

REVENUE PERFORMANCE REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019



Josephine Matambo
ZIMRA Vice Board Chairperson

1. Introduction

The fourth quarter of 2019 saw the Zimbabwe Revenue Authority (ZIMRA) increasing focus and accelerating in the implementation of the new five-year strategy (2019-2023). The Authority continues to play a pivotal role in supporting the Government's implementation of the Transitional Stabilisation Programme (TSP). I am glad to report that ZIMRA is making significant strides and continues to make positive impact to the following TSP pillars:

- **Restoration of Fiscal Balance** – during the fourth quarter of 2019, the Authority collected net revenue amounting to **\$11.71 billion** against a net revenue target of **\$7.95 billion (47.27%** above target). On a cumulative annual basis, the authority collected net revenue of **\$23.19 billion** against a target of **\$18.60 billion** for the year ending 31 December 2019 (**24.65%** above target). The net revenue to GDP ratio for the year 2019 stood at 18% against a regional average ratio of 15%¹. The authority will continue to implement voluntary and enforcement compliance strategies in order to increase this ratio.
- **Plugging of revenue leakages** – The Authority is intensifying efforts to plug revenue leakages through closing of smuggling loopholes, fighting and prevention of corruption by ZIMRA staff members and the clients. The strategic partnerships between ZIMRA and the Zimbabwe Anti-Corruption Commission is yielding positive results in terms of prevention and detection of corruption.
- **Ease of doing business** – ZIMRA seeks to contribute to the improvement of Zimbabwe's 'Ease of Doing Business Index' by facilitation of smooth movement of goods and people at the national ports of entry and exit and implementation of simplified tax and customs processes. In order to improve ease of doing business on domestic taxes transactions, the Authority has started the process of acquiring a modern Tax Administration System (TaRMS). On the customs side, mandatory preclearance of commercial cargo at ports of entry was implemented. A number of applications for the Authorised Economic Operator Programme are under consideration and to date, 9 companies are registered under the programme. The authority is also highly involved in the One Stop Investment Centre (OSIC) and it also contributes significantly into the

¹ Source : African Tax Administration Forum (ATAF), "African Tax Outlook, 2019 Edition, page 30

Zimbabwe Special Economic Zone Authority (ZIMSEZA) and Border Efficiency Management Systems (BEMS) activities. The objective is to increase tax and customs convenience to the transacting public.

This report provides a review of ZIMRA's strategic performance for the quarter ended 31 December 2019 and also gives a summary of the 2019 annual net revenue collection performance.

