutional image through the following three fronts:

- Customer Services Strategies;
- Anti-corruption and anti-smuggling strategies;
- Corporate Social responsibility.

These strategies are discussed below.

6.1 Customer Services

ZIMRA fully embraced use of digital, social and new media technologies under the “new normal” to promote the execution of its statutory mandate. Teams were put in place to respond to clients’ queries via various digital and virtual platforms.



Tour of Beitbridge Boarder Post on a mission to improve customer service



Customs Officer serving clients at Kazungula Border Post

6.2 Preventing and fighting corruption

The nature of the 'Authority's operations at the ports of entry/exit and inland offices exposes its staff to high corruption and smuggling risks. Management upped the fight against corruption and smuggling through implementation of an array of different strategies. These are summarized below:

6.2.1 Strategies implemented to fight corruption – establishment of a special taskforce

The Authority constituted a special management taskforce known as the ZIMRA Integrity Committee (ZICO) to spearhead the fight against corruption. ' The Committee developed a Corruption Diagnostic Assessment Tool to determine the corruption index and this will go a long way in the fight against corruption.

ZIMRA will continue to re-enforce positive behaviours and attitudes that foster a culture of integrity among business, business partners, clients and employees. The Integrity Action Plan is the storehouse of plans, initiatives and activities that are going to be implemented to eradicate corruption and promote a ZIMRA culture that puts integrity first.



Staff members being encouraged to uphold integrity during the now commonplace staff engagements



Engaging staff members in Chiredzi to desist from Corruption

6.2.2 Other strategies implemented to fight corruption

The Anti-Corruption crusade conducted during the year resulted in the recovery of ZW\$258,949,331.10. This was as a result of Joint Operations, Call outs and Divisional Operations. The Table below summarises the results of the strategies implemented in the fight against corruption:

Table 12 : Results of Strategies used to fight corruption

| Strategy | Results Achieved |
|---|---|
| Audits and Investigations | 20 lifestyle audits out of the 61 were completed and 4 staff members failed the Audits. |
| | 116 intelligence-based cases were handled resulting in 21 officers being arrested for corruption. |
| | 24 hotline cases were investigated and 20 were completed. Most of the hotline cases were corruption reports. |
| Corruption cases referred to Courts for prosecution | 57 cases were handled. As at 31 December 2020, 43 cases were pending at the courts, out of which thirty-two (32) involved ZIMRA officers. |
| Imported Motor Vehicle Operation | The Authority recovered 475 vehicles that were improperly cleared into the country during the period 2015 to 2019. |
| Fuel Imports Operation | A fuel smuggling syndicate was busted, which involved clearing agencies, transporters and ZIMRA officers who falsified the description and quantities. Appropriate action was taken. |
| Electronic Cargo Tracking System Operation | Other importers abused the Electronic Cargo Tracking System through claiming transit facility on products meant for consumption on the domestic market. |
| Asset Recovery and Forfeiture | ZIMRA identified properties through lifestyle audits, hotline and investigations. Some officers failed to explain satisfactorily the sources of their wealth resulting in forfeiture and freezing of the properties pending the court process. In order to ensure corruption remains unattractive, the Authority seized eleven (11) movable and immovable properties worth USD313 015.50 and the cases are with the courts. The Authority, working with Local Government and police anti-corruption unit, identified and evaluated eleven (11) immovable properties and six (6) motor vehicles. The cases are under investigation. The Authority successfully conducted a lifestyle audit on one of its employees and identified proceeds of crime. The High Court forfeited the house and a vehicle both valued at USD160 000.00 after the employee failed to explain how he acquired the property. This became the first successful civil forfeiture case under the Money Laundering and Proceeds of Crime (ML&PC) Act[Chapter 9:24]. |



Picture : A house forfeited

6.2.3 Collaboration with external Law Enforcement Agencies

The ZIMRA Loss Control Division, in collaboration with ZRP, CID, VID and ZACC, conducted special operations during the year. The Authority is also in the National Anti-Corruption Sub-Committees in charge of Monitoring and Assets Recovery at national level.

6.3 Corporate Social Responsibility

ZIMRA Corporate Social Responsibility programmes in 2020 continued with its scholarships to 11 tertiary students and 1 high school student.

The Authority handed over wheel chairs to St Giles Rehabilitation Centre on 17 July 2020 and donated an assortment of goods to various homes as follows:

- Jairos Jiri in Southerton Harare;
- Shungudzevana Children's Trust in Harare;
- Maryward Children's Home in Kwekwe;
- Mucheke Old People's Homes in Masvingo;
- Ethandweni Children's and Old People's Homes in Bulawayo;
- Dete Old People's Home in Hwange.



ZIMRA donates towards Charity



Grocery donations at Bumhudzo Old Peoples Home

7. CORPORATE GOVERNANCE

7.1 Board Constitution and Composition

The ZIMRA Board has ten members appointed for a term of 3 years in terms of section 5 of the Revenue Authority Act [Chapter 23:11] as read with section 11 of the Public Entities Corporate Governance Act [Chapter 10:31]. The Board is composed of male and female members with skills and experience in the fields of accounting, business management, risk management, economics, human resources management and law.

During the year under review, gender representation on the ZIMRA board was fully compliant with Section 11 (7) (a) of the Public Entities Corporate Governance Act[Chapter 10:31], which places a responsibility on line Ministers to ensure that in so far as practicable, there are equal numbers of male and female members on the Board of every public entity for which they are responsible.

The Table below indicates the composition of the Board and membership to the different Committees established by the Board:

Table 13 : Board Members and Board Committee Membership

| Name of Director | Board Appointments | | | | Committee Membership | | | | |
|-----------------------------------|--------------------|------------------------|----------------------|--------------------------|----------------------|-----------------|--------|---------------------|----------------------------|
| | Executive Director | Non-Executive Director | Independent Director | Non-Independent Director | Audit | Human Resources | Risk | Technical Committee | Finance and Administration |
| Calisto Jokonya (Chairman) | | ✓ | ✓ | | - | Member | - | - | - |
| Josephine Matambo (Vice-Chairman) | | ✓ | ✓ | | - | - | - | - | - |
| Memory Nguwi | | ✓ | ✓ | | - | Chair | Member | - | - |
| Isaac. Kwesu | | ✓ | ✓ | | Chair | - | - | - | Member |
| Moris B. Mpofo | | ✓ | ✓ | | Member | - | - | Chair | - |
| George Guvamatanga | | ✓ | | ✓ | Member | - | - | Member | - |
| Grace Muradzikwa | | ✓ | ✓ | | - | Member | Member | - | Chair |
| Faith Mazani | ✓ | | | ✓ | - | Member | Member | Member | Member |
| Mutsa Remba | | ✓ | ✓ | | Member | Member | - | Member | - |
| Ruth Ncube | | ✓ | ✓ | | - | - | Chair | - | Member |

7.2 Board Meetings held in 2020

The Board and its Committees held 36 meetings (24 scheduled and 12 special or ad hoc) during the year to deal with Authority business. Most of the special meetings were held by the Human Resources Committee to deal with recruitments of Executive and Senior Management to fill the vacant posts.

The Board held two statutory meetings with the Minister of Finance and Economic Development on 20 March 2020 and 4 June 2020.

Details of the Board Committee meetings held as well as the attendance of each Board member are disclosed in the Table below:

Table 14 : Board Meetings and Board Committee Meetings Attendance

| Name of Board Member | Board Meetings | | Human Resources Committee | | Audit Committee | | Risk Committee *** | | Finance & Administration | | Technical Committee | |
|-----------------------------------|----------------|--------------|---------------------------|--------------|-----------------|--------------|--------------------|--------------|--------------------------|--------------|---------------------|--------------|
| | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended |
| Josephine Matambo (Vice-Chairman) | 6 | 6 | 13 | 13 | 6 | * | 3 | * | 4 | 2 " | 4 | 2" |
| Memory Nguwi | 6 | 6 | 13 | 13 | 6 | 4*** | 3 | 3 | 4 | * | 4 | * |
| Isaac Kwesu | 6 | 4 | 13 | * | 6 | 6 | 3 | * | 4 | 3- | 4 | * |
| Morris B. Mpofu | 6 | 6 | 13 | * | 6 | 6 | 3 | * | 4 | * | 4 | 4 |
| Ruth B. Ncube | 6 | 3** | 13 | * | 6 | * | 3 | 3 | 4 | 1** | 4 | * |
| Mutsa M. J. Remba | 6 | 3** | 13 | 8** | 6 | 2** | 3 | * | 4 | * | 4 | 1** |
| Grace Muradzikwa | 6 | 6 | 13 | 12 | 6 | * | 3 | 3 | 4 | 4 | 4 | * |
| George Guvamatanga | 6 | 5- | 13 | * | 6 | - | 3 | * | 4 | * | 4 | 1- |
| Faith Mazani | 6 | 5- | 13 | 12- | 6 | * | 3 | 3 | 4 | 4 | 4 | 4 |

Key

* not a member.

- did not attend and an apology was noted.

"Vice Board Chairman stopped attending Committee meetings after reconstitution of Committees in the 2nd half of the year following appointment of additional members to the Board.

** Ruth Ncube and Mutasa Remba were appointed in June and July 2020 respectively

***The Audit and the Risk Committees were split and reconstituted in the 3rd quarter of 2020 resulting in membership changes.

- Collective attendance to Board and Board Committee meetings was 90.23%.
- The Chairman did not attend meetings during the year due to a court case he was facing.
- The Board operated with an Annual Work Plan that was duly adhered to.

8. ZIMRA STRATEGY PILLARS

8. PILLAR 1 – PEOPLE

8.1 Staff capacity and retention

The Authority is in the process of implementing a new human resources structure that is aligned to the new strategy. The staff complement as at 31 December 2020 stood at 2,599 (i.e. 2,508 active staff, 86 suspensions and 5 on unpaid leave) against a staff establishment of 3,094. The staff complement of 2,599 excludes 4 interns, 57 sealing officers, 34 secondments from other institutions and 47 health officers, bringing the total head count to 2,741.

8.1.1 Staff complement by employee subgroups

The staff complement by employee subgroup as at 31 December 2020 is as shown below:

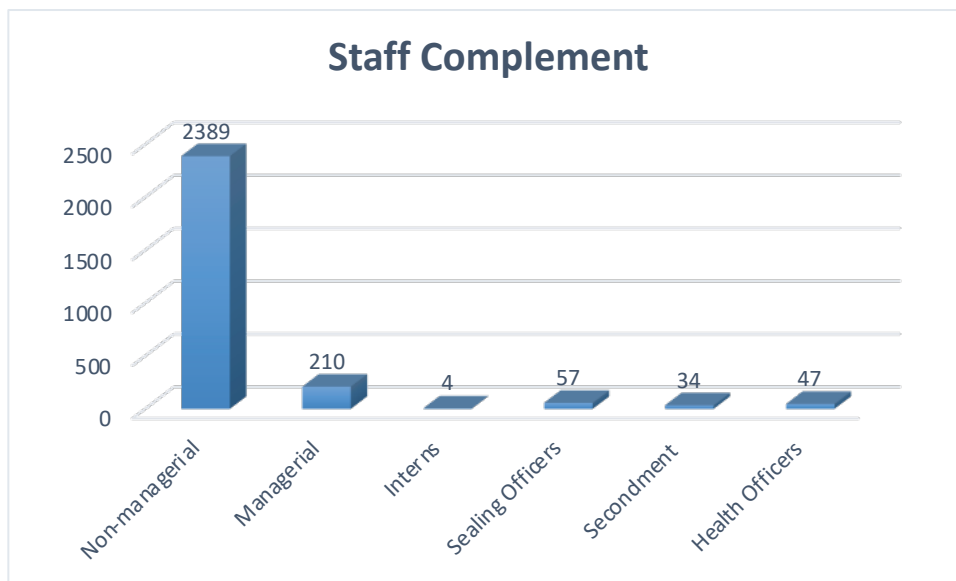


Figure 8: Staff Complement by Employee subgroup.

8.1.2 Recruitments

Newly engaged staff were 276; composed of 196 Graduate Trainees, 52 applicants who were recruited externally and 28 applicants who were recruited from within. As the Covid-19 Pandemic continued to spike during the second quarter of the year, 47 Health Officers were deployed to all operational stations in a bid to contain the spread of Covid-19.

8.2 Staff Attritions

Staff attrition was due to resignation of seventy-nine (79) staff members (72 non-managers and 5 managers); contract expiry of two (2) staff members (1 non-manager and 1 manager); retirement of three (3) non-managers and death of seven (7) staff members (5 non-managers and 2 managers). Dismissal of twelve (12) non-managers was because of various integrity-related offences.

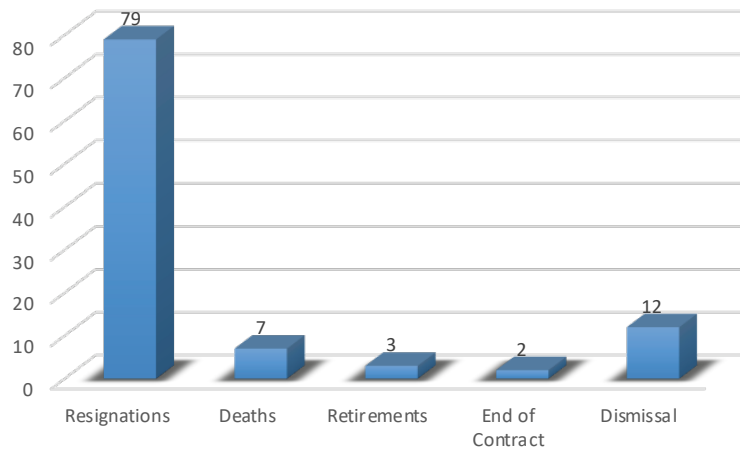


Figure 9: Staff Attrition nature and numbers

8.3 Employee development initiatives

Planned Learning and Development initiatives to capacitate staff were partially achieved due to the outbreak of Covid-19. Seven hundred and ninety-nine participants attended a total of forty-eight courses out of a possible one-hundred and sixty-eight.

Staff attended forty (40) courses/ workshops, which included the following, among others;

- Covid-19 Crisis facing Mobile Money Taxation in Africa and Informal Workers (ICTD)
- Data Analytics
- Impact of Covid-19 in the detection of Money Laundering and Terrorist Financing [FAFT]
- COMESA validation workshop on Customs training manuals
- Customs 'Officers' workshop on Controlling and Monitoring of ODS trade.
- IMF AFRITAC South (AFS) Customs CD Mission to ZIMRA - Post Clearance Audit online workshop
- iPIC seminar hosted by UNEP Regional Office for Africa in partnership with Ozone Action Branch
- Webinar on deferred Taxes hosted by International Accounting

8.4 Human Capital Automation

The recruitment and selection process moved away from a completely manual process, where job applications were received in hard copies and processed manually, to an electronic process where applications are now being received and processed online. Plans are underway to fully automate the recruitment process. Electronic Pay slips were rolled out as part of payroll automation during the year as the manual system was fast becoming a hazard in this Covid-19 era.

8.5 Employee Safety and Health in light of the Covid-19 Pandemic

The Authority played its role in the fight against the Pandemic as it responded by way of provision of Personal Protective Equipment (PPEs), decongested offices to allow for social distancing, promoted remote working, recruited health officers to man office entrances, engaged service providers for Covid-19 testing and counselling, organised regular fumigation of offices and work stations, and continued to explore more avenues for curbing the scourge as part of the new normal.

8.6 Performance driven culture

ZIMRA is in the process of migrating from the Balanced Scorecard (BSC) to the Integrated Results-Based Management (IRBM) as a strategy implementation and performance management tool. This migration is being done in phases to ensure that all staff members are extensively trained on IRBM before implementation.

