

**ZIMRA RESPONSE TO THE CONFEDERATION OF ZIMBABWE RETAILERS
PRESS STATEMENT ON THE TAXATION OF RICE THAT WAS REPORTED
IN THE 20th DECEMBER EDITION OF THE STANDARD NEWSPAPER.**

- The issues raised by CZR are noted with great concern. Sensationalizing tax issues is not only being irresponsible by any member of society but a clear disregard of the provisions of the VAT and other Tax Legislation and the general principle of contributing to the fiscus across all levels. However, ZIMRA is glad to be allowed an opportunity to provide clarification to the VAT position on the supply of rice.
- Following submissions made by various taxpayers ZIMRA carried out a detailed analysis of the VAT regulations with a view to assess the correctness of the clients' submissions. In addition some of the clients also engaged Ministry of Finance and Economic Development on the same issue.
- In carrying out this assessment it's important to take note of the tariff codes for the categories of rice as detailed below:

DESCRIPTION OF RICE TARIFF CODES

TARIFF CODE		
1006.1010	Rice in the husk (paddy or rough)	Rice in the husk (paddy or rough). In bulk in immediate packings of 25kg or more
1006.1090		Rice in the husky. Prepacked in immediate packing of less than 25kg for retail sale
1006.2010	Husked brown rice	Husked brown rice. In bulk in immediate packing of 25kg or more
1006.2090		Husked brown rice. Prepacked in immediate packing of less than 25kg for retail sale
1006.3010	Semi-milled or wholly milled rice, whether or not polished	Semi-milled or wholly milled rice, whether polished or glazed. In bulk in immediate packing of 25kg or more
1003.3090		Semi-milled or wholly milled rice whether polished or glazed. Prepacked in immediate packing of less than 25kg for retail sale
1006.4010	Broken rice	Broken rice - In bulk in immediate packing of 25kg or more
1006.4090		Broken rice - Prepacked in immediate packing of less than 25kg for retail sale

The VAT (General) Regulations, SI 273 of 2003, has two schedules that provide exempt and zero rated items respectively. The table below shows the amendments that have been done over the years.

STATUTORY INSTRUMENT	DATE GAZETTED	FIRST SCHEDULE EXEMPTIONS		SECOND SCHEDULE ZERO RATED	
		PART I	PART II	PART I	PART II
		Exempt Local	Exempt Import	Zero Rated	Zero Rated
110 of 2008	30.07.2008	No exemption	No exemption	Not applicable	Inserted 1006.1010 1006.2000 1006.3000 1006.4000
168 of 2012	26.10.2012	No exemption	No Exemption	Not applicable	Substituted 1006.1010 1006.1090 1006.2010 1006.2090 1006.3010 1006.3090
9 of 2016	22.01.2016	Inserted 1006.1010 1006.1090 1006.2010 1006.2090 1006.3090	Inserted 1006.1010 1006.1090 1006.2010 1006.2090 1006.3090	Not applicable	Deleted 1006.1010 1006.1090 1006.2010 1006.2090 1006.3090
20 of 2017	27.01.2017	Deleted 1006.1010 1006.1090 1006.2010	Not applicable	Not applicable	Not applicable

		1006.2090 1006.3090			
26A of 2017	16.02.2017	Inserted 1006.1010 1006.3010 1006.4010 1006.4090	Inserted 1006.1010 1006.3010 1006.4010 1006.4090		Deleted 1006.1010 1006.3010 1006.4010 1006.4090

From the above analysis the correct treatment of rice, in its various categories, for VAT purposes is as follows:

- a) Standard Rated (taxed at 15% on or before 1 January 2020 and 14.5% starting effect from 1 January 2020) rice with effect from 16 February 2017, when sold on the local market in Zimbabwe in the specified quantities, is stated in the table below:

Previous Commodity Code [2013 TARIFF]	Commodity Code [2017 TARIFF]	Description of Goods
		Rice in husk (paddy or rough)
1006.1090	1006.1020	Pre-packed in immediate packings of less than 25kg for retail sale
		Husked (Brown) rice
1006.2090	1006.2020	Pre-packed in immediate packings of less than 25kg for retail sale
		Semi milled or wholly milled rice, whether or not polished or glazed,
1006.3090	1006.3020	Pre-packed in immediate packings of less than 25kg for retail sale

- b) Exempted Rice, when sold on the local market in Zimbabwe in quantities specified, with effect from 16 February 2017 is stated in the table below:

Previous Commodity Code [2013 TARIFF]	Commodity Code [2017 TARIFF]	Description of Goods
		Rice in the husk (paddy or rough) :
1006.1010	1006.1010	In bulk, in immediate packing of 25Kg or more
		Husked (Brown) rice
1006.2010	1006.2010	In bulk, in immediate packing of 25Kg or more
		- Semi-milled or wholly milled rice, whether or not polished or glazed
1006.3010	1006.3010	In bulk, in immediate packing of 25Kg or more
		Broken rice :
1006.4010	1006.4010	In bulk, in immediate packing of 25Kg or more
1006.4090	1006.4020	Pre-packed in immediate packings of less than 25kg for retail sale

Some of the clients have also engaged Ministry of Finance and Economic Development with a request for a review of the ZIMRA interpretation of the Regulations. In their response the Ministry of Finance and Economic Development confirmed that the standard rating of VAT packed for retail sales reflects government policy on the matter and that the affected taxpayers should engage ZIMRA and pay the tax due. Some of the taxpayers have since complied and paid the outstanding tax.

Therefore the collection of VAT on rice by ZIMRA is in terms of the provisions of the law. Following below are responses to each of the points raised in the CZR Press Statement:

- 1. Need for policy consistency.** VAT administration relies on self-assessment declarations. ZIMRA therefore from time to time and based on risk management framework carries out verifications/audits of such self-assessed declarations. It is during such audits that errors of interpretation of the law such as the case in point are then discovered and corrected. Using this approach tax audits have been conducted and will continue with the view of making sure that there is consistency in the interpretation and application of the law in the supply of rice in the market. The amendment of VAT regulations clearly shows the category of rice that is standard rated and that which is

zero rated. **Rice packed in quantities less than 25kg is standard rated in general except for broken rice.**

The ZIMRA system used for the administration of VAT on the importation of goods is correctly configured in line with the amended Regulations.

2. **Violation of property rights.** The work of ZIMRA includes assessing and collecting the tax due from taxable transactions carried on by registered operators. This obligation is enshrined in the Value Added Tax Act [Chap. 23:12] and therefore implementing this requirement is not in any way violation of property rights. ZIMRA both in terms of the law and administratively operates a very clear dispute resolution mechanism. Any taxpayer who does not agree with the ZIMRA interpretation of the law is thus advised to use such clearly laid down procedures. In carrying out its mandate ZIMRA is guided by Government policy through the legislated position. With this understanding it is therefore not correct to view the position taken by ZIMRA as undermining the intentions of His Excellency the President of Zimbabwe but rather supports his business intentions.
3. **It is illegal to collect VAT on rice.** This assertion is not valid as a detailed analysis of the laws in question indicate that VAT is chargeable. The SI 273 of 2003 as amended provides for rice that is exempt and what is not so listed is thus standard rated. The challenge appears from failure to track the changes with respect to specific tariff headings. The VAT status of rice should not be generalised but should be specific to tariff codes. As indicated above this matter has been brought to the attention of the Ministry of Finance and Economic Development not only by ZIMRA but by both specific tax payers and industry representatives resulting in the ZIMRA position being upheld.

We are quite glad that CZR proposes to continue engaging the Government for the benefit of the country. ZIMRA remains committed to assist taxpayers in regularising their tax positions.