2. Domestic Revenue Mobilisation

2.1 Revenue Performance for Quarter 4 of 2019

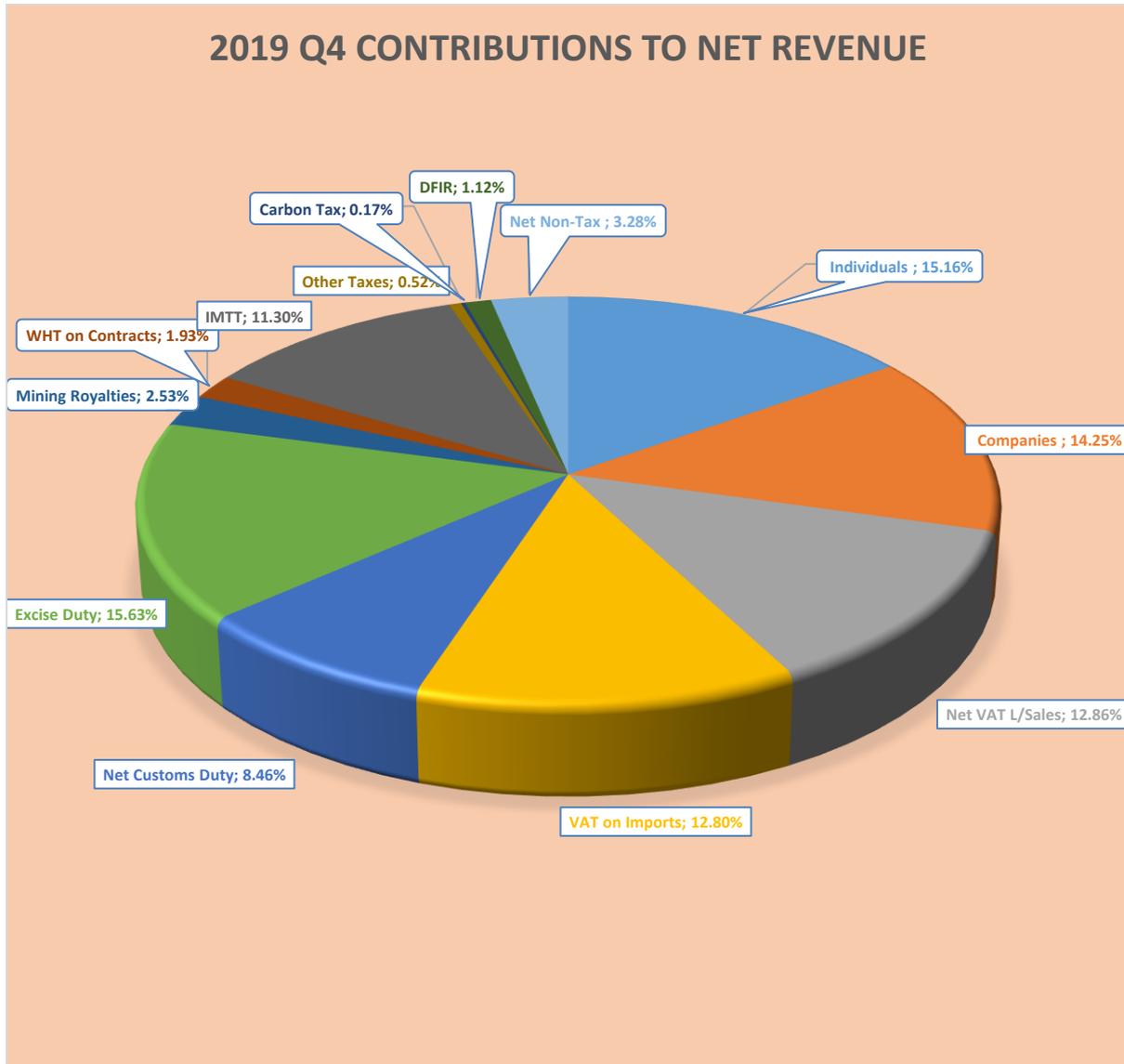
The net revenue collected in Quarter 4 of 2019 grew by **651.29%** in nominal terms as compared to the same period in 2018. In real terms net revenue collections during Quarter 4 of 2019 grew by **11.44%** from the same period last year. Generally, all revenue heads recorded growth in nominal terms which is a reflection of both inflationary pressures and the Authority's revenue collection and enforcement strategies. **Table 1** below summarises revenue performance for the quarter by revenue head:

Table 1: 2019/2018 Fourth Quarter Revenue Comparison

REVENUE HEAD	Q4 2019 MOF TARGET \$	Q4 2019 ACTUAL \$	VARIANCE	% VAR	2018 MOF TARGET \$	2018 ACTUAL\$	% Nominal Growth
Individuals	970,236,646.78	1,774,641,551.31	804,404,904.53	82.91%	218,505,000.00	233,635,510.01	659.58%
Companies	1,132,238,597.72	1,668,333,520.34	536,094,922.62	47.35%	145,000,000.00	259,167,214.35	543.73%
Gross VAT L/Sales	1,172,136,376.22	1,827,773,200.06	655,636,823.84	55.94%	247,600,000.00	315,286,185.89	479.72%
<i>Less VAT Refunds</i>		<i>322,720,013.62</i>				<i>105,384,225.51</i>	
Net VAT L/Sales	1,172,136,376.22	1,505,053,186.44	332,916,810.22	28.40%	247,600,000.00	209,901,960.38	617.03%
VAT on Imports	841,616,204.23	1,498,921,627.68	657,305,423.44	78.10%	100,600,000.00	131,418,297.66	1040.57%
Gross Customs Duty	676,925,154.05	997,530,790.98	320,605,636.94	47.36%	92,820,000.00	118,271,754.10	743.42%
<i>Less Customs Refunds</i>		<i>7,036,137.26</i>				<i>296,541.09</i>	
Net Customs Duty	676,925,154.05	990,494,653.73	313,569,499.68	46.32%	92,820,000.00	117,975,213.01	739.58%
Excise Duty	1,453,846,294.33	1,829,975,449.64	376,129,155.30	25.87%	205,396,800.00	241,708,090.77	657.10%
Mining Royalties	258,216,379.91	295,885,310.91	37,668,931.00	14.59%	23,175,000.00	23,129,245.91	1179.27%
WHT on Contracts	159,142,385.58	225,650,814.50	66,508,428.92	41.79%	34,677,966.49	38,772,341.38	481.99%
Intermediated Money Transfer Tax	1,074,808,469.78	1,322,908,586.60	248,100,116.82	23.08%	0.00	166,800,236.93	693.11%
Other Taxes	69,417,714.20	60,777,390.73	-8,640,323.48	-12.45%	19,504,033.51	17,598,811.16	245.35%
CGT & CGT Withholding	32,444,131.55	30,605,115.41	-1,839,016.14	-5.67%	8,120,000.00	9,399,998.17	225.59%
Other Indirect Taxes	36,973,582.66	27,962,108.68	-9,011,473.98	-24.37%	11,384,033.51	8,148,161.88	243.17%
Tobacco Levy		2,210,166.64	2,210,166.64	0.00%		50,651.11	4263.51%
Carbon Tax	28,446,935.67	20,341,628.02	-8,105,307.65	-28.49%	9,400,000.00	11,343,969.38	79.32%
DFIR	112,667,057.00	130,602,900.77	17,935,843.77	15.92%	18,155,000.00	14,408,524.84	806.43%
Gross Non Tax		384,215,499.18	384,215,499.18			92,816,975.19	313.95%
<i>Less Other Refunds</i>		<i>652,986.57</i>				<i>408,403.72</i>	
Net Non-Tax	-	383,562,512.61	383,562,512.61		0.00	92,408,571.47	315.07%
Total Net Revenue	7,949,698,215.48	11,707,149,133.27	3,757,450,917.79	47.27%	1,114,833,800.00	1,558,267,987.25	651.29%
Total Gross Revenue	7,949,698,215.48	12,037,558,270.72	4,087,860,055.24	51.42%	1,114,833,800.00	1,664,357,157.57	623.26%