Executive managers fully adopted the IRBM with effect from January 2020 while subsequent adoption will be as follows:

- Phase 2 for Senior Managers with effect from 01 January 2021.
- Phase 3 for all Managers in the second half of 2021.
- The final phase will involve the rest of the Staff Members from BSC to IRBM, which is targeted for the first half of 2022.

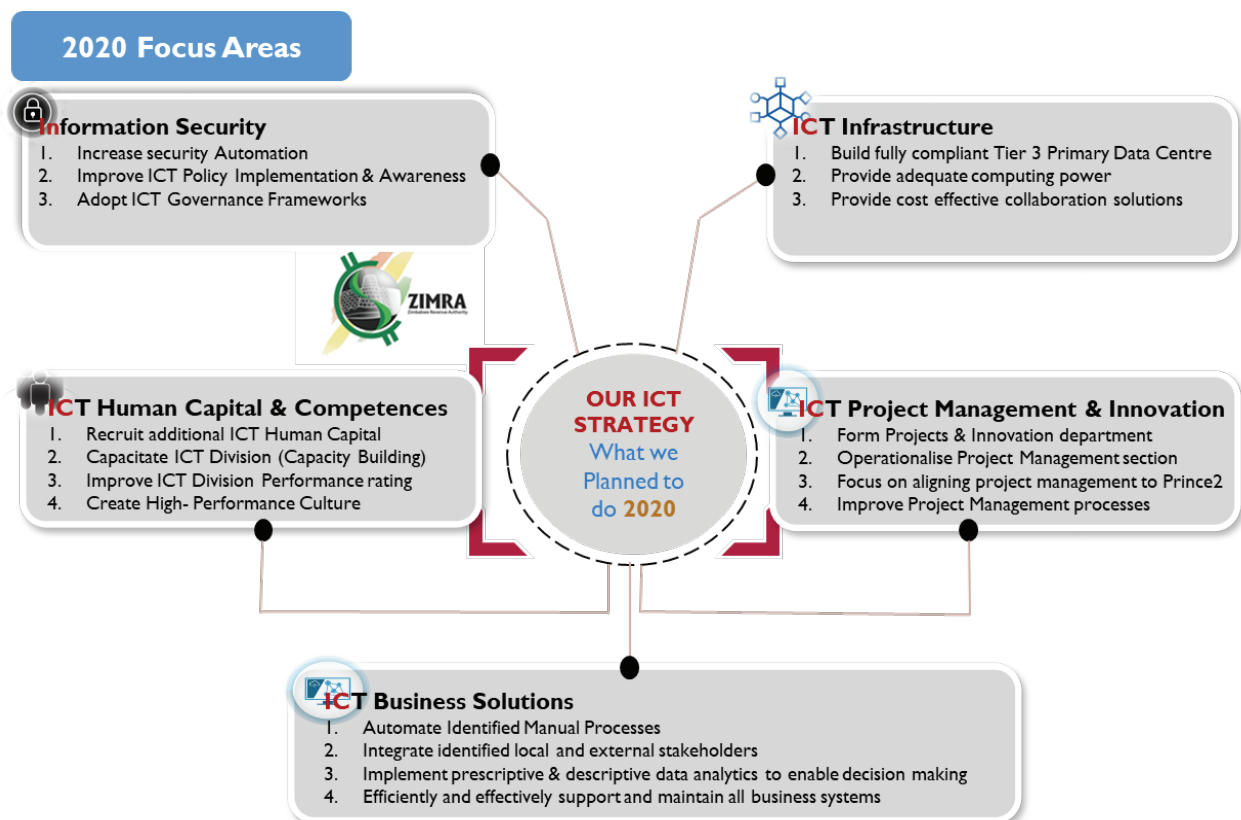
All ZIMRA Staff Members are subjected to quarterly Individual Performance Appraisals, and Performance Awards which are commensurate with performance are paid every quarter on condition that the Authority exceeds quarterly net revenue targets.

9. PILLAR 2 – PROCESSES

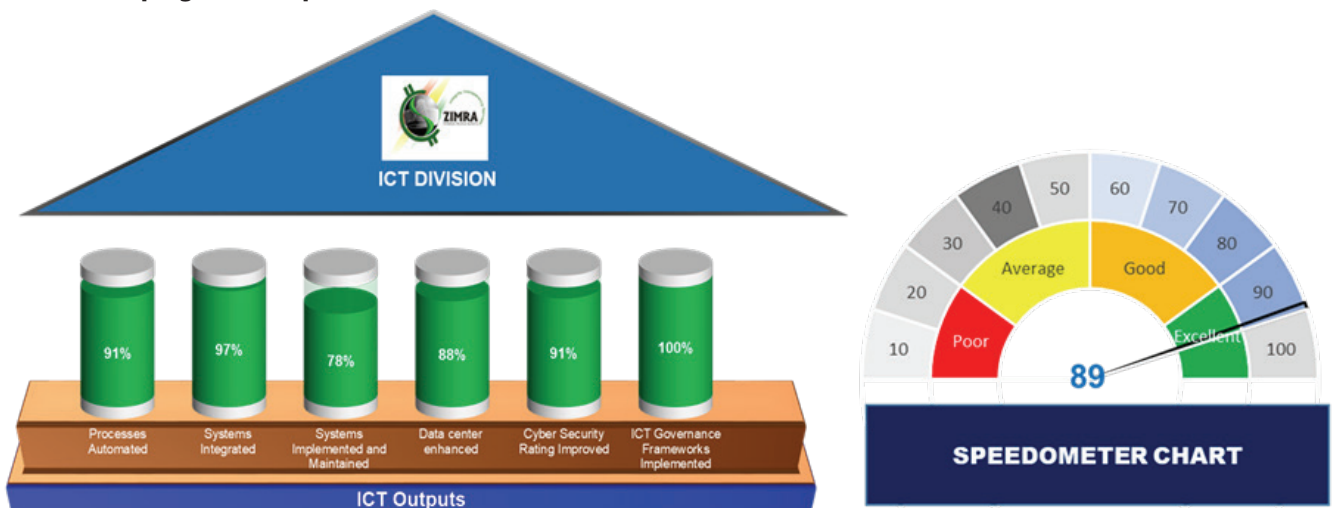
9.1 Embracing Digital Economy - ICT Strategic Focus

The 'new normal' mode called for different strategic initiatives anchored on a robust ICT strategy which supported re-engineering of the core processes to accommodate digitalisation, virtual services and online revenue collections. In response to the changes in environment, significant investments in ICT were made in ensuring that the Authority continuously fulfilled its mandate through leveraging technology. There was a deliberate focus on investing on a solid infrastructure base to support rapid implementation of new digital technologies to support organisational reforms for improved service delivery.

The "Digitalization Themes" sought to achieve 'the Authority's mandate effectively and efficiently; (i) ICT Infrastructure, (ii) Information Security, (iii) Business Solutions, (iv) ICT Project Management & Innovation and (v) ICT Human Capital & Competencies.



Overall progress on implementation is indicated in the ZIMRA ICT Dashboard below.



10. PILLAR 3- PARTNERSHIPS

In 2020, ZIMRA was part of several partnerships and communication initiatives that helped support the Authority's initiatives. The following Partnerships were entered into:

- ZIMRA – ICSAZ Partnership - ZIMRA partnered and sponsored ICSAZ at its Annual Conference on 26 November 2020 where businesses were engaged on foreign currency tax transactions. The support of the ICSAZ Annual Conference was in recognition of common areas of collaboration between Chartered Secretaries and ZIMRA's revenue collection initiatives.
- ZIMRA – TelOne Partnership - On the technology front, the Authority partnered NetOne to allow businesses and individuals to pay their tax obligations using mobile money service.
- ZIMRA – RBZ Partnership – ZIMRA partnered RBZ in a drive to push for increased voluntary compliance on foreign currency based transactions. A joint press conference with the Reserve Bank of Zimbabwe was held as part of continued client engagements to encourage clients to pay taxes in the currency of transaction. The virtual press conference successfully generated publicity and awareness of the importance of voluntarily complying with the tax laws of the land.



Virtual Stakeholder engagement via Microsoft teams

- ZIMRA Partnerships with External Law Enforcement Agencies - Under the Memorandum of Understanding with the Zimbabwe Anti-Corruption Commission (ZACC), and in collaboration with the National Prosecuting Authority (NPA), ZIMRA launched a campaign to recover ill-gotten wealth under the Money-laundering and Proceeds of Crime Act[Chapter 9:24]. The Authority continued in the unrelenting fight against corruption, which deprives citizens of their share of the country's wealth and development opportunities in infrastructure and other social developments.
- ZIMRA Partnership with Ministry of Finance & Economic Development (MOFED) - A Joint campaign with MOFED dubbed ""My Tax Works"" was initiated to promote Domestic Resources Mobilisation (DRM), at the same time increasing awareness to the public on the socio-economic impact of taxes collected by the Government. This campaign will see ZIMRA and MOFED carrying joint publicity campaigns focusing on spreading awareness of Government development projects which are funded by taxes. The objective of this joint campaign is to increase voluntary compliance through creating public awareness of the benefits derived from paying taxes.

11. PILLAR 4 – PROJECTS

ZIMRA is in the process of implementing several projects in support of attainment of different strategic goals. These projects have been prioritised with 12 of them classified as Strategic Projects. The next section gives a snapshot of ZIMRA's Strategic Projects:

11.1 ZIMRA's Strategic Projects

| | |
|---|---|
| <h4>11.1.1 Tax and Revenue Management System (TARMS)</h4> | |
|  | <p>Project Description Acquisition, installation and configuration of a new Tax Revenue Management System for Domestic Taxes</p> <p>Project completion date 31 May 2023 (1st Release) 2023.</p> <p>Impact to the Nation Improved Ease of Doing Business</p> |
| <h4>11.1.2 ASYCUDA Systems Upgrade</h4> | |
|  | <p>Project Description Upgrade of Customs system, ASYCUDA World with particular emphasis on automation of advance cargo/passenger manifest, interfacing of ASYCUDA with Transporter Specifications and introduce new risk profiling parameters</p> <p>Project completion date In phases up to 31 December 2021</p> <p>Impact to the Nation Improved Ease of Doing Business / Increased efficiency at Ports of Entry and Exit</p> |
| <h4>11.1.3 Staff and Office Accommodation</h4> | |
|  | <p>Project Description Construction of Staff Accommodation at the border and office accommodation including construction of ZIMRA Head Office in Harare.</p> <p>Project completion date In phases up to 31 December 2025</p> <p>Impact to the Nation Improved staff welfare resulting in improved service to the Nation.</p> |
| <h4>11.1.4 Data Centre</h4> | |
|  | <p>Project Description Acquisition of state of the art modern servers and setting up of a centralised Data Centre with capacity to handle and store big data.</p> <p>Project completion date 31 December 2021.</p> <p>Impact to the Nation Improved service / Improved Ease of Doing Business.</p> |

| | |
|--|---|
| 11.1.5 Automation / Digitalisation |  <p>Project Description Review of processes and automation of identified processes.</p> <p>Project completion date In phases up to 31 December 2021.</p> <p>Impact to the Nation Improved Service / Improved Ease of Doing Business.</p> |
| 11.1.6 Systems Integration |  <p>Project Description Integration of different systems within ZIMRA and integration of ZIMRA systems to selected external systems.</p> <p>Project completion date In phases up to 31 December 2021.</p> <p>Impact to the Nation Increased revenue to the nation.</p> |
| 11.1.7 Surveillance & Monitoring Centre |  <p>Project Description Development and equipment of a centralised Surveillance and Monitoring Centre in Harare.</p> <p>Project completion date 01 May 2023 (1st release).</p> <p>Impact to the Nation Increased revenue / reduced revenue leakages.</p> |
| 11.1.8 Dry Ports |  <p>Project Description Construction of inland Dry Ports to decongest the border.</p> <p>Project completion date In phases up to 31 December 2025.</p> <p>Impact to the Nation Improved ease of doing business /increased efficiency at Ports of Entry. Increased revenue.</p> |
| 11.1.9 Drones |  <p>Project Description Procurement and operationalisation of Drones across national border lines.</p> <p>Project completion date In phases up to 31 December 2025.</p> <p>Impact to the Nation Increased revenue / curb smuggling. Increased public safety (curb smuggling of hazardous/prohibited goods).</p> |

| | |
|---|---|
| 11.1.10 Debt Management | |
|  | <p>Project Description Reduced Legacy Debt by 88% from \$3,129,695,476 at 01 January 2020 to \$567,570,939.09.</p> <p>Project completion date In phases up 31 December 2021.</p> <p>Impact to the Nation Reduce tax arrears; Increased revenue / reduced revenue leakages</p> |
| 11.1.11 ZIMRA Contact Centre | |
|  | <p>Project Description Establishment of a central customer services contact centre that will deal with telephone and social media channels client queries.</p> <p>Project completion date 31 December 2021.</p> <p>Impact to the Nation Improved Customer Satisfaction / Improved Ease of Doing Business.</p> |
| 11.1.12 ZIMRA Change Management | |
|  | <p>Project Description Change Management Project to increase Customer and Staff satisfaction through Culture Change Management Business Process Re-engineering ZIMRA Re-branding.</p> <p>Project completion date In phases up to 31 December 2023.</p> <p>Impact to the Nation Improved Customer Satisfaction / Improved Ease of Doing Business.</p> |



Hon Professor Mthuli Ncube tours the Dry Port at Makuti. In the Image ZIMRA senior officials including former Commissioner General, Ms Faith Mazani, show him the site map.

12. RISK MANAGEMENT AND ASSURANCE

12.1 Disclosure and Transparency

The 2019 Annual Report and Audited Financial Statements for the year ended 31 December 2019 were tabled at the 3rd Annual General meeting on 27 June 2020 and are on the 'Authority's website, as key elements of transparency and disclosure. The Authority published revenue performance reports quarterly. Board members and senior staff members declared their assets and business interests as is required under the Public Entities Corporate Governance Act [Chapter 10:31].

12.2 Audit Assurance

Audit assurance was secured through the execution of the 2020 Risk Based Audit Plan, which resulted from wide spread engagements with various stakeholders among them the Authority's external auditors (The Auditor General of Zimbabwe) to ensure the attainment of corporate strategic goals.

The Internal Audit Charter governed all the audit assignments and in conformance with globally accepted Internal Audit Standards; chief among them The Institute of Internal Auditor's International Standards for The Professional Practice of Internal Auditing.

The control environment within the Authority remained generally sound with some control areas needing improvement as highlighted in the audit reports done during the year.

12.3 Enterprise Risk Management

ZIMRA monitors risks inherent to its business in-line with its Corporate Risk Policy to ensure the attainment of its objectives. This entails effective management of risks through identification, assessment, treating, monitoring and reporting risks to ensure that they are kept within tolerance levels as per the Risk Appetite Strategy of the Authority.

The 'Authority's risks were administered and analysed under four (4) broad headings, namely;

- Strategic Risks;
- Reputational Risks;
- Operational Risks;
- Compliance Risks.

The risk trend for the Authority remained in the medium category. The risk score for the year 2020 was 4.13 which was higher than the 3.64 recorded at the end of 2019. Below is the risk scoring key used in risk rating:

| Risk Score (Range) | Colour Code | Risk Impact Category |
|--------------------|-------------|----------------------|
| 1-2 | | Low Risk |
| 3-5 | | Medium Risk |
| 6-9 | | High Risk |

The chart below shows the risk trend from Quarter 4 2019 to Quarter 4 2020

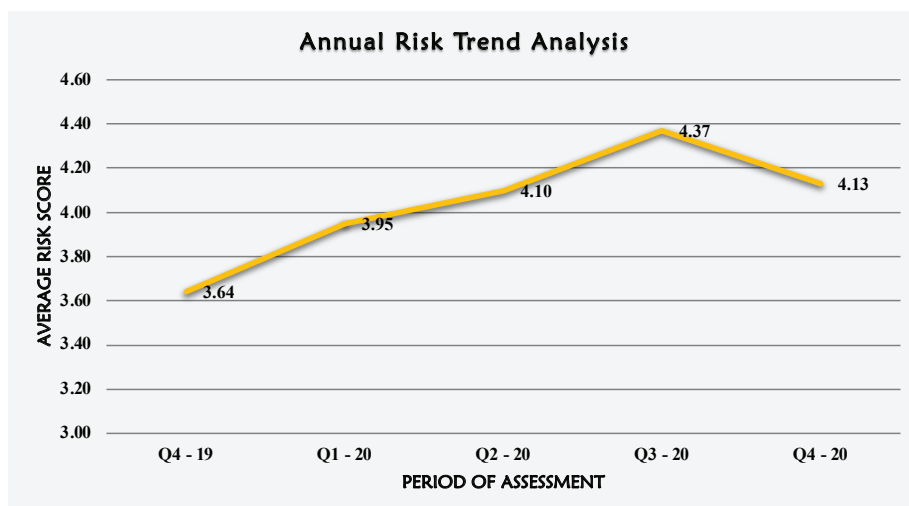


Figure 10: Annual Risk Trend Analysis

The Business Continuity Plan of the Authority was effectively implemented during the COVID-19 Pandemic. Below is a summary of the notable areas of impact of the pandemic on ZIMRA and their mitigation strategies in the year 2020.

| Areas Impacted | Mitigation Strategies |
|--|---|
| <ul style="list-style-type: none"> • Employee Lives • Staff Health • Revenue Collections • Project Execution • Procurement • Production • Operations • Communication | <ul style="list-style-type: none"> • Executive COVID-19 Mitigation Committee; • Implementation of BCP; • Adherence to WHO and Government guidelines; • Stakeholder engagements; • Provision of PPE; • Office disinfection; • Health desks and officers; • SHE Committees; • COVID-19 Testing; and • Flexible working arrangements |

13. PROCUREMENT OF GOODS & SERVICES

ZIMRA renewed its licence to conduct procurement for the year 2020 in terms of Section 15 of the Public Procurement and Disposal of Public Assets Act [Chapter 22:23] in Class "A". ZIMRA complied with the PRAZ regulations in the execution of all its procurement processes.

The Authority was affected by the escalating market prices of goods and services at the beginning of the year, negatively affecting capital projects and the procurement turnaround times. Procurement of goods and services improved following the stabilisation of market prices as a result of the introduction of S.I. 85 of 2020 for the Exchange Control (Exclusive Use of Zimbabwe Dollar for Domestic Transactions) (Amendment) Regulations, 2020 (No. 2).

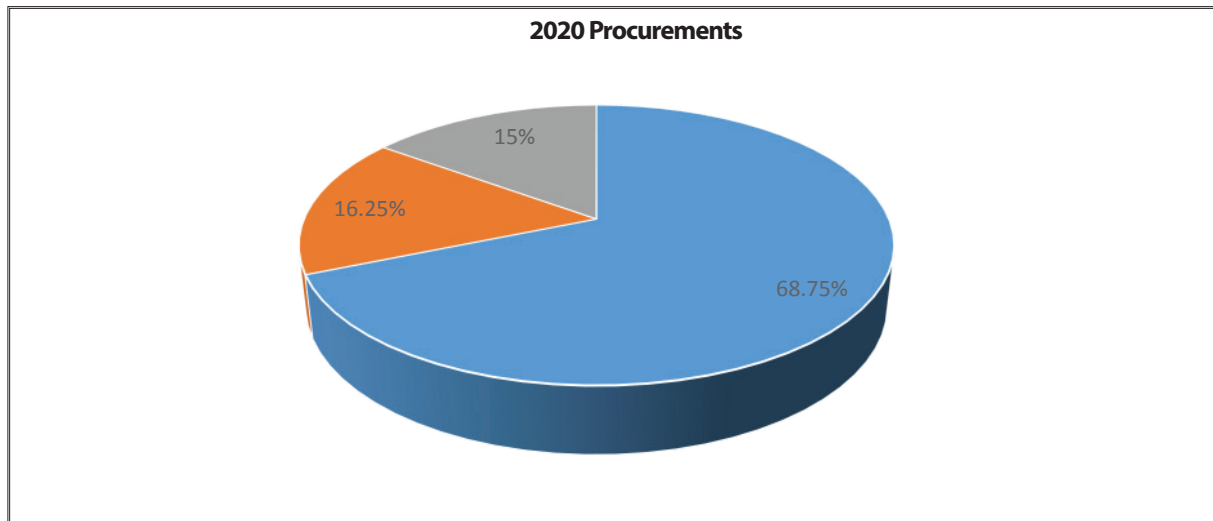


Figure 11: 2020 Procurements

| | |
|--|--------------------------------------|
| | Tenders awarded and Contracts signed |
| | Projects tenders still running |
| | Outstanding tenders |

The following strategies were adopted to overcome the rising prices of goods and services during the year:

- Engaged PRAZ to give guidance on framework agreements with suppliers of goods and services.
- Widened the advertising platforms for tenders such as websites apart from the traditional widely circulated print media.
- Continuously requested for shorter bidding periods and waiver of other mandatory requirements in order to move with the dictates of the volatile environment from the regulator (PRAZ).
- Requested bidders to submit dual prices and subject the two to stress test.

14. EXPENDITURE ANALYSIS

Net recurrent expenditure for the year amounted to ZWL\$4,029,720,508.00 excluding non-cash items of depreciation of ZWL\$793,216,462.00 and exchange loss of ZWL\$909,776,188 against a budget of ZWL\$4,166,183,383.19 resulting in a positive variance of ZWL\$136,462,875.19.

Operational expenditure excluding depreciation and exchange loss amounted to ZWL\$1,276,083,497.00 resulting in a saving of ZWL\$110,182,610.28. Staff costs for the year amounted to ZWL\$2,753,637,011.00 resulting in a saving of ZWL\$26,280,264.91.

Table 15 : The Table below illustrates annual budget utilisation without non-cash items:

| Details | Budget – ZWL | Expenditure - ZWL | Variance | % Budget Utilisation |
|-------------------|-------------------------|-------------------------|-------------------------|----------------------|
| Operational Costs | 1,386,266,107.28 | 1,276,083,497.00 | 110,182,610.28 | 92% |
| Staff Costs | 2,779,917,275.91 | 2,753,637,011.00 | 26,280,264.91 | 99% |
| Sub- total | 4,166,183,383.19 | 4,029,720,508.00 | 136,462,875.19 | 97% |
| Capex | 1,527,357,480.38 | 441,291,590.23 | 1,086,065,890.15 | 29% |
| Total | 5,693,540,863.57 | 4,471,012,098.23 | 1,222,528,765.34 | 79% |

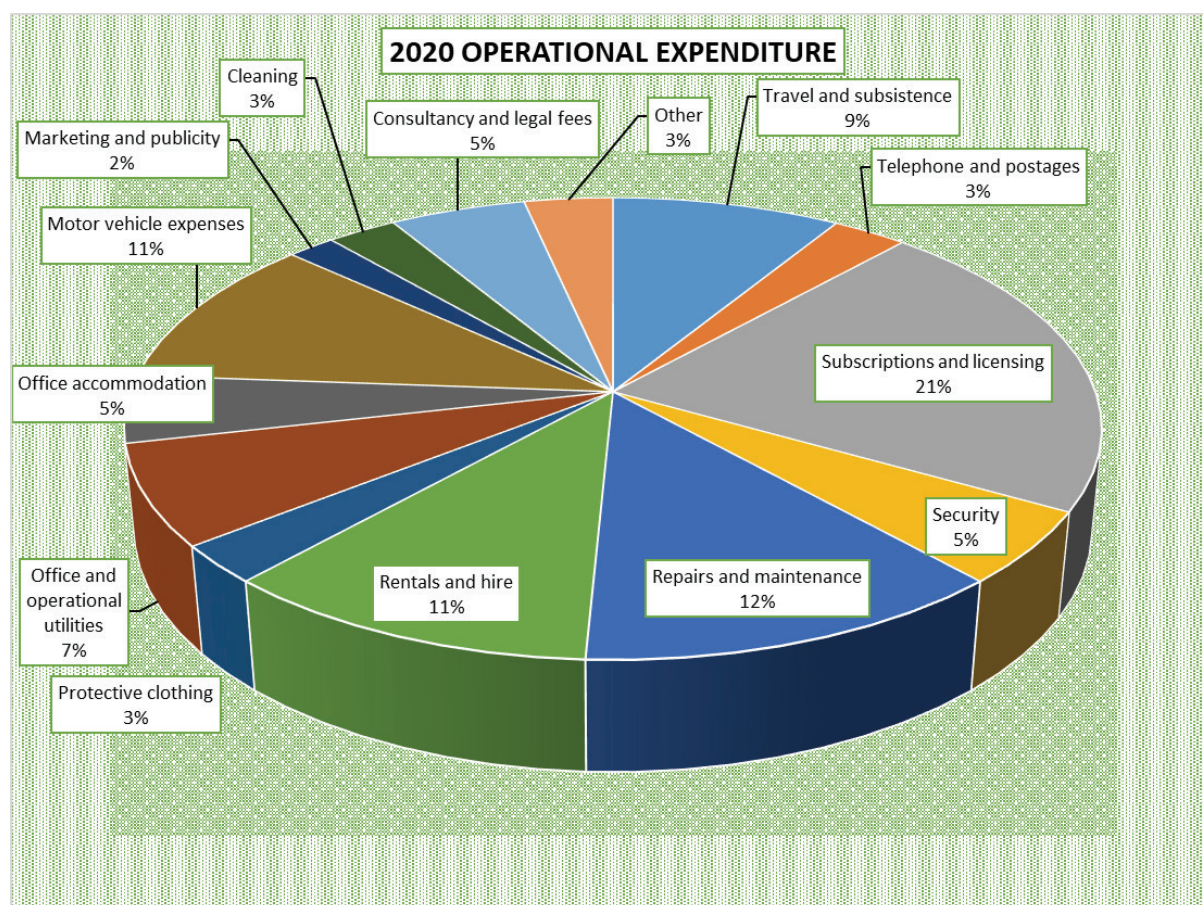


Figure 12 : 2020 Operational Expenditure

Capital expenditure for the year amounted to ZWL\$441,291,590.23 against a budget of ZWL\$1,527,357,480.38 resulting in a positive variance of ZWL\$1,086,065,890.15 (71%). The budget includes prior year savings amounting to ZWL\$121,183,712.45 and 2020 approved budget amounting to ZWL\$1,406,173,767.93.

Figure 11 : 2020 Operational Expenditure

Table 16 : Capital Expenditure versus Budget for each asset class.

| Asset Class | Unexpended Balance C/ Forward to 2020 | Approved Budget 2020 | Available Funds 2020 | Expenditure | Balance C/ Forward |
|---|---------------------------------------|-------------------------|-------------------------|-----------------------|-------------------------|
| Buildings | - | - | - | - | - |
| Computer Equipment | 58 186 992.87 | 230 465 664.93 | 288 652 657.80 | 102 742 356.62 | 185 910 301.18 |
| Construction Work-in-Progress | 17 123 709.64 | 442 319 800.00 | 459 443 509.64 | 83 605 065.19 | 375 838 444.45 |
| Furniture, Fixtures and Fittings | 803 528.06 | 36 941 000.00 | 37 744 528.06 | 16 116 479.92 | 21 628 048.14 |
| Land | - | - | - | - | - |
| Motor Vehicles | 9 945 400.60 | 103 619 160.00 | 113 564 560.60 | 37 520 127.68 | 76 044 432.92 |
| Network Equipment | 16 775 000.00 | 177 746 846.40 | 194 521 846.40 | 13 888 071.81 | 180 633 774.59 |
| Software | 3 964 992.18 | 278 731 910.60 | 282 696 902.78 | 30 186 505.71 | 252 510 397.07 |
| Plant and Machinery - ECTS | 14 335 092.00 | 72 349 386.00 | 86 684 478.00 | 149 393 919.38 | 2 709 441.38 |
| Plant and Machinery - Other | 48 997.10 | 64 000 000.00 | 64 048 997.10 | 7 839 063.92 | 56 209 933.18 |
| Grand Total | 121 183 712.45 | 1 406 173 767.93 | 1 527 357 480.38 | 441 291 590.23 | 1 086 065 890.15 |

The loss on Plant and Machinery ECTS is an accounting one caused by exchange rate movements. ECTS equipment's source of funding is ring fenced sealing fees which is received and paid in United States Dollars.

The loss in Zimbabwe Dollar (ZWL) was caused by the use of the spot rate (rate on date of transaction) in translating USD transactions to ZWL. The bulk of the receipts were received when the rate was still low (below 17 for 2019 receipts) and the receipts were recognised at those low rates. However, when payments were processed in 2020, the rates had gone up to above 81 and hence the payments were converted at the high rates causing the loss in Zimbabwe Dollar terms.

15. 2021 REVENUE OUTLOOK

The economic environment continues to improve in 2021 on the backdrop of heightened implementation of the National Development Strategy 1 (NDS-1). Inflation eased by 255.99 percentage points from 362.63% in January 2021 to 106.64% in June 2021. Generally, the exchange rate remained stable during the first half of 2021. The stability of exchange rates together with the waning of inflation continue to instill some confidence in the economy thereby boosting economic activity that has a positive effect on tax revenue collections.

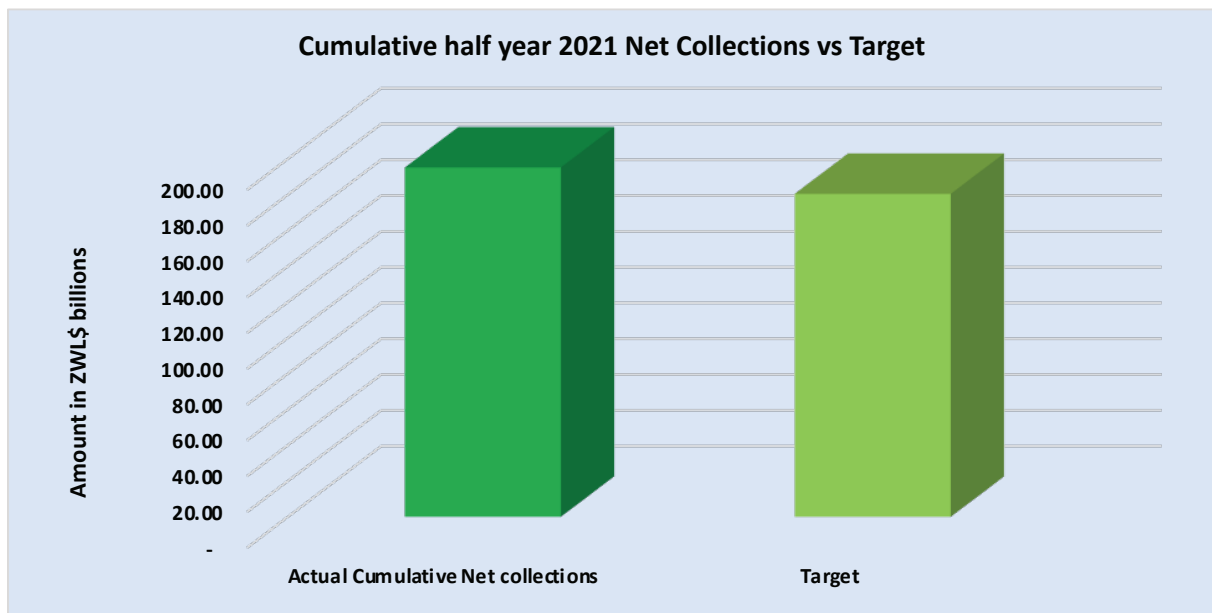
Revenue collections are expected to maintain a positive trajectory as the economic environment continues to improve since the devastating effects of cyclone Idai and a protracted drought. The recent reports by World Bank and the International Monetary Fund (IMF) that projected a 3.9% and 6% growth respectively for the year 2021 (World Bank Press Release NO: 2021/162/AFRI and MF, Press Release No. 21/183) reinforce the optimistic expectation of a 7.4% growth projected by the government at the beginning of the year (now revised to 7.8%). This is underpinned by a bumper harvest for the 2020/21 agricultural season, increased energy production and rebound in manufacturing and construction activities. However, the projected improvement in economic growth could be threatened by the emerging COVID-19 induced business interruptions.