The pie-chart below shows the net revenue collected by revenue head during the quarter ending 31 December 2019:

Figure 1: 2019 Q4 Revenue Contributions by Tax Head



Major contributors to revenue were Excise Duties (15.63%), Individuals (15.16%), Companies (14.25%) and Net VAT on Local Sales (12.86%). General inflation pressures caused the prices of goods and services to increase resulting in higher sales values. High prices prevailing in the economy resulted in the positive performance of the revenue heads.

- **Individuals'** positive performance was a result of cushioning allowances and cost of living adjustments that employers awarded to employees this quarter as well as revenue enhancement initiatives that the Authority embarked on.

- **Companies** recorded a positive performance during the quarter, which can be attributed to higher nominal profits by some companies. Increased use of mobile and electronic modes of payment which have an audit trail also enhanced compliance in revenue declarations.
- **VAT on Local Sales** also performed positively despite huge refunds of **\$330.41 million** that were paid out during the quarter.

Fiscal and financial stabilization

The performance of Customs Duty and VAT on Imports was mainly driven by the floating of the exchange rate in February 2019 as well as the increased demand for imports to supplement locally produced goods.

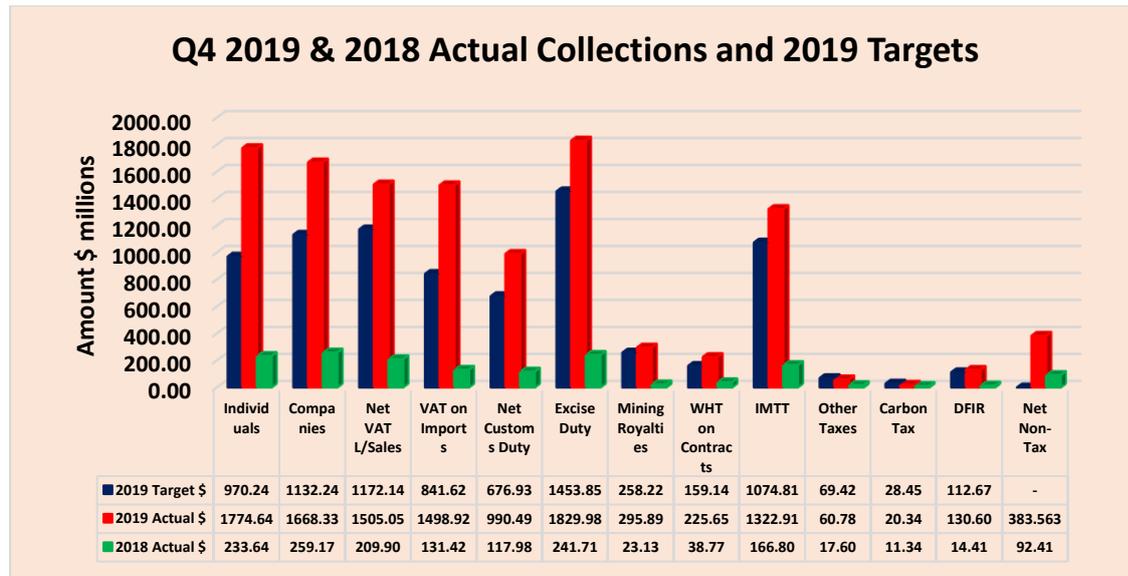
Legislative responses

Excise Duty performance was largely affected by various policy changes that were implemented throughout the year, particularly for fuel, which is the major contributor. The floating of the exchange rate also positively impacted on the performance of the revenue head. Intermediated Money Transfer Tax maintained a positive performance throughout the year owing to the continued cash shortages, which resulted in increased use of electronic and mobile payment platforms.

Q4 2019 and 2018 Net Revenue Collections Comparison