The Authority managed to surpass the Net Revenue Target for the first half of 2021 despite the constant interruptions to business brought by the COVID- Induced lockdowns. Table 21 below shows the First Half Net Revenue which amounted to ZWL\$195.18 billion against a target of ZWL\$180.45 billion (8.16%) above target:

Table 17 : Cumulative Net Revenue Collected for 6 months ending 30 June 2021

| Cumulative net revenue collected Vs. Target for half year ending 30 June 2021 | |
|---|--------------------|
| Net revenue collected (ZWL\$) | 195,175,812,161.71 |
| Target for the period (ZWL\$) | 180,453,427,238.00 |
| Variance | 8.16% |

Figure 13: Cumulative Net Revenue Collected for 6 months ending 30 June 2021



Going forward into the second half of 2021, the Authority is confident of exceeding the remaining period's targets which will ultimately lead to surpassing of the 2021 Annual Net Revenue Target of **ZWL\$387.4 billion**.

All communication should be addressed to:

The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-242-793611/3/4
Telegrams: AUDITOR
E-mail: oag@auditgen.gov.zw
Website: www.auditorgeneral.gov.zw



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

Ref: SB2 .

**REPORT OF THE AUDITOR-GENERAL
TO
MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT
AND
THE BOARD OF DIRECTORS
IN RESPECT OF THE FINANCIAL STATEMENTS OF
ZIMBABWE REVENUE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2020.**

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the accompanying financial statements of the Zimbabwe Revenue Authority as set out on pages 7 to 29, which comprise the statement of financial position as at December 31, 2020, 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 Zimbabwe Revenue Authority as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

Basis for Adverse Opinion

Impact on non-compliance with IAS 21, 'The effects of changes in foreign exchange rate' on opening balances

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates", as the Authority had been unable to use an appropriate exchange rate on change of functional currency. The Authority translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Authority used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to Zimbabwe dollar at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in United States dollar before 22 February 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Authority's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. The misstatement in the Authority's 2020 opening balances have an impact on the current year financial statements.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements 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 of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

Impact on non-compliance with IAS 36 : Impairment of assets

The annual financial statements are materially misstated as the Authority did not include an impairment loss for its assets that were evidently impaired. Sixty-six (66) accident damaged vehicles and non-runners valued at ZW\$48 306 000 were included in the closing value of motor vehicles in the annual financial statements at the same value as running vehicles. International Financial Reporting Standards (IFRS) prohibits the recognition of items of property, plant and equipment in excess of amounts expected to be recovered. I have, based on my professional judgement and a thorough consideration of the state of these assets, concluded that the amounts disclosed do not represent the recoverable amount and are materially overstated. Had impairment been assessed and a loss recognized, the value of property, plant and equipment would have significantly changed.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

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 paragraph 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 Zimbabwe Revenue Authority for the year ended December 31, 2020. These matters were addressed in the context of my audit of the Zimbabwe Revenue Authority’s financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition, to the matters described in the Basis for Adverse Opinion paragraph I have determined the matter described below to be the key audit matter to be communicated in my report.

| Key Audit Matter | How my audit addressed the Key Audit Matter |
|---|--|
| <p>COVID 19 pandemic Refer to note 18.1 to the financial statements</p> <p>A Global pandemic was declared during the year under review following the outbreak of the novel COVID 19 virus. The pandemic disrupted normal flow of business, the Authority included, prompting changes in the operating systems and as a result changes in internal controls necessary to prevent, detect and correct material misstatements. The granting of relief by the Government to different organisations presented new accounting responsibilities.</p> | <p>Audit procedures to address the risk of material misstatement relating COVID 19 pandemic included;</p> <ul style="list-style-type: none"> • Discussed with management and understood how controls were changed in response to the COVID 19 impact • Tested the effectiveness of controls over the period under review. • Reviewed the financial statements for adequate disclosures relating to the COVID 19 pandemic and impact. • Considered the impact of the pandemic on the audit opinion. <p>Based on evidence gathered, I found the management’s controls to be adequate in relation to its preparedness to the COVID 19 pandemic.</p> |

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

Other Information

Those Charged with Governance are responsible for the Other Information. The Other Information comprises all the information in the Authority's 2020 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 or 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.

In preparing the financial statements management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless there are intentions to cease operations of the Authority by Government or there is no realistic alternative but to do so.

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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern;

I 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 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

ZIMBABWE REVENUE AUTHORITY
AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

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 accompanying financial statements of the Zimbabwe Revenue Authority have, in all material respects, been properly prepared in accordance with the disclosure requirements of the Public Finance Management Act [*Chapter 22:19*] and other relevant Statutory Instruments

August 24, 2021.

M. Chiri
M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY
STATEMENT OF FINANCIAL POSITION

as at December 31, 2020.

| | Note | Inflation adjusted | | Historical cost | |
|---------------------------------------|------|-----------------------|-----------------------|-----------------------|----------------------|
| | | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| ASSETS | | | | | |
| Non current assets | | 8 659 496 449 | 8 672 290 699 | 8 659 496 449 | 1 970 975 158 |
| Property, plant and equipment | 4 | 7 919 879 184 | 7 628 013 919 | 7 919 879 184 | 1 733 269 872 |
| Intangible assets | 5 | 645 228 441 | 980 112 949 | 645 228 441 | 222 752 943 |
| Biological assets | 6 | 17 404 | 2 437 054 | 17 404 | 553 876 |
| Right of use asset | 11.1 | 91 968 257 | 20 654 678 | 91 968 257 | 5 063 899 |
| Mortgage support investment | 7 | 2 405 183 | 41 072 099 | 2 405 183 | 9 334 568 |
| Current assets | | 2 665 765 357 | 1 446 022 521 | 2 684 565 571 | 315 874 227 |
| Inventory | 7.5 | 57 749 611 | 88 578 095 | 58 539 826 | 7 364 130 |
| Accounts receivables | 8 | 62 830 153 | 101 915 572 | 62 830 153 | 23 162 630 |
| Assets held for sale | 9 | 9 500 | 41 800 | 9 500 | 9 500 |
| Investments | 7.1 | 33 759 570 | 68 988 814 | 33 759 570 | 15 679 276 |
| Cash and cash equivalents | 10 | 2 326 724 880 | 1 165 173 310 | 2 326 724 880 | 264 812 116 |
| Prepayments | 7.4 | 184 691 643 | 21 324 930 | 184 691 643 | 4 846 575 |
| Total assets | | 11 325 261 806 | 10 118 313 220 | 11 324 052 020 | 2 286 849 385 |
| RESERVES AND LIABILITIES | | | | | |
| Reserves | | 9 211 846 415 | 8 814 024 365 | 9 210 636 631 | 1 990 420 098 |
| Non distributable reserve | | 90 848 367 | 399 732 815 | 90 848 367 | 90 848 367 |
| Accumulated fund | | 113 610 733 | (69 260 309) | 112 400 948 | (88 939 281) |
| Revaluation reserve | | 9 007 387 316 | 8 483 551 859 | 9 007 387 316 | 1 988 511 012 |
| Deferred income | 12 | 917 583 321 | 174 401 225 | 917 583 321 | 39 636 642 |
| Non current liabilities | | 1 195 832 069 | 1 129 887 630 | 1 195 832 068 | 256 792 644 |
| Lease liability | 11.1 | 82 286 622 | 12 392 807 | 82 286 621 | 2 816 322 |
| Current liabilities | | 1 113 545 447 | 1 117 494 823 | 1 113 545 447 | 253 976 322 |
| Lease liability | 11.1 | 24 291 873 | 10 617 623 | 24 291 873 | 2 413 322 |
| Provisions | 13 | 541 244 572 | 676 689 812 | 541 244 572 | 153 793 139 |
| Payables | 15 | 548 009 002 | 430 187 388 | 548 009 002 | 97 769 861 |
| Total reserves and liabilities | | 11 325 261 806 | 10 118 313 220 | 11 324 052 020 | 2 286 849 385 |

18/08 2021.

18/08 2021.

18/08 2021.


L. Z. KARONGA,
(Acting Director Finance and Administration), ACIS.


R. MASAIRE,
(Acting Commissioner General).


J. MATAMBO,
(Vice Board Chairperson).

ZIMBABWE REVENUE AUTHORITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2020.

| | Note | Inflation adjusted | | Historical cost | |
|--|------|-----------------------|-----------------------|-----------------------|----------------------|
| | | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| Income | | 7 661 357 071 | 5 201 486 818 | 5 943 577 309 | 647 957 790 |
| | | 6 712 454 979 | 4 680 646 994 | 4 997 716 514 | 555 646 568 |
| Government grant | | 5 859 745 409 | 3 832 573 656 | 4 166 183 383 | 369 670 095 |
| Amortised capital grant | 12 | 765 438 286 | 784 830 534 | 765 438 286 | 178 370 576 |
| Interest earned | | 81 531 450 | 56 714 899 | 61 506 417 | 7 122 096 |
| Rental income | | 5 739 834 | 6 527 905 | 4 588 428 | 483 800 |
| Other income | 14 | 948 902 093 | 520 839 824 | 945 860 795 | 92 311 222 |
| Less operating expenses | | (6953 757 748) | (5151 621 885) | (5732 713 158) | (748 779 858) |
| Employment cost | 16 | (3546 994 171) | (1990 074 362) | (2753 637 011) | (199 401 888) |
| Administrative costs | 17 | (3406 763 579) | (3161 547 523) | (2979 076 147) | (549 377 971) |
| Operating surplus / (deficit) | | 707,599,322.77 | 49 864 933 | 210 864 151 | (100 822 069) |
| Finance costs | 11.2 | (24 887 545) | (5 254 002) | (23 711 745) | (804 622) |
| Surplus (deficit) for the year | | 682 711 778 | 44 610 931 | 187 152 406 | (101 626 690) |
| Other comprehensive income | | | | | |
| Net monetary (loss) /gain | | (514 028 559) | (1265 217 763) | - | - |
| Revaluation surplus | 4.2 | 7 047 399 219 | 8 483 551 861 | 7 047 399 219 | 1 928 079 968 |
| Total comprehensive income for the year | | 7 216 082 438 | 7 262 945 028 | 7 234 551 625 | 1 826 453 278 |

ZIMBABWE REVENUE AUTHORITY
STATEMENT OF CHANGES IN RESERVES

for the year ended December 31, 2020.

| | Inflation adjusted | | Historical cost | | Total |
|--|---------------------|---------------------|------------------------|---------------------------------|----------------------|
| | Accumulated Fund | Accumulated Fund | Revaluation reserve | Non distributable reserve | |
| | ZWL | ZWL | ZWL | ZWL | |
| Balance at January 1, 2019 | 1 151 346 522 | 12 687 409 | 60 431 044 | 90 854 867 | 163 973 320 |
| Revaluation surplus / (deficit) | - | - | 1 928 079 968 | (5 700) | 1928 074 268 |
| Net monetary (loss) /gain | (1265 217 763) | - | - | - | - |
| Surplus / (deficit) for the year | 44 610 931 | (101 626 690) | - | - | (101 626 690) |
| Balance at December 31, 2019 | (69 260 309) | (88 939 281) | 1 988 511 012 | 90 849 167 | 1 990 420 898 |
| Balance at January 1, 2020 | (69 260 309) | (88 939 281) | 1 988 511 012 | 90 849 167 | 1 990 420 898 |
| Revaluation surplus | - | - | 7 047 399 218 | - | 7 047 399 218 |
| Revaluation reversed relating to assets disposal | 28 522 915 | 28 522 915 | (28 522 915) | - | - |
| Reclassification to deferred income | 12 | (14 335 092) | - | - | (14 335 092) |
| Net monetary (loss) /gain | (514 028 559) | - | - | - | - |
| Surplus for the year | 682 711 778 | 187 152 406 | - | - | 187 152 406 |
| Balance at December 31, 2020 | 113 610 733 | 112 400 948 | 9 007 387 316 | 90 849 167 | 9 210 637 430 |

ZIMBABWE REVENUE AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended December 31, 2020.

| | Note | Inflation adjusted | | Historical cost | |
|---|------|----------------------|-----------------------|----------------------|---------------------|
| | | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net cash generated / (utilised) by | | 1 615 444 794 | 807 065 216 | 1 119 885 422 | 78 207 439 |
| Operating loss before working capital | | 1 333 893 940 | 916 237 748 | 838 334 568 | 128 501 006 |
| Operating profit for the year | | 682 711 778 | 44 610 931 | 187 152 406 | (101 626 690) |
| Adjustments to reconcile profit to net cash flows: | | 651 182 162 | 871 626 818 | 651 182 162 | 230 127 697 |
| Loss on disposal of biological assets | | 508 875 | - | 508 875 | - |
| Profit or loss on disposal | | 115 686 625 | (2 946 505) | 115 686 625 | (522 225) |
| Depreciation of property, plant and equipment | 4 | 662 537 968 | 471 956 809 | 662 537 968 | 107 262 911 |
| Amortisation of intangible assets | 5 | 102 900 318 | 301 761 295 | 102 900 318 | 68 582 112 |
| Depreciation right of use assets | 11.1 | 27 778 177 | 11 112 429 | 27 778 177 | 2 525 552 |
| Write down of consumables to net realisable value | 17 | 69 569 | 71 593 | 69 569 | 12 441 |
| Amortised grant | 12 | (765 438 286) | (784 830 533) | (765 438 286) | (178 370 576) |
| Unrealised exchange gain | 14 | (925 014 613) | (288 671 332) | (925 014 613) | (65 607 121) |
| Increase/decrease in provisions | 13 | 583 683 079 | 273 425 527 | 583 683 079 | 93 636 061 |
| Allowance for credit loss | | 167 413 | 250 782 | 167 413 | 43 578 |
| Exchange loss | | 909 776 188 | 922 476 697 | 909 776 188 | 209 653 795 |
| Gain on price differences | | (15 617) | (1 924 025) | (15 617) | (15 617) |
| Obsolete stock written off | 17 | 48 882 | 281 306 | 48 882 | 48 882 |
| Interest earned | | (61 506 417) | (31 337 224) | (61 506 417) | (7 122 096) |
| Working capital adjustments | | 281 550 854 | (109 172 532) | 281 550 854 | (50 293 567) |
| (Increase)/decrease in accounts receivables | | (39 667 522) | (13 707 110) | (39 667 522) | 18 932 253 |
| (Decrease) in prepayments | | (179 845 068) | 1 064 175 | (179 845 068) | 4 105 279 |
| Assets held for sale | | - | (25 080) | - | 5 700 |
| Decrease/(increase) in consumables | | (49 175 696) | 14 203 122 | (49 175 696) | 4 642 914 |
| Decrease/(increase) in payables | | 550 239 141 | (110 707 638) | 550 239 141 | (77 979 714) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | (506 210 868) | (19 867 607) | (506 210 868) | (19 867 607) |
| Interest received | | (66 839 031) | (37 984 733) | (66 839 031) | (8 632 894) |
| Proceeds from sale of property, plant and equipment | | - | 2 863 679 | - | 650 836 |
| Purchase of financial investments | | (17 001 558) | (12 921 541) | (17 001 558) | (2 936 714) |
| Proceeds from financial investments | | 11 302 999 | 2 758 997 | 11 302 999 | 627 045 |
| Purchase of intangible assets | | (30 186 506) | - | (30 186 506) | - |
| Purchase of property, plant and equipment | | (403 486 773) | (42 133 872) | (403 486 773) | (9 575 880) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | 1 448 238 212 | 630 516 686 | 1 448 238 212 | 143 299 247 |
| Government capital grant | | 1 447 159 476 | 570 297 571 | 1 447 159 476 | 129 613 084 |
| Clearance fees (Commission) | | 1 078 736 | 60 219 115 | 1 078 736 | 13 686 162 |
| Net increase in cash and cash equivalents | | 2 557 472 139 | 1 350 164 434 | 2 061 912 765 | 201 639 079 |
| Net monetary (loss) / gain | | (495 559 376) | (1911 606 976) | - | - |
| Cash and cash equivalents at beginning of the year | | 264 812 116 | 1 726 615 853 | 264 812 116 | 63 173 037 |
| Cash and cash equivalents at year end | 10 | 2 326 724 880 | 1 165 173 310 | 2 326 724 880 | 264 812 116 |

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

1. NATURE OF BUSINESS

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in terms 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, 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

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, which are shown at revalued amounts.

2.3 Functional and presentation currency

These financial statements are presented in Zimbabwe Dollars (ZWL) currency. Most of the Authority's transactions are in this currency and the same is used for financial reporting. Foreign currencies transactions are translated into the Zimbabwe Dollars using the RBZ exchange rate.

2.4 Inflation Accounting

The financial statements have been prepared under the current costs basis in line with the provisions of International Accounting Standards (IAS) 29 – Financial Reporting in Hyperinflationary economies. The Public Accountants and Auditors Board (PAAB) pronounced that the economy is trading under conditions of hyperinflation in line with IAS 29. Management have applied the guidelines provided by PAAB. Management made various assumptions to produce the inflation adjusted financial information. The conversion factors have been computed from the consumer price index (CPI) data as provided by Zimbabwe Statistical Agency (ZIMSTATS) on their website and also as circulated by PAAB.

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

| Month | Index | Conversion Factor |
|----------------|--------|-------------------|
| December 2019 | 551.56 | 4.4 |
| January 2020 | 563.90 | 4.3882 |
| February 2020 | 640.2 | 1.5087 |
| March 2020 | 810.4 | 3.0534 |
| April 2020 | 953.4 | 2.5954 |
| May 2020 | 1097.7 | 2.2543 |
| June 2020 | 1445.2 | 1.7122 |
| July 2020 | 1958.7 | 1.2633 |
| August 2020 | 2124 | 1.1650 |
| September 2020 | 2205.2 | 1.1221 |
| October 2020 | 2301.7 | 1.0751 |
| November 2020 | 2374.2 | 1.0422 |
| December 2020 | 2474.5 | 1.0000 |

2.5 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:

2.6 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.

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

2.6.1 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.

2.6.2 Uncollectable accounts receivable

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

2.6.3 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.

2.7 New and revised standards and interpretations

2.7.1 Standards effective from 1 January 2020

No new standards that affect the Authority were effective on the above dates for this financial year.

2.7.2 Amended Standards – Effective 1 January 2020

i. Amendments to IAS 1 and IAS 8 –Material

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

ii. Amendment to IFRS 16

The IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors. The Authority will not be applying this amendment as no such relief was sought during the financial year.

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 year ended December 31, 2020. The only major change is the reporting which now recognises hyperinflation in the economy hence financial statements have been adjusted for inflation.

3.1 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation. 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.

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

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. A review of useful lives for assets across the classes were carried out during the year. 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 Government grants

Government grants are assistance by Government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Grants related to assets are Government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long term assets.

Grants relating to income are Government grants other than those related to assets. Government grants, including non-monetary grants at fair value shall not be recognised until there is a reasonable assurance that;

- The entity will comply with the conditions attaching to them; and
- The grants will be received.

The Authority receives these two forms of grants

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

3.4.1 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. Donations in kind are recorded as assets and also other income when received

3.4.2 Revenue grants and donations

Revenue grants are recognised as income in the profit or loss section of the statement of profit or loss and other comprehensive income in the same period as the period during which the related expenses qualifying for the grant have been incurred. Donations are recorded as other income when received.

The periods over which an entity recognises the costs or expenses related to a Government grant are readily ascertainable. The grants in recognition of specific expenses are recognised in profit or loss in the same period as the relevant expense. The funding disbursements are authorised quarterly by the Ministry of Finance upon the Authority's submission of a quarterly cash flow which will cover both capital and income grant.

3.5 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.

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

3.6 Inventory

Inventory is 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.

3.7 IFRS 9 Financial Instruments

The Authority has fully complied with the IFRS 9. 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.

3.7.1 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.

3.7.2 Measurement

The Authority 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)

The Authority 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).

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

3.7.3 Impairment of financial assets

The expected credit loss model applies to debt instruments recorded at amortised cost or at fair value through other comprehensive income. An impairment test involves comparing an asset's carrying amount in the balance sheet with its recoverable amount is done annually. Recoverable amount is the higher of fair value less costs of disposal and value in use. Where the recoverable amount using both methods is higher than the asset carrying amount, there is no impairment unless it is the reverse.

Expected credit losses is calculating the impairment allowance. After initial recognition, the impairment allowance is adjusted, up or down, through profit or loss at each balance sheet date as the probabilities of collection and recoveries change.

3.7.4 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.
- **Cash and cash equivalents**
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances and 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.

3.7.5 De-recognition of financial assets

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

3.7.6 De-recognition of financial liabilities

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

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

3.8 Risk management

3.8.1 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.

3.8.2 Foreign currency transaction and balances

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

3.9 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].

3.10 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.

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

3.11 Leases

The Authority classify leases in accordance to IFRS 16 for the purposes of managing and reporting leases. The Authority recognized 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.

3.11.1 Short-term and Low Value assets leases

The Authority recognised leases that were less than 12 months old at the reporting date and related to leasing of small items which have a value of less than US\$5000. Obligations incurred these leases were 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.

3.12 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 losses.

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 |

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

3.13 Biological assets

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

3.14 IFRS 15 Revenue from Contracts with Customers

Applying IFRS 15, the Authority recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or service The Authority receives commissions from other state agencies for services which is being rendered. To recognise revenue under IFRS 15, the Authority applies the following five steps:

- i. Identify the contract(s) with a customer.
- ii. Identify the performance obligations in the contract.
- iii. Determine the transaction price.
- iv. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- v. Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer.

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

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 | TOTAL | |
|--|-------------------------|--------------|---------------------------|---------------------|--|-----------------------|----------------|----------------------|--|------------------|------------------|
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| | Closing carrying amount | 1100 426 830 | 76 986 246 | 263 432 231 | 11 630 182 | 39 909 470 | 113 045 584 | 75 299 523 | 28 729 159 | 24 180 301 | 1733 639 526 |
| Gross carrying amount | 1126 430 244 | 76 986 246 | 283 329 060 | 12 668 306 | 43 852 034 | 143 011 008 | 94 977 418 | 31 061 703 | 24 180 301 | 1836 496 321 | 221 598 202 |
| Accumulated depreciation | (26 003 414) | - | (19 896 829) | (1 038 124) | (3 942 564) | (29 965 424) | (19 677 895) | (2 332 544) | - | (102 856 795) | (68 020 884) |
| Additions at cost | - | - | 149 758 700 | 2 800 808 | 13 315 672 | 102 323 992 | 37 520 128 | 13 888 072 | 83 879 401 | 403 486 773 | 9 575 880 |
| Donations | - | - | 8 709 179 | - | - | - | - | - | - | 8 709 179 | - |
| Settlement of work in progress | 6 725 279 | - | - | - | - | - | - | - | (6 725 279) | - | - |
| Revaluation surplus (note 4.1) | 4 164 271 109 | 298 887 779 | 981 458 682 | 44 121 950 | 142 436 033 | 350 775 128 | 465 841 091 | 104 418 136 | - | 6 552 209 909 | 1 605 564 235 |
| Disposal - carrying amount | - | - | (115 259 000) | - | - | - | - | - | - | (115 259 000) | (128 611) |
| Reclassification to right of use asset | - | (369 255) | - | - | - | - | - | - | - | (369 255) | - |
| Depreciation charge for the year | (132 271 797) | - | (155 546 585) | (7 654 433) | (22 766 417) | (162 949 447) | (166 341 838) | (15 007 451) | - | (662 537 968) | (107 262 911) |
| Closing carrying amount | 5 139 151 420 | 375 504 771 | 1 132 553 207 | 50 898 506 | 172 894 759 | 403 195 258 | 412 318 904 | 132 027 916 | 101 334 423 | 7 919 879 164 | 1 733 639 527 |
| Revalued amount/Gross carrying amount | 5 139 151 420 | 375 504 771 | 1 132 553 207 | 50 898 506 | 172 894 759 | 403 195 258 | 412 318 904 | 132 027 916 | 101 334 423 | 7 919 879 164 | 1 733 639 527 |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - |

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020.

4.1 Effects of revaluation

The Authority carried out a comprehensive revaluation exercise due to the effects of the hyper inflation. This was in pursuit of fair presentation of financial information to correct distortions that arose from the effects of the above. The revaluation was done using management judgement.

| | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
|--|--------------------------|--------------------------|
| Property, plant and equipment | | |
| Closing carrying amount | 1 733 639 526 | 153 577 318 |
| Additions during the year | 412 195 952 | 9 575 880 |
| Disposals during the year | (115 259 000) | (128 611) |
| Reclassification to right of use asset | (369 255) | |
| Depreciation | (662 537 968) | (34 949 293) |
| Revaluation gain | 6 552 209 909 | 1 605 564 235 |
| Closing carrying amount | 7 919 879 164 | 1 733 639 527 |
| Intangible assets | | |
| Opening carrying amount | 222 752 943 | 23 841 056 |
| Additions during the year | 30 186 506 | - |
| Amortisation | (102 900 318) | (27 533 858) |
| Revaluation gain | 495 189 310 | 226 445 745 |
| Closing carrying amount | 645 228 441 | 222 752 943 |
| 4.2 Revaluation surplus | | |
| Revaluation surplus on property, plant and equipment | 6 552 209 909 | 1 701 634 223 |
| Intangible asset revaluation gain for the year | 495 189 310 | 226 445 745 |
| | 7 047 399 219 | 1 928 079 968 |

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

| | Inflation adjusted | | Historical cost | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| 5 Intangible assets | | | | |
| SAP software and development cost | | | | |
| Opening carrying amount | 222 752 943 | 104 900 646 | 222 752 943 | 23 841 056 |
| Gross carrying amount | 288 710 074 | 273 963 048 | 288 710 074 | 62 264 329 |
| Accumulated amortisation | (65 957 131) | (169 062 401) | (65 957 131) | (38 423 273) |
| Additions at cost | 30 186 506 | - | 30 186 506 | - |
| Revaluation gain | 495 189 310 | 996 361 279 | 495 189 310 | 226 445 745 |
| Amortisation charge for the year | (102 900 318) | (459 273 779) | (102 900 318) | (104 380 404) |
| Closing carrying amount | 645 228 441 | 980 112 949 | 645 228 441 | 222 752 943 |
| Gross carrying amount | 814 085 890 | 1270 324 327 | 814 085 890 | 288 710 074 |
| Accumulated amortisation | (168 857 449) | (290 211 377) | (168 857 449) | (65 957 131) |
| 6 Biological assets | | | 814 085 890 | |
| Opening balance | 553 876 | 197 727 | 553 876 | 44 938 |
| Fair value | (27 597) | 2 239 327 | (27 597) | 508 938 |
| Disposal | (508 875) | - | (508 875) | - |
| | 17 404 | 2 437 054 | 17 404 | 553 876 |
| 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. | | | | |
| 7 Financial asset and liabilities | | | | |
| 7.1 Non- current | | | | |
| Mortgage support investment (See note 7.3) | 2 405 183 | 41 072 097 | 2 405 183 | 9 334 568 |
| Current | | | | |
| Clearance fees (Commission) | 11 351 442 | 45 199 906 | 11 351 442 | 10 272 706 |
| Money market investments | 22 408 128 | 23 788 907 | 22 408 128 | 5 406 570 |
| | 36 164 753 | 110 060 911 | 36 164 753 | 25 013 843 |

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

| | Inflation adjusted | | Historical cost | |
|--|----------------------|----------------------|----------------------|--------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| 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; | | | | |
| Financial assets amortised at cost: | | | | |
| Accounts receivables | 62 830 153 | 101 915 574 | 62 830 153 | 23 162 630 |
| Mortgage support investment | 2 405 183 | 41 072 097 | 2 405 183 | 9 334 568 |
| Investments | 33 759 570 | 23 788 907 | 33 759 570 | 5 406 570 |
| Cash and cash equivalents | 2 326 724 880 | 1 165 173 312 | 2 326 724 880 | 264 812 116 |
| | 2 425 719 785 | 1 331 949 890 | 2 427 928 564 | 302 715 884 |
| Financial Liabilities | | | | |
| Liabilities amortised at cost: | | | | |
| Accounts payables | 548 009 002 | 430 187 390 | 548 009 002 | 97 769 861 |
| | 548 009 002 | 430 187 390 | 955 764 934 | 97 769 861 |

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 | | | | |
| Current Assets | | | | |
| Receivables | 62 830 153 | 101 915 574 | 62 830 153 | 14 034 541 |
| Loss allowance (expected credit loss) | (167 413) | (191 743) | (167 413) | (43 578) |
| | 62 662 740 | 101 723 831 | 62 662 740 | 13 990 963 |

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, accommodation 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 is an investment vehicle 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 short-term investments of 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 up of foreign currency amounts in USD, ZAR, EURO, GBP and BWP. The Cash and Cash equivalents also include Zimbabwe dollar (ZWL) balances. The foreign currencies were converted to ZWL at the prevailing exchange rates as at the Financial Statements date.

Current assets

| | | | | |
|---------------------------|----------------------|----------------------|----------------------|--------------------|
| Cash and cash equivalents | 2326 724 880 | 1165 173 312 | 2326 724 880 | 264 812 116 |
| | 2 326 724 880 | 1 165 173 312 | 2 326 724 880 | 264 812 116 |

| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
|------------------------|--------------------|-------------------|--------------------|------------------|
| 7.4 Prepayments | | | | |
| ICT | 169 500 684 | 16 283 945 | 169 500 684 | 3 700 897 |
| Repairs | 2 784 829 | - | 2 784 829 | - |
| Projects | 1 419 410 | 3 160 350 | 1 419 410 | 718 261 |
| Others | 6 805 173 | 1 880 635 | 6 805 173 | 427 417 |
| Teas and beverages | 1 873 053 | - | 1 873 053 | - |
| Hotel accommodation | 2 308 495 | - | 2 308 495 | - |
| | 184 691 644 | 21 324 930 | 184 691 644 | 4 846 575 |

| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
|-----------------------|-------------------|-------------------|-------------------|------------------|
| 7.5 Inventory | | | | |
| Fiscalisation devices | 1 556 822 | 14 521 268 | 347 037 | 532 304 |
| Operating supplies | 56 192 789 | 74 056 827 | 56 192 789 | 6 831 825 |
| | 57 749 611 | 88 578 095 | 56 539 826 | 7 364 130 |

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

| | Inflation adjusted | | Historical cost | |
|--|---------------------|---------------------|---------------------|--------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| 7.6 Accounts and other payables | | | | |
| Current liabilities | | | | |
| Accounts payable | 548 009 002 | 430 187 390 | 548 009 002 | 97 769 861 |
| Provisions | 541 244 572 | 676 689 810 | 541 244 572 | 153 793 139 |
| | 1089 253 574 | 1106 877 200 | 1089 253 574 | 251 563 000 |

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.

| | | | | |
|-------------------------------------|-------------------|--------------------|-------------------|-------------------|
| 8 Accounts receivables | | | | |
| Other debtors | 202 207 | 1 100 499 | 202 207 | 250 113 |
| Rent receivable | 2 271 565 | 712 604 | 2 271 565 | 161 956 |
| Commission receivable | 17 134 325 | 29 522 890 | 17 134 325 | 6 709 748 |
| Staff debtors | 20 994 508 | 61 560 236 | 20 994 508 | 13 990 963 |
| Travelling and subsistence advances | 16 894 935 | 2 367 435 | 16 894 935 | 538 053 |
| Accrued interest | 5 332 614 | 6 651 908 | 5 332 614 | 1 511 797 |
| | 62 830 153 | 101 915 572 | 62 830 153 | 23 162 630 |

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.