The following graph shows a comparison of revenue collections for Q4 2019 and 2018 as well as the 2019 targets for each revenue head.

Figure 2 : 2019/2018 Fourth Quarter Revenue Comparison by tax head



In nominal terms, all revenue heads performed above 2018 levels in nominal terms while Carbon Tax failed to meet the 2019 target due to declining volumes of petrol and diesel imports.

2.2 Annual cumulative net revenue performance for 12 months ending 31 December 2019

The authority collected net revenue of **\$23.19 billion** against a target of **\$18.60 billion** for the year ending 31 December 2019 (**24.65%** above target). The table below summarises the annual revenue performance for 2019:

Table 2: 2019 annual net revenue collections vs targets and 2018 collections

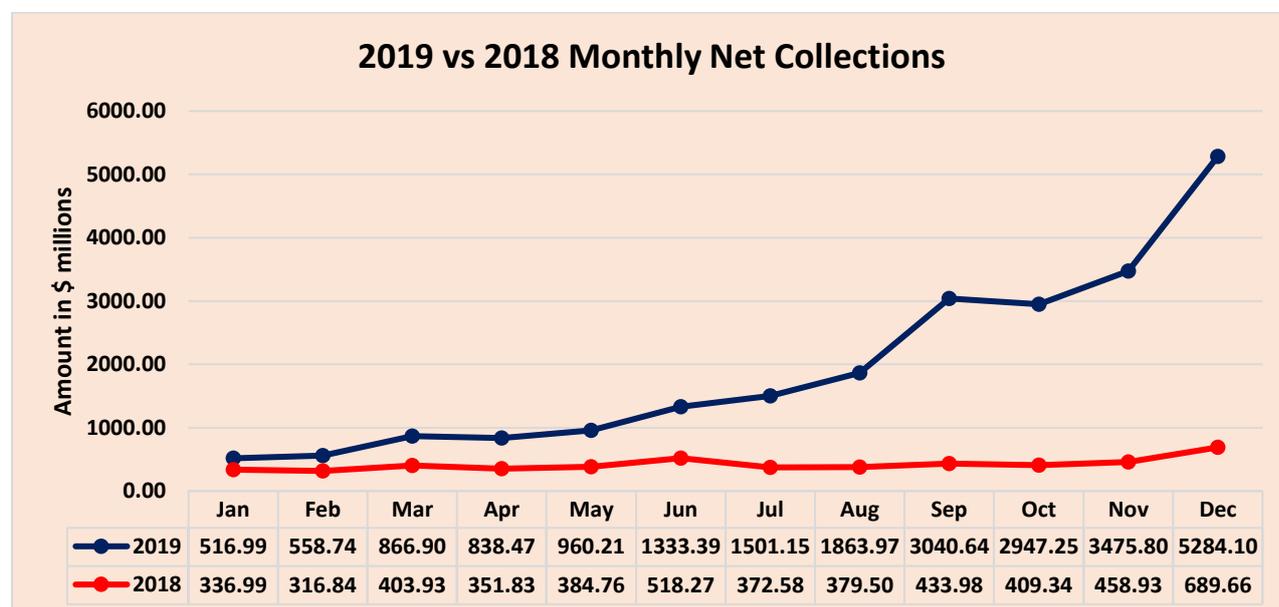
REVENUE HEAD	2019 ANNUAL MOF TARGET \$	2019 ANNUAL ACTUAL \$	VARIANCE	% VARIANCE	2018 ANNUAL ACTUAL \$	% NOMINAL GROWTH
Individuals	2,298,438,444.89	3,431,968,067.20	1,133,529,622.32	49.32%	860,411,294.17	298.88%
Companies	2,553,397,079.23	3,187,708,365.93	634,311,286.70	24.84%	809,022,668.70	294.02%
Gross VAT L/Sales	2,630,519,252.44	3,744,486,124.67	1,113,966,872.23	42.35%	1,153,346,000.56	224.66%
<i>Less VAT Refunds</i>		<i>688,438,311.02</i>			<i>297,141,872.73</i>	
Net VAT L/Sales	2,630,519,252.44	3,056,047,813.65	425,528,561.21	16.18%	856,204,127.83	256.93%
VAT on Imports	2,060,789,783.45	2,993,041,979.42	932,252,195.97	45.24%	523,982,851.26	471.21%
Gross Customs Duty	1,507,142,204.51	1,981,129,247.54	473,987,043.03	31.45%	435,959,849.79	354.43%
<i>Less Customs Refunds</i>		<i>19,291,001.73</i>			<i>1,011,479.26</i>	
Net Customs Duty	1,507,142,204.51	1,961,838,245.81	454,696,041.30	30.17%	434,948,370.53	351.05%
Excise Duty	3,758,790,339.82	4,117,326,864.36	358,536,524.55	9.54%	908,875,201.96	353.01%
Mining Royalties	522,260,546.91	555,011,931.47	32,751,384.56	6.27%	95,674,393.92	480.10%