Current assets

| | | | | |
|----------------------|--------------|---------------|--------------|--------------|
| Assets held for sale | 9 500 | 41 800 | 9 500 | 9 500 |
| | 9 500 | 41 800 | 9 500 | 9 500 |

10 Cash and cash equivalents

| | | | | |
|----------------------------|---------------------|---------------------|---------------------|--------------------|
| Bank balances | 1371 460 138 | 624 403 945 | 1371 460 138 | 141 909 988 |
| Cash in hand petty cash | 95 168 | 139 765 | 95 168 | 31 765 |
| Funds on call and deposits | 955 169 574 | 540 629 600 | 955 169 574 | 122 870 364 |
| | 2326 724 880 | 1165 173 310 | 2326 724 880 | 264 812 116 |

11 IFRS 16 key financial impact

11.1 Below is a summary of the financial impact transaction to IFRS 16

| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
|---------------------------------------|--------------------|-------------------|--------------------|------------------|
| Right of use assets recognised | | | | |
| Land | 369 655 | 1 626 482 | 369 655 | 369 655 |
| Building and land | 121 900 731 | 30 140 625 | 121 900 331 | 7 219 797 |
| Opening accumulated depreciation | (2 525 552) | - | (2 525 552) | - |
| Less depreciation charge for the year | (27 778 177) | (11 112 429) | (27 778 177) | (2 525 552) |
| | 91 966 657 | 20 654 678 | 91 966 257 | 5 063 900 |
| | | | | |
| Lease liability recognised | 122 269 986 | 33 391 829 | 122 269 986 | 7 589 452 |
| Lease Liability(Amortisation) | (15 691 491) | (10 381 400) | (15 691 491) | (2 359 409) |
| | 106 578 496 | 23 010 429 | 106 578 496 | 5 230 043 |
| Current portion of lease liability | 24 291 873 | 10 617 623 | 24 291 873 | 2 413 322 |
| Non current of lease liability | 82 286 622 | 12 392 806 | 82 286 622 | 2 816 721 |
| | 106 578 495 | 23 010 429 | 106 578 495 | 5 230 043 |
| | | | | |
| 11.2 Finance cost | | | | |
| Interest-Lease | 20 086 233 | 3 363 226 | 20 086 233 | 3 363 226 |
| Bank charges | 3 625 512 | 1 890 776 | 3 625 512 | 1 890 776 |
| | 23 711 745 | 5 254 002 | 23 711 745 | 5 254 002 |

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

| | Inflation adjusted | | Historical cost | |
|---|--------------------|--------------------|--------------------|-------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| 12 Deferred income | | | | |
| Opening balance | 39 636 642 | 328 715 075 | 39 636 642 | 74 707 972 |
| Additions during the year | 1456 947 391 | 630 516 684 | 1456 947 391 | 143 299 246 |
| Amortised during the year | (765 438 286) | (784 830 534) | (765 438 286) | (178 370 576) |
| Reclass from retained earnings (sealing income) | 14 335 092 | - | 14 335 092 | - |
| | 745 480 839 | 174 401 225 | 745 480 839 | 39 636 642 |

Sealing fees was used to finance Sealing fees capital projects in the financial year 2020

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| 13 Provisions | | | | |
| Performance award | 116 186 322 | 8 670 666 | 116 186 322 | 1 970 605 |
| Gratuity | 11 302 999 | - | 11 302 999 | - |
| Foreign currency valuation account | (3 789 215) | 495 510 066 | (3 789 215) | 112 615 924 |
| Provisions for pending labour disputes | 13 977 304 | 117 866 990 | 13 977 304 | 26 787 952 |
| Leave pay provision | 403 567 164 | 54 642 090 | 403 567 164 | 12 418 657 |
| | 541 244 573 | 676 689 812 | 541 244 573 | 153 793 139 |

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

| | | | | |
|---|--------------------|--------------------|--------------------|-------------------|
| 14 Other income | | | | |
| Profit on disposal of assets | - | 2 946 505 | - | 522 225 |
| Insurance | 20 683 477 | 94 770 448 | 18 050 105 | 9 778 153 |
| Clearing of vehicles (Central Vehicle Registration) | 62 503 | 1 102 844 | 54 546 | 195 463 |
| Exchange gain | 925 014 613 | 288 671 333 | 925 014 613 | 65 607 121 |
| Gain from price difference | 97 157 | 1 924 025 | 84 787 | 15 617 |
| Fair value income | - | 2 871 535 | - | 508 938 |
| Tender documents sales | 180 577 | 191 188 | 157 586 | 33 885 |
| Other commissions | 450 265 | 831 155 | 392 938 | 147 310 |
| Fiscal device income | 470 217 | 2 932 540 | 410 350 | 519 750 |
| Sealing fees | - | 106 655 554 | - | 11 802 680 |
| Sealing fine | - | 3 615 586 | - | 640 810 |
| Sealing fees diversion | - | 10 672 827 | - | 1 891 602 |
| Commission on Kariba dam toll fees | 1 940 158 | 11 055 | 1 693 142 | 1 959 |
| Miscellaneous | 3 127 | 3 643 230 | 2 728 | 645 709 |
| | 948 902 093 | 520 839 824 | 945 860 795 | 92 311 222 |

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

| | Inflation adjusted | | Historical cost | |
|---|----------------------|----------------------|----------------------|--------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| 15 Payables | | | | |
| Bandwidth | 3 553 338 | 14 308 026 | 3 553 338 | 3 251 824 |
| Electricity and rates | 9 754 063 | 2 242 473 | 9 754 063 | 509 653 |
| Cellphone charges | 2 334 674 | 90 213 | 2 334 674 | 20 503 |
| Hotel accommodation | 4 155 308 | 51 062 | 4 155 308 | 11 605 |
| Consultancy | 16 048 223 | 7 889 248 | 16 048 223 | 1 793 011 |
| Insurance excess | 1 922 449 | - | 1 922 449 | - |
| Hire of conference facilities | 205 850 | - | 205 850 | - |
| Legal fees | 3 150 718 | 1 180 036 | 3 150 718 | 268 190 |
| Transport allowance | - | 19 800 | - | 4 500 |
| Recruitment fees | 309 384 | - | 309 384 | - |
| Overtime | 17 307 397 | - | 17 307 397 | - |
| Cash in lieu of leave | 3 150 718 | - | 3 150 718 | - |
| Acting allowance | 2 689 497 | - | 2 689 497 | - |
| Funeral benefit | 3 876 246 | 369 829 | 3 876 246 | 84 052 |
| Repairs and maintenance motor vehicles | 6 520 601 | 2 967 439 | 6 520 601 | 674 418 |
| Cleaning | 7 518 244 | 68 834 | 7 518 244 | 15 644 |
| Security | 33 870 903 | 140 738 | 33 870 903 | 31 986 |
| Night allowance | 1 086 575 | - | 1 086 575 | - |
| Protective clothing | 646 728 | - | 646 728 | - |
| Operational utilities | 292 165 | 119 016 | 292 165 | 27 049 |
| Licencing and subscriptions | 48 116 693 | 113 610 512 | 48 116 693 | 25 820 571 |
| Repairs and maintenance | 4 452 695 | 95 744 955 | 4 452 695 | 21 760 217 |
| Marketing and publicity | 5 768 456 | 627 752 | 5 768 456 | 142 671 |
| Books and courier services | 85 000 | 31 900 | 85 000 | 7 250 |
| Printing and Stationery | 334 988 | - | 334 988 | - |
| Insurance | 566 039 | - | 566 039 | - |
| Rentals | 17 233 836 | 2 698 692 | 17 233 836 | 613 339 |
| Telephone charges | 5 120 274 | 1 489 418 | 5 120 274 | 338 504 |
| Performance award | 46 503 660 | - | 46 503 660 | - |
| Travelling and Subsistence | 2 719 635 | 1 376 659 | 2 719 635 | 312 877 |
| Hire - motor vehicles | 5 120 429 | - | 5 120 429 | - |
| Board Fees and Allowances | 39 250 | 185 900 | 39 250 | 42 250 |
| Tuition fees | 665 417 | - | 665 417 | - |
| GIRR | 12 419 087 | 5 850 770 | 12 419 087 | 1 329 722 |
| Trade creditors | 246 452 262 | 141 319 719 | 246 452 262 | 32 118 118 |
| Invoice management system | 3 836 758 | 16 881 735 | 3 836 758 | 3 836 758 |
| Retention for default liability on projects | 470 849 | 2 071 736 | 470 849 | 470 849 |
| Tax obligations | 29 710 594 | 18 850 929 | 29 710 594 | 4 284 302 |
| | 548 009 003 | 430 187 388 | 548 009 003 | 97 769 861 |
| 16 Employment cost | | | | |
| Cash in lieu of leave | 528 358 469 | 79 619 988 | 410 180 385 | 7 977 780 |
| Overtime | 89 430 743 | 43 201 879 | 69 427 745 | 4 328 751 |
| National employment council | 8 768 074 | 1 816 952 | 6 806 917 | 182 055 |
| Medical expenses | 132 563 054 | 66 095 309 | 102 912 640 | 6 622 632 |
| Pension contributions | 176 107 263 | 89 419 329 | 136 717 304 | 8 959 657 |
| Social security contributions | 18 282 946 | 13 868 580 | 14 193 594 | 1 389 607 |
| Salaries and benefits | 2552 628 530 | 1671 140 615 | 1981 681 406 | 167 445 297 |
| Zimbabwe manpower development and standard levy | 40 855 090 | 24 911 711 | 31 717 021 | 2 496 109 |
| | 3 546 994 171 | 1 990 074 362 | 2 753 637 011 | 199 401 888 |

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

| | Inflation adjusted | | Historical cost | |
|--|---------------------|---------------------|---------------------|--------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| 17 Administration costs | | | | |
| Allowance for credit loss | 167 413 | 250 782 | 167 413 | 43 578 |
| Loss on disposal | 115 686 625 | - | 115 686 625 | - |
| Board fees and allowances | 3 239 953 | 1 283 027 | 2 367 400 | 222 950 |
| Cleaning | 47 253 090 | 11 704 441 | 34 527 347 | 2 033 865 |
| Consultancy and legal fees | 81 812 243 | 57 969 376 | 59 779 365 | 10 073 263 |
| Depreciation and amortisation(note 17.1) | 793 216 462 | 784 830 533 | 793 216 462 | 178 370 576 |
| Obsolete stock written off | 302 220 | 281 306 | 302 220 | 48 882 |
| Write down of consumables to net realisable value | 63 917 | 71 593 | 63 917 | 12 441 |
| Marketing and publicity | 38 912 863 | 33 045 990 | 28 433 229 | 5 742 358 |
| Motor vehicle expenses | 186 867 859 | 78 064 627 | 136 542 423 | 13 565 188 |
| Office accommodation | 37 276 360 | 23 745 651 | 27 237 453 | 4 126 251 |
| Office and operational utilities | 124 167 092 | 63 833 516 | 90 727 618 | 11 092 266 |
| Printing and stationery | 20 530 850 | 21 318 258 | 15 001 681 | 3 704 446 |
| Protective clothing | 47 136 789 | 1 308 504 | 34 442 367 | 227 377 |
| Recruitment fees | 5,763,878.92 | 900 834 | 4 067 916 | 156 537 |
| Rentals and hire | 180 437 407 | 77 963 657 | 131 843 758 | 13 547 643 |
| Repairs and maintenance | 149 806 660 | 277 271 412 | 109 462 186 | 25 243 623 |
| Security | 89 842 890 | 25 120 677 | 65 647 276 | 4 365 187 |
| Staff welfare | 11 608 433 | 1 777 770 | 8 482 163 | 308 921 |
| Subscriptions and licensing | 331 234 485 | 300 262 958 | 242 029 632 | 33 122 165 |
| Telephone and postages | 50 872 753 | 22 809 042 | 37 172 197 | 3 963 497 |
| Training costs | 9 180 962 | 7 778 426 | 6 708 435 | 1 351 647 |
| Uniforms | 8 439 535 | 936 266 | 6 166 682 | 162 694 |
| Fiscalisation devices | 635 961 | 1 594 586 | 464 690 | 277 089 |
| Audit fees | 2 692 835 | 1 969 379 | 1 967 627 | 342 216 |
| Travel and subsistence | 159 837 855 | 158 944 146 | 116 791 877 | 27 619 516 |
| Exchange loss | 909 776 188 | 1206 510 765 | 909 776 188 | 209 653 795 |
| | 3406 763 579 | 3161 547 523 | 2979 076 147 | 549 377 971 |
| 17.1 Analysis of depreciation and amortisation for the year | | | | |
| Depreciation on property, plant and equipment | 662 537 968 | 471 956 813 | 662 537 968 | 107 262 912 |
| Amortisation on intangible assets | 102 900 318 | 301 761 293 | 102 900 318 | 68 582 112 |
| Depreciation on right of use assets recognised | 27 778 177 | 11 112 427 | 27 778 177 | 2 525 552 |
| | 793 216 462 | 784 830 533 | 793 216 462 | 178 370 576 |

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020.

18 Related party transactions

18.1 Board of directors

The board of directors consisted of nine non-executive directors and one executive member. Gross sitting allowances and fees for the non-executive directors for the year ended December 31, 2020 were as follows:

| | Inflation adjusted | | Historical cost | |
|------------------------|--------------------|------------------|------------------|------------------|
| | 31-Dec-20 ZWL | 31-Dec-19 ZWL | 31-Dec-20 ZWL | 31-Dec-19 ZWL |
| Board fees | 2 141 867 | 751 573 | 1 565 040 | 130 600 |
| Board chairperson | 330 920 | 156 530 | 241 800 | 27 200 |
| Vice Board chairperson | 278 531 | 123 152 | 203 520 | 21 400 |
| Other board members | 1 532 415 | 471 891 | 1 119 720 | 82 000 |
| Sitting allowances | 1 098 086 | 591 589 | 802 360 | 102 800 |
| Board chairperson | - | 42 583 | - | 7 400 |
| Vice Board chairperson | 176 491 | 138 402 | 128 960 | 24 050 |
| Other board members | 921 595 | 410 604 | 673 400 | 71 350 |
| | 3 239 953 | 1 343 163 | 2 367 400 | 233 400 |

18.2 Key management compensation

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

| | | | | |
|--|-------------------|-------------------|-------------------|------------------|
| 18.3 Short term employee benefits | 48 701 774 | 81 046 438 | 37 808 634 | 8 120 708 |
| Basic salary | 12 101 755 | 26 651 684 | 9 394 952 | 2 670 451 |
| Benefit allowance | 24 661 939 | 29 425 752 | 19 145 796 | 2 948 408 |
| General living allowance | 6 057 023 | 10 067 926 | 4 702 247 | 1 008 788 |
| Motor vehicle allowance | - | 32 723 | - | 3 279 |
| Performance Award | - | 1 058 627 | - | 106 073 |
| Fuel allowance | 5 343 199 | 7 692 076 | 4 148 084 | 770 732 |
| Medical aid | 537 857 | 833 452 | 417 554 | 83 510 |
| Acting allowance | - | 89 927 | - | 9 010 |
| Cost of Living Allowance | - | 5 194 270 | - | 520 457 |
| Post employment benefits | 2 523 959 | 4 430 919 | 1 959 425 | 443 970 |
| Pension | 2 291 649 | 4 012 092 | 1 779 076 | 402 005 |
| NSSA | 25 369 | 70 176 | 19 695 | 7 032 |
| Group life assurance | 182 737 | 307 872 | 141 864 | 30 848 |
| Funeral fund | 24 204 | 40 779 | 18 790 | 4 086 |
| | 51 225 733 | 85 477 357 | 39 768 059 | 8 564 678 |
| Cost per employee | 1 338 488 | 786 900 | 1 039 108 | 78 846 |
| Employment cost | 3 546 994 171 | 1 990 074 363 | 2 753 637 011 | 199 401 888 |
| Number of employees* | 2 650 | 2 529 | 2 650 | 2 529 |
| Tax revenue collected | 234 381 001 637 | 231 418 788 058 | 181 956 938 693 | 23 187 748 163 |
| Revenue per employee | 88 445 661 | 91 506 045 | 68 662 996 | 9 168 742 |

* Staff numbers based on active head of 2650 including non staff members of 142 as at December 31, 2020

18.4 COVID-19 Pandemic

The COVID 19 pandemic affected business operations during the course of 2020 and with strict lockdown having started in March 2020. The Authority which is classified as essential service was operating with skeleton staff in office and the rest of members of staff were working from home using the online platforms. From September 2020, the government further relaxed lockdown restrictions, allowing retail, wholesale and service businesses to operate for extended hours as it sought to effect a delicate balancing act between containing the spread of COVID-19 and reviving the economy. However, from the 2nd of January 2021, the government again tightened lockdown restrictions to level 4 through the subsequent publication of Statutory Instrument 10/2021, where the country extended a nationwide curfew, banned gatherings and ordered non-essential businesses to close up in an effort to curb a surge in coronavirus infections. These restrictions also resulted in the postponement of reopening of schools, closure of many businesses in the informal sector due to a surge in coronavirus infections. However the Authority continue to manage the pandemic through the covid mitigation committee (CMC) and also providing the Personal Protective Equipment (PPEs) to staff members.

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-242-793611/3/4
Telegrams: AUDITOR
E-mail: oag@auditgen.gov.zw
Website: www.auditorgeneral.gov.zw



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

Ref: 6B2

**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, 2020.**

Report on the Audit of Revenue Return

Qualified Opinion

I have audited the Revenue Return of the Zimbabwe Revenue Authority set out on pages 4 to 5 for the year ended December 31, 2020. The return reflects assessed Revenue for the fiscal period ended December 31, 2020.

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the accompanying Revenue Return presents fairly, in all material respects, the revenue collected as at December 31, 2020.

Basis for Qualified Opinion

i. VAT fraudulently refunded

Included in VAT refunds of ZWL\$6.4billion refunded to clients as stated in this return on page 4, are VAT refunds that were fraudulently processed. The process to quantify the extent of fraud is still in progress.

ii. Included in this return is ZWL\$ 707 648 618 that had not been appropriately classified due to insufficient deposit details.

AUDIT REPORT IN RESPECT OF THE REVENUE RETURN

for the year ended December 31, 2020

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, 2020. I have determined that there are no other matters other than described in the basis of the audit opinion above.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2020 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 or conclusion thereon.

In connection with my audit of the Authority's revenue 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 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:

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE REVENUE RETURN

for the year ended December 31, 2020

- 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 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 my audit.

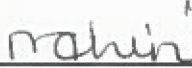
I provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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.

August 24, 2021.



**M. CHIRI (MRS),
AUDITOR – GENERAL.**

ZIMBABWE REVENUE AUTHORITY

Revenue Return

for the fiscal period ending December 31, 2020

| DESCRIPTION | ACTUAL 31/12/2020 ZWL\$ | BUDGET 31/12/2020 ZWL\$ | ACTUAL 31/12/2019 ZWL\$ | BUDGET 31/12/2019 ZWL\$ |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| TOTAL REVENUE | 181 958 338 883 | 171 883 739 807 | 23 187 748 183 | 18 802 488 838 |
| TAXES ON INCOME AND PROFITS | 88 028 713 929 | 89 204 771 648 | 7 011 961 818 | 6 150 061 899 |
| Income Tax | | | | |
| Individuals | 29 831 837 558 | 26 583 881 557 | 3 648 198 178 | 2 298 438 445 |
| Companies | 35 886 245 844 | 27 068 573 185 | 3 328 406 820 | 2 553 397 079 |
| Aids Levy | (1 902 874 502) | - | (200 289 487) | - |
| | 63 795 408 899 | 53 652 454 742 | 6 676 316 241 | 4 851 835 524 |
| Capital Gains | | | | |
| Capital Gains taxes | 117 477 512 | 736 357 959 | 61 946 917 | 54 589 915 |
| CGT Companies | 489 054 406 | - | 6 306 183 | - |
| CGT Withholding | 130 476 472 | 118 477 387 | 11 259 263 | 15 044 784 |
| | 717 008 390 | 852 835 346 | 68 610 363 | 69 634 699 |
| Domestic dividends & interest | | | | |
| Non-executive directors fees | 103 654 110 | 186 385 311 | 20 219 380 | 11 810 811 |
| Non-resident tax on fees | 846 992 889 | 1 183 367 446 | 108 776 892 | 91 320 135 |
| Non-resident tax on royalties | 122 732 491 | 145 208 295 | 6 439 883 | 5 957 332 |
| Non-resident tax on remittance | 175 561 956 | 177 688 571 | 33 186 097 | 58 462 000 |
| Non-resident tax on interest | 3 159 728 | 2 253 978 | 416 108 | 14 039 |
| Non-resident shareholders' tax | 2 502 967 248 | 2 807 504 534 | 43 243 189 | 35 924 447 |
| Resident shareholders' tax | 741 617 086 | 181 255 198 | 48 106 948 | 14 888 052 |
| Resident tax on interest | 18 432 355 | 25 838 229 | 6 781 088 | 10 214 881 |
| | 4 516 296 639 | 4 699 481 560 | 287 136 214 | 228 591 678 |
| TAX ON GOODS AND SERVICES | 87 447 218 461 | 86 906 470 142 | 12 287 217 471 | 9 987 241 880 |
| Customs Duties | | | | |
| Prime and surtax | 14 824 785 502 | 16 337 383 309 | 1 930 876 840 | 1 507 142 205 |
| Less Duty refunds | (32 982 115) | - | (19 291 002) | - |
| Deposits made in advance | 2 195 130 122 | - | 284 663 066 | - |
| | 16 998 953 509 | 16 337 383 309 | 2 186 237 893 | 1 507 142 205 |
| Excise Duties | | | | |
| Beer | 2 272 282 130 | 2 080 988 357 | 238 167 884 | 167 884 920 |
| Tobacco | 410 304 152 | 129 045 808 | 63 638 188 | 33 344 172 |
| Wine & spirits | 383 198 839 | 299 799 128 | 61 740 463 | 58 411 439 |
| Second hand motor vehicles | 21 963 504 | 18 040 822 | 9 027 932 | 3 714 617 |
| Fuel | 20 201 999 907 | 20 184 757 579 | 3 499 313 201 | 3 260 352 985 |
| Electric lamp | 25 | 894 015 | 1 782 | 424 |
| Airtime | 2 528 252 288 | 2 190 460 160 | 282 473 431 | 235 081 783 |
| | 25 618 000 844 | 24 904 965 465 | 4 131 649 671 | 3 758 790 340 |
| Value Added Tax | | | | |
| On local sales | 30 661 256 559 | 29 907 867 296 | 3 626 384 978 | 2 630 519 252 |
| Import tax | 20 464 633 120 | 19 978 434 985 | 3 031 603 640 | 2 080 789 783 |
| Less Refunds | (6 483 624 670) | (4 220 180 914) | (688 438 311) | - |
| | 44 642 264 108 | 45 664 121 367 | 6 969 430 306 | 4 691 309 036 |
| OTHER TAXES | 28 481 086 303 | 28 782 488 017 | 3 578 568 874 | 3 496 186 366 |
| Tobacco levy | 406 022 398 | 385 008 557 | 61 841 075 | 48 950 422 |
| Presumptive tax (Informal traders tax) | 101 223 673 | 103 608 289 | 15 848 247 | 25 017 594 |
| Withholding tax on contracts | 2 572 989 582 | 2 618 738 525 | 433 146 930 | 338 526 239 |
| Intermediate Money Transfer | 13 800 041 293 | 16 072 268 486 | 2 655 724 044 | 2 450 627 332 |
| Stamp duties and fees | 289 204 702 | 240 215 189 | 41 365 924 | 35 715 690 |
| Mining royalties | 5 910 907 673 | 5 953 064 396 | 556 045 507 | 522 260 547 |
| Less Refunds | (7 620 324) | - | (976 184) | - |
| Carbon tax | 1 303 725 873 | 1 172 646 556 | 54 186 652 | 65 115 144 |
| ATM Levy | 17 816 647 | 32 188 131 | 8 822 457 | 8 972 389 |
| Miscellaneous | 3 490 264 | 62 877 590 | 345 031 | - |
| Sport betting tax | - | - | - | - |
| Accounting fees | 5 815 311 | - | 1 545 305 | - |
| Fines | 308 761 910 | - | 26 339 480 | - |
| Interest | 11 534 777 | - | 738 755 | - |
| Cancellation fees | 1 149 399 | - | 248 902 | - |
| Rummage sales | 21 699 021 | - | 7 720 678 | - |
| Less rummage sale expenses | - | - | (661 973) | - |
| Business licences | 618 275 | 141 904 298 | 313 808 | - |
| State warehouse rent | 18 126 071 | - | 5 205 086 | - |
| Extrated Deposits | - | - | 2 389 711 | - |
| Surplus Cash | 7 751 144 | - | 2 361 880 | - |
| Deposits not yet classified | 707 648 618 | - | 6 017 580 | - |
| | 28 481 086 303 | 28 782 488 017 | 3 878 568 874 | 3 496 186 366 |

18/08/2021

18/08/2021

18/08/2021

L. Z. Karonga
(Acting Director Finance and Administration.)

R. Masaire
(Acting Commissioner General.)

J. Matambo
(Board Vice Chairperson.)

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE REVENUE RETURN

for the year ended December 31, 2020

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, 2020, 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 historical cost basis.

2.3. Reporting currency

This return is presented in the RTGS Dollar (ZWL) which is the reporting currency. Foreign currency collections were converted to Zimbabwe RTGS dollar (ZWL) as at transaction date, using the applicable interbank rate. All the financial information presented has been rounded to the nearest dollar.

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 less of refunds are reflected in the Revenue Return.

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-242-793611/3/4
Telegrams: AUDITOR
E-mail: oag@auditgen.gov.zw
Website: www.auditorgeneral.gov.zw



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

Ref: 682

**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, 2020**

Report on the Audit of Receipts and Disbursements Return

Qualified Opinion

I have audited the Receipts and Disbursement Return of the Zimbabwe Revenue Authority set out on pages 5 to 8 for the year ended December 31, 2020. The return reflects assessed Receipts and Disbursements as at December 31, 2020.

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the accompanying Receipts and Disbursements Return presents fairly, in all material respects, the receipts and disbursements during the period ended December 31, 2020.

Basis for Qualified Opinion

VAT fraudulently refunded

Included in VAT refunds of ZWL\$6.4 billion in note 4.6 of this return are VAT refunds that were fraudulently processed. The process to quantify the extent of fraud is still in progress.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE RECEIPTS AND DISBURSEMENTS RETURN

for the year ended December 31, 2020

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, 2020. I have determined that there are no other matters other than described in the basis for qualified audit opinion above.

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 2020 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 or 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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE RECEIPTS AND DISBURSEMENTS RETURN

for the year ended December 31, 2020

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, I am required to 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 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.

ZIMBABWE REVENUE AUTHORITY

**AUDIT REPORT IN RESPECT OF THE RECEIPTS AND DISBURSEMENTS
RETURN**

for the year ended December 31, 2020

I 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 my audit.

I 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.

August 24, 2021.

M. Chiri
M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY
Receipts and Disbursements Return
for the year December 31, 2020

| Description | 31/12/2020 | | 31/12/2019 | |
|--|------------------------|------------------------|-----------------------|-----------------------|
| | Dr ZWL\$ | Cr ZWL\$ | Dr ZWL\$ | Cr ZWL\$ |
| Opening balance as at January 1 | 598 008 510 | | 43 710 983 | |
| Opening investment bank balances as at January 1, (note 4.2) | | | 863 864 | |
| Additions during the year | 193 583 379 735 | | 24 518 867 121 | |
| Less Disbursements in respect of; | | | | |
| Refunds Note 4.6 | | 6 524 207 009 | | 709 367 470 |
| Exchequer account | | 164 560 904 355 | | 19 648 920 143 |
| Intermediate money transfer tax (IMTT) | | 13 300 973 082 | | 2 648 185 009 |
| Retention grant | | 5 500 007 765 | | 520 084 742 |
| Bank charges | | 343 376 765 | | 2 838 335 |
| Aids levy | | 1 334 127 395 | | 140 313 705 |
| NOZIM levy | | 215 223 799 | | 39 390 256 |
| Vehicle registration numbers | | 84 378 750 | | 3 203 355 |
| Commissions | | 54 818 408 | | 7 638 106 |
| Motor insurance | | 224 659 460 | | 65 584 365 |
| Toll fees | | 9 883 | | 18 654 |
| Strategic levy | | 233 753 231 | | 21 765 006 |
| Petroleum levy | | 1 053 135 | | 1 249 340 |
| Transit fees | | 2 293 | | 3 068 |
| Road access fees | | 12 885 899 | | 12 074 880 |
| Veterinary inspection fees | | 61 770 | | 38 327 |
| Re-afforestation levy | | - | | - |
| Presumptive tax levy | | 83 823 175 | | 21 543 115 |
| Health fund-airtime levy | | 1 012 536 887 | | 115 654 316 |
| Health inspection fees | | 28 356 816 | | 5 817 329 |
| Plant quarantine services and fertilizer, feeds and remedies | | 14 008 196 | | 1 743 935 |
| Main account bank balance as at December 31 | | 672 220 181 | | 598 008 510 |
| TOTAL | 194 181 388 245 | 194 181 388 245 | 24 563 441 968 | 24 563 441 968 |

18/08/2021, 2021.

18/08/2021, 2021.

18/08/2021, 2021.


L. Z Karonga,
(Acting Director Finance and
Administration).


R. Masaire,
(Acting Commissioner General).


J. Matambo,
(Board Vice Chairperson).

ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE RECEIPTS AND
DISBURSEMENTS RETURN

for the year ended December 31, 2020

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 Receipts and Disbursements Return for the year ended December 31, 2020, 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 RTGS Dollar (ZWL) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar. Foreign currency collections were converted to Zimbabwe as at transaction date, using the applicable interbank rate.