WHT on Contracts	338,526,238.60	444,836,251.70	106,310,013.10	31.40%	163,048,202.78	172.82%
Intermediated Money Transfer Tax	2,450,627,332.30	2,653,206,122.29	202,578,789.99	8.27%	177,266,319.04	1396.73%
Other Taxes	188,290,793.30	218,698,897.11	30,408,103.81	16.15%	74,338,609.84	194.19%
CGT & CGT Withholding	69,634,698.98	68,156,402.95	-1,478,296.03	-2.12%	32,320,169.43	110.88%
Other Indirect Taxes	69,705,672.49	88,817,891.71	19,112,219.22	27.42%	26,890,434.84	230.30%
Tobacco Levy	48,950,421.83	61,724,602.45	12,774,180.62	0.00%	15,128,005.57	308.02%
Carbon Tax	65,115,144.07	56,264,492.23	-8,850,651.83	-13.59%	43,159,182.51	30.37%
DFIR ²	228,591,675.97	248,099,457.47	19,507,781.50	8.53%	75,524,264.97	228.50%
Gross Non Tax	-	265,337,831.33	265,337,831.33		41,710,286.56	536.14%
<i>Less Other Refunds</i>		<i>1,638,157.07</i>			<i>2,763,087.65</i>	
Net Non-Tax	-	263,699,674.26	263,699,674.26		38,947,198.91	577.07%
Total Net Revenue	18,602,488,835.50	23,187,748,162.91	4,585,259,327.41	24.65%	5,061,402,686.41	358.13%
Total Gross Revenue	18,602,488,835.50	23,897,115,632.73	5,294,626,797.23	28.46%	5,362,319,126.05	345.65%

2019 monthly net revenue performance vs. 2018 monthly performance

Figure 3 shows a comparison of 2019 and 2018 monthly performances.

Figure 3 : Comparison of monthly net revenue collections, 2019 vs 2018



Monthly revenue collections depicted a positive trajectory and recorded significant growth from 2018, particularly for the second half of the year.

² DFIR- Dividends, Fees, Interest and Remittances

3. Improving ease of doing business

3.1 Facilitation of smooth trade and travel

ZIMRA has focused on enhancing trade facilitation to improve the effectiveness and efficiency of exports and imports clearance at the borders, which has a direct bearing on our country's Ease of Doing Business Index. Through the National Trade Facilitation Committee, ZIMRA is an active participant in the implementation of the WTO Trade Facilitation Agreement. Transit cargo movement was expedited through increased utilization of systems for electronic sealing and Clearing Agents licensing, complemented by implementation of the Authorised Economic Operators (AEO) programme. On the Customs ICT system, automation work on the upgrade of the ASYCUDA system improved, and these automation efforts have helped ZIMRA in the use of data for compliance management.

3.2 Enhancement of domestic taxes transactions

In order to improve the effectiveness and efficiency of processing Domestic Taxes transactions, the Authority has embarked on a journey to replace the current Tax Administration system. The African Development Bank (AfDB) approved the funding of a new Tax and Revenue Management System (TaRMS). The new Tax and Revenue Management system is expected to bring more convenience to taxpayers through largely automated effective and efficient taxes transaction processing. The IMF has also come on board to assist on a special Business Process Management Project whose main objective is to simplify taxpayer registration, fiscalisation and tax compliance.

4. Plugging revenue leakages -Preventing and fighting corruption

The Authority intensified Lifestyle Audits, use of whistle blower information, investigated intelligence and hotline cases and performed due diligence checks. The ZIMRA Loss Control team, in collaboration with other government law enforcement agencies such as ZRP, CID, ZNA, NPA and ZACC, conducted Special Operations to curb smuggling involving motor vehicle imports through the abuse of Customs Clearance Certificates. The Authority has scored successes in contributing towards curbing corruption with **26** corruption cases having been referred to criminal courts. Other corruption prevention measures included seizures of proceeds of corruption in the form of property, under the Money Laundering and Proceeds of Crime Act, particularly houses and motor vehicles. This helped to reinforce the Zero Tolerance to Corruption.

Below is a table showing ZIMRA's internal corruption fight statistics as at 31 December 2019:

Table 3: ZIMRA corruption fight statistics

Item Description	Hotline	Intelligence	Lifestyle Checks	Total
2019 Q4				
Investigated Cases	7	73	38	118
Finalised Cases	3	8	4	15
Revenue Identified for Recovery	Nil	\$80,225,829.87	Nil	\$80,225,829.87
Recommendation for Corrective Action	Nil	26	2	28
2019 Annual				
Investigated Cases	21	313	267	601
Finalised Cases	12	122	99	233
Revenue Identified for Recovery	Nil	\$153,775,799.28	Nil	\$153,775,799.28
Recommendation for Corrective Action	None	87	34	121

Key

- **Hotline** – These are cases reported on ZIMRA's Hotline number 0800776748. This Hotline number is administered by an independent external institution.
- **Intelligence**- These are investigated cases as a result of internal and external intelligence.
- **Lifestyle Audits** – These are lifestyle audits held on internal ZIMRA staff members and this applies to all ZIMRA staff members.
- **Recommended for corrective action** –this is recommendation for disciplinary action against the perpetrators and/or improvement of systems /processes / procedures.

There was also a huge impact on revenue collections this quarter with over **\$80 million** recovered directly and compliance is expected to improve in the long term. ZIMRA continues to carry out internal lifestyle checks on employees. A total of 267 Lifestyle Audits were undertaken in 2019 and of these, 34 underwent corrective including seizures of properties acquired under unclear circumstances.

5. Strategies

The positive revenue performance is partly attributed to the following revenue enhancement measures that the Authority implemented throughout the year.

- Increased compliance through implementation of a Compliance Management Programme;
- Registered **5,400** new Taxpayers during quarter 4 while cumulative registrations stood at **21,333** as at 31 December 2019. This increased the taxpayer base to **172,497**;
- Intensified debt recoveries through implementation of a focused Debt Recovery Project;
- Special revenue projects were conducted strengthening risk based industries and sector audits targeted on specific tax heads;
- Integration of different systems within ZIMRA and integration of ZIMRA systems to selected external systems:
 - ✓ Integrated mobile money payments platform to improve tax payments compliance;
- Review and automation of identified processes:
 - ✓ Automated and configured a revised VAT Refund solution
 - ✓ Automated E-TIP enhancement

Revenue performance remained positive throughout the year, surpassing revised targets despite the volatile operating environment. With the anticipated GDP growth of **3%** in 2020, the Authority is optimistic that the annual target of **\$57.58 billion** for 2020 will be surpassed.

6. Gratitude

I would like to express my sincere gratitude to my colleagues on the Board for your commitment, without which ZIMRA would not have recorded such positive performance.

The hard work and commitment by the Commissioner General, Management and Staff throughout the year 2019, that yielded such positive results is commendable. I would like to say thank you and well done for consistently surpassing net revenue targets throughout 2019. You have indeed demonstrated that it is possible to produce excellent performance when you work as a team.

I would also like to sincerely appreciate the Minister, Permanent Secretary and staff of the Ministry of Finance and Economic Development for the support and guidance throughout the year. To our compliant clients, I say thank you for your continued support, which has enabled us to discharge our mandate effectively. Your good conduct in honouring your obligations despite the challenges in the current operating environment is greatly appreciated. The Authority will continue striving to provide quality service to all clients. You are encouraged to engage us for constructive resolutions whenever our services go below your expectation as pledged in our Client Service Charter.

I thank you



Josephine Matambo

ZIMRA Vice-Board Chairperson