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

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE RECEIPTS AND DISBURSEMENTS RETURN

for the year ended December 31, 2020

3.2. Receipts

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

3.3 Disbursements

Payments to Exchequer, Treasury, third parties and retention 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, 2020, the investment of USD863 864 in Treasury bill, which relates to amounts that were outstanding from the Reserve bank, were redeemed.

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 amounts collected in foreign currency are converted to ZWL.

4.4 Retention

The retention relates to taxes that the Authority retains from collections for use in their operations. During 2020 The Authority retained Grant, Clearance Fees, Sealing Fees and Sealing Fines

ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE RECEIPTS AND
DISBURSEMENTS RETURN

for the year ended December 31, 2020

4.5 Commission

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

4.6 Refunds

| | 31/12/2020 | 31/12/2019 |
|------------------|----------------------|--------------------|
| Refunds | ZWL\$ | ZWL\$ |
| VAT | 6 483 624 570 | 688 438 311 |
| Duty | 32 962 115 | 19 291 002 |
| Mining royalties | 7 620 324 | 976 184 |
| Rummage sale | - | 661 973 |
| | <u>6 524 207 009</u> | <u>709 367 470</u> |

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-242-793611/3/4
Telegrams: AUDITOR
E-mail: oag@auditgen.gov.zw
Website: www.auditorgeneral.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 OUTSTANDING REVENUE RETURN FOR THE
ZIMBABWE REVENUE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2020.

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 9 for the year ended December 31, 2020. The return reflects assessed outstanding revenue as at December 31, 2020. 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, 2020.

Basis for Qualified Opinion

i) **SAP system contract accounts**

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 being posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE OUTSTANDING REVENUE RETURN

for the year ended December 31, 2020

ii) **The SAP E-services platform**

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. I could not establish the extent of the misstatement.

iii) **Tax Amnesty**

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 2020 all interest and penalties were yet to be reversed on the accounts of all approved clients. I could not determine the total amount of penalties and interest to be reversed which was included in the Outstanding Revenue Return.

iv) **Removal In Transit**

Removal In Transit (regional consignments) entries amounting to ZWL\$ 140 222 566 (2019: ZWL\$ 30 699 543) had not been acquitted as at December 31, 2020. Some of the entries date back to the year 2015 and they exclude RITs that are in the process of cancellation once they meet the required criteria. 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.

v) **Temporary Import Permits**

Temporary Import Permits were issued to vehicles that were entering the country temporarily and these permits were expected to be acquitted before they expire. As at December 31, 2020 there were 34 008 (2019: 49 620) 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 2013. Some of the vehicles may have been localised as they are long outstanding compromising potential duty payable.

vi) **Unallocated deposits**

Included in the revenue return is ZWL\$ 707 648 618 deposited by clients but not receipted and allocated to any tax head by end of December 2020. The Authority attribute the anomaly to insufficient details of the payee and tax heads for online banking payments. The outstanding revenue return was not adjusted for these payments. Some clients then continue to accumulate penalties and interest for outstanding amounts.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE OUTSTANDING REVENUE RETURN

for the year ended December 31, 2020

vii) **VAT refunds**

Included in VAT refunds of ZWL\$6.4billion stated in the receipts and disbursements, revenue return were VAT refunds that were fraudulently processed. The process to quantify the extent of fraud is still in progress, hence this return excludes these amounts.

Emphasis of Matter

Companies that are under liquidation and judicial management

I draw attention to Note 4.5 of the Outstanding Revenue Return which indicates the amounts owed to the Authority by companies under liquidation and judicial management, whose recoverability may be doubtful. My opinion is not modified in respect of this matter.

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, 2020. I have determined that there are no other matters other than described in the basis of the audit opinion above.

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 2020 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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE OUTSTANDING REVENUE RETURN

for the year ended December 31, 2020

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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE OUTSTANDING REVENUE RETURN

for the year ended December 31, 2020

- 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 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 my audit. I 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.

August 24, 2021.

M. Chiri
M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

OUTSTANDING REVENUE RETURN

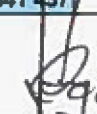
As at December 31, 2020


| REVENUE HEAD | Note | OUTSTANDING AMOUNT | |
|--|------------|----------------------|----------------------|
| | | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
| ATM Levy | | 237 360 | 5 107 |
| Capital gains tax (CGT) | | 128 594 245 | 11 490 410 |
| Capital gains withholding tax | | 9 674 466 | 12 739 582 |
| Carbon tax | | 1 675 469 | 971 |
| Customs duty | | 359 202 984 | 108 511 602 |
| Excise duty | | 11 309 103 | 17 262 359 |
| Non - executive directors fees | | 5 471 034 | 4 399 460 |
| Non - residence shareholder tax | | 14 312 566 | 5 008 128 |
| Non - residence tax on fees | | 38 578 427 | 56 015 347 |
| Non - resident tax on interest | | 5 505 | 5 505 |
| Non - resident tax on remittance | | 3 313 772 | 15 034 591 |
| Non - resident tax on royalties | | 326 054 | 1 135 016 |
| Special excise | | - | 4 200 |
| Resident shareholders tax | | 4 570 481 | 3 010 887 |
| Resident tax on interest | | 36 901 477 | 33 095 461 |
| Income tax companies | | 1 610 495 729 | 1 629 616 669 |
| Intermediate money transfer tax (IMTT) | | 703 205 032 | 60 181 716 |
| Noczim levy | | - | - |
| Clearance fees | | 1 320 | 1 150 |
| Other | | 14 824 256 | 9 315 125 |
| Demutualisation levy | | 90 | 105 |
| Pay as you earn (PAYE) | | 2 554 159 964 | 942 577 706 |
| Penalty | | 13 723 213 | 4 657 905 |
| Presumptive tax | | 11 153 940 | 4 990 412 |
| Royalties on minerals | | 59 241 179 | 112 269 554 |
| Stamp duties | | 21 896 089 | 31 471 883 |
| State warehouse rent | | 2 913 552 | 2 246 127 |
| Surtax | | 20 413 561 | 1 858 576 |
| Pension directives | | 9 441 193 | 14 773 531 |
| Tobacco levy | | 21 198 865 | 2 223 997 |
| Fines | | - | - |
| Value Added Tax (VAT) | | 2 710 427 361 | 1 483 021 069 |
| VAT withholding tax | | 21 579 180 | 82 451 490 |
| Vat on imports services | | 26 019 283 | 8 584 786 |
| VAT on imports | | 92 031 284 | 18 067 591 |
| Withholding tax on tenders | | 163 638 571 | 115 162 082 |
| Withholding tax non -resident tax | | 304,835.27 | - |
| TOTAL | 4.3 | 8 668 841 437 | 4 791 190 100 |

18/08/ 2021.

18/08/ 2021.

18/08/ 2021.


L.Z. Karonga
(Acting Director Finance and Administration).


R. Masaire
(Acting Commissioner General).


J. Matambo
(Board Vice Chairperson).

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE OUTSTANDING REVENUE RETURN

for the year ended December 31, 2020

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, 2019, 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 RTGS Dollar (ZWL) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar. Foreign currency collections were converted to Zimbabwe as at transaction date, using the applicable interbank rate.

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.

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE OUTSTANDING REVENUE RETURN

for the year ended December 31, 2020

3.8. 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 OUTSTANDING REVENUE

4.1 Domestic Taxes outstanding revenue

| | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
|---|----------------------|----------------------|
| Opening debt balance at January 01 | 4 628 794 878 | 4 924 460 938 |
| Less : Receipts for amounts owing (collections) | (3 170 440 220) | (1 078 050 941) |
| Subtotal old debt as at December 31 | 1 458 354 658 | 3 846 409 997 |
| Add : Assessments for current year | 6 689 358 304 | 1 294 295 591 |
| Less : Receipts for assessments raised in current year | - | (511 910 710) |
| Closing debt balance at December 31 | 8 147 712 962 | 4 628 794 878 |

4.2 Customs and Excise outstanding revenue

| | 31/12/2020 ZWL\$ | 31/12/ 2019 ZWL\$ |
|---|---------------------|----------------------|
| Opening debt balance at January 01 | 162 395 222 | 114 114 901 |
| Less : Receipts for amounts owing (collections) | (16 945 684) | (13 588 819) |
| Subtotal old debt as at December 31 | 145 449 538 | 100 526 082 |
| Add : Assessments for current year | 397 927 369 | 154 389 279 |
| Less : Receipts for assessments raised in current year | (31 248 432) | (92 520 139) |
| Closing debt balance at December 31 | 521 128 475 | 162 395 222 |

DEBT GRAND TOTAL

| | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
|------------------------------|----------------------|----------------------|
| Domestic tax debt (note 4,1) | 8 147 712 962 | 4 628 794 878 |
| Customs debt (note 4.2) | 521 128 475 | 162 395 222 |
| Grand total | 8 668 841 437 | 4 791 190 100 |

ZIMBABWE REVENUE AUTHORITY

ACCOUNTING POLICIES AND NOTES TO THE OUTSTANDING REVENUE RETURN

for the year ended December 31, 2020

4.3 Removal in Transit (RIT) not yet acquitted

| | 31/12/2020 ZWL\$ | 31/12/ 2019 ZWL\$ |
|---|---------------------|----------------------|
| Total Removal in Transit (RITs) not acquitted | 140 222 566 | 30 699 543 |

The total Removal In transit not yet acquitted as at December 31, 2020 amounted to ZWL140 222 566. This translated /converted **USD\$ 1 714 493** using an exchange rate of 81.7866 prevailing as at December 31, 2020.

4.4 Other Debtors

| | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
|---|---------------------|---------------------|
| Opening balance | 9 315 125 | 9 950 197 |
| Less: Receipts for amounts owing (Collections) | - | (635 072) |
| Closing balance | 9 315 125 | 9 315 125 |

4.5 Amounts held by entities under liquidation and judicial management

| | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
|--------------------|---------------------|---------------------|
| INTERFIN | 1 709 391 | 1 709 391 |
| METBANK | 4 899 050 | 4 899 050 |
| TETRAD | 1 849 796 | 1 849 796 |
| GRAND TOTAL | 8 458 237 | 8 458 237 |

5 COVID-19 impact

On the 11th of April 2020, the World Health Organisation (WHO) declared COVID-19 as a global pandemic as a result of the scale and rising rate of infections across the globe. The rapid spread of the disease in recent months has caused significant disruptions to global markets and economies. With many economies on lockdown and on severe travel restrictions the world economies were almost at a standstill. At local level the COVID-19 (Corona Virus) has been declared a national disaster, and measures implemented to contain the virus caused significant disruptions of the economic activities in the country. The risk was that most of the businesses were significantly affected by the lockdown and strain coming of the COVID-19 measures hence the risk of the outstanding revenue may become difficult to recover as businesses may take too long to recover from the effects of pandemic.

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-242-793611/3/4
Telegrams: AUDITOR
E-mail: oag@auditgen.gov.zw
Website: www.auditorgeneral.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 (ZIMRA)
FOR THE YEAR ENDED DECEMBER 31, 2020

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 5 to 6 for the year ended December 31, 2020. The return reflects Tax Reserves as at December 31, 2020.

In my opinion, the Tax Reserve Certificates Return presents fairly, in all material respects, the Tax Reserves for the year ended December 31, 2020.

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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE TAX RESERVE CERTIFICATES RETURN

for the year ended December 31, 2020

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 Zimbabwe Revenue Authority's Tax Reserve Certificates Return for the year ended December 31, 2020. I have determined that there are no key audit matters to communicate in my report.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2020 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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE TAX RESERVE CERTIFICATES RETURN

for the year ended December 31, 2020

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.

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 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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE TAX RESERVE CERTIFICATES RETURN

for the year ended December 31, 2020

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.

August 24, 2021.

M. Chiri
M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

Tax Reserve Certificates Return

as at December 31, 2020

| REVENUE HEAD | TAX RESERVES | |
|---|--------------------|--------------------|
| | 31/12/2020 ZWLS | 31/12/2019 ZWLS |
| Value of certificates not converted | - | - |
| Add sales from January to December | - | - |
| Less conversions from January to December | - | - |
| Balance at year end | - | - |
| Total | - | - |

18/08/, 2021.


L. Z. Karonga
(Acting Director Finance and Administration).

18/08/, 2021.


R. Masaire
(Acting Commissioner General).

18/08/, 2021.


J. Matambo
(Board Vice Chairperson).

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE TAX RESERVE CERTIFICATES RETURN
for the year ended December 31, 2020

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, 2020, 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 RTGS Dollar (ZWL) which is the reporting currency. Foreign currency collections were converted to Zimbabwe RTGS dollar (ZWL) as at transaction date, using the interbank rate.

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 received.

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.

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-242-793611/3/4
Telegrams: AUDITOR
E-mail: oag@auditgen.gov.zw
Website: www.auditgeneral.gov.zw



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



Ref: **BB2**

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE REVENUE WRITTEN OFF RETURN

OF THE ZIMBABWE REVENUE AUTHORITY (ZIMRA)

FOR THE YEAR ENDED DECEMBER 31, 2020

Report on the Audit of Revenue Written Off Return

Opinion

I have audited the Revenue Written Off Return of the Zimbabwe Revenue Authority set out on page 5 to 7 for the year ended December 31, 2020. The return reflects Revenue written off as at December 31, 2020.

In my opinion, the Revenue Written Off Return presents fairly, in all material respects, the revenue written off for the year ended December 31, 2020.

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 Written Off 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 Written Off 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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE REVENUE WRITTEN OFF RETURN

for the year ended December 31, 2020

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 Revenue Written Off Return for the year ended December 31, 2020. I have determined that there are no key audit matters to communicate in my report.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2020 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's Revenue Written Off 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 Written Off 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 Revenue Written Off 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 Written Off 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 Written Off 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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE REVENUE WRITTEN OFF RETURN

for the year ended December 31, 2020

Auditor's Responsibilities for the Audit of the Revenue Written Off Return

The objectives of my audit are to obtain reasonable assurance about whether the Revenue Written Off 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 Written Off Return, including the disclosures, and whether the Revenue Written Off 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 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.

ZIMBABWE REVENUE AUTHORITY

AUDIT REPORT IN RESPECT OF THE REVENUE WRITTEN OFF RETURN

for the year ended December 31, 2020

From the matters communicated with directors, I determine those matters that were of most significance in the audit of this 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 Written Off 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.

August 24, 2021.

M. Chiri
M. CHIRI (MRS),
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

Revenue Written Off Return

for the year ended December 31, 2020


REVENUE HEAD

| | 31/12/2020 ZWL\$ | 31/12/2019 ZWL\$ |
|---|---------------------|---------------------|
| Irrecoverable amounts approved for write off | | |
| Domestic Taxes revenue heads | 12 496 414 | 6 240 846 |
| Customs and Excise revenue heads | - | - |
| Other revenue related write offs | - | - |
| Total | 12 496 414 | 6 240 846 |


18/08/, 2021.


 L. Z Karonga
 (Acting Director Finance and Administration).

18/08/, 2021.


 R. Masaire
 (Acting Commissioner General).

18/08/, 2021.


 J. Matambo
 (Board Vice Chairperson).

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE REVENUE WRITTEN OFF RETURN

for the year ended December 31, 2020

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 Written Off Return for the year ended December 31, 2020, 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 Revenue Written off 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 RTGS Dollar (ZWL) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar. Foreign currency collections were converted to Zimbabwe as at transaction date, using the applicable interbank rate.

3. ACCOUNTING POLICIES

The revenue written off 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.

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE REVENUE WRITTEN OFF RETURN

for the year ended December 31, 2020

3.2. Revenue written off

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. The outstanding revenue which could not be collected is written off after exhausting all collection means and authority to write off is granted by Ministry of Finance.



Transparency | Innovativeness | Integrity | Fairness | Commitment