

ZIMBABWE REVENUE AUTHORITY



REVENUE PERFORMANCE REPORT

FOR THE THIRD QUARTER

ENDED 30 SEPTEMBER 2021

1. Introduction

The general economic environment continued to improve in the third quarter of 2021 with year-on-year inflation going down by 55.09 percentage points from 106.64% in June 2021 to 51.55% by end of September 2021. Economic growth is expected to remain strong at 7.8%, up from the 7.4% that was projected at the beginning of the year. The growth will mainly be driven by an increment in electricity generation and increased productivity in the agriculture and mining sectors. On the other hand, local currency weakened marginally against the US dollar during the quarter from 85.4234 as at 1 July 2021 to 87.6653 at the end of September 2021.

Although the economy remained on lockdown for the greater part of the quarter, revenue collections recorded a positive performance, a trend that is expected to continue for the remaining months of the year. As more people are getting vaccinated against COVID-19, coupled with a more relaxed level 2 lockdown, more businesses are expected to operate for longer hours and this will have a positive impact on future revenue collections.

2. Strengthening Revenue Collection in support of National Development Strategy-1

2.1 Third Quarter 2021 Gross / Net Revenue collections against target

Gross revenue collections for the third quarter of 2021 amounted to **ZWL\$117.16 billion** against a target of **ZWL\$98.77 billion (18.62% above target)**. The Authority paid out refunds amounting to **ZWL\$1.2 billion** during the quarter under review. Table 1 below shows that net collections for the quarter were **ZWL\$115.97 billion (17.41% above target)**:

Table 1: Q3 2021 Net Revenue Collections

| Third Quarter 2021 Actual Net Revenue Collected against Target | |
|---|--------------------|
| Net Revenue Collections (ZWL\$) | 115,968,322,230.63 |
| Target (ZWL\$) | 98,769,682,103.00 |
| Variance | 17.41% |

2.2 Cumulative net revenue collections against target

Cumulative net revenue collections for 9 months ended 30 September 2021 were **ZWL\$311.54 billion** against a target of **ZWL\$279.22 billion (11.57% above target)**. Table 2 and Figure 1 below show the cumulative net revenue collections up to 30 September 2021:

Table 2: Cumulative net revenue collections vs Target

| 2021 Cumulative Net Revenue Collected against Target | |
|--|--------------------|
| Net Revenue Collections (ZWL\$) | 311,537,597,647.50 |
| Target (ZWL\$) | 279,223,109,341.00 |
| Variance | 11.57% |

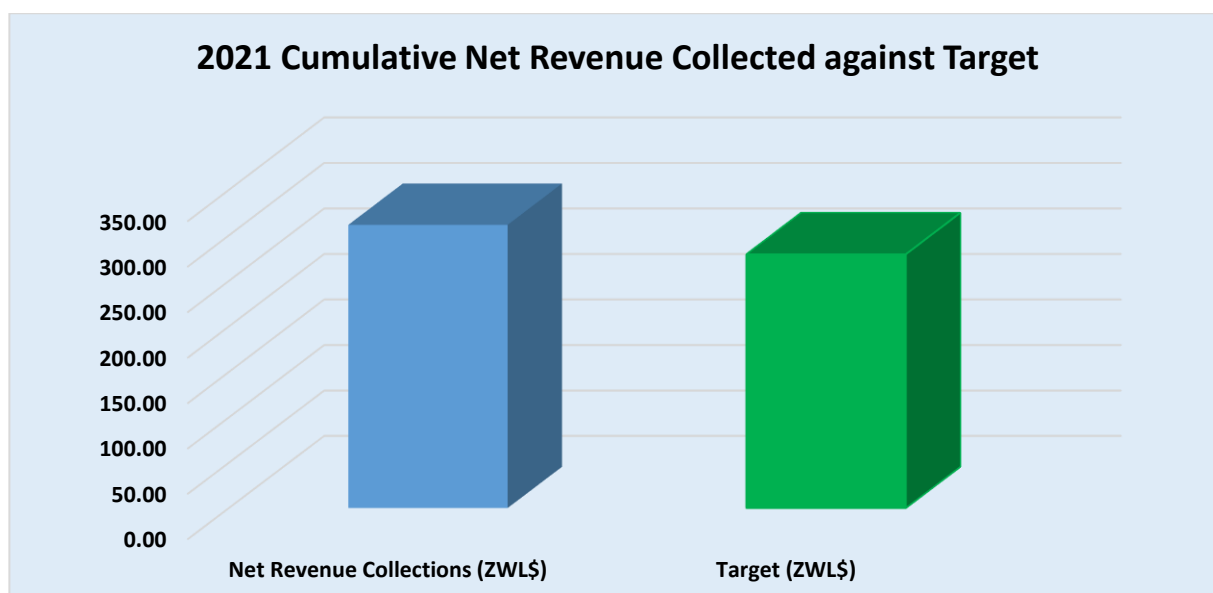


Figure 1: Cumulative net revenue collections against the target

2.3 Nominal and Real Net Revenue Growth by Revenue Head in Q3 2020

In comparison with the same period in 2020 when a total of **ZW\$57 billion** was collected, nominal net revenue collections grew by **103.45%**. All revenue heads registered positive growth in nominal terms. After adjusting for inflation, net revenue grew by **33.22%** in the third quarter of 2021 as compared to the same period in 2020.

Table 3 below summarises the revenue performance for the quarter by revenue head:

Table 3: 2021/2020 Third Quarter Revenue Performance Comparison

| TAX HEAD | Q3 2021 TARGET \$ | Q3 2021 ACTUAL \$ | % VARIANCE | Q3 2020 ACTUAL \$ | % Nominal Growth | % Real Growth |
|-----------------------------|-------------------|-------------------------|------------|-------------------------|------------------|---------------|
| Individuals | 17,537,010,000.00 | 20,270,052,825.74 | 15.58% | 8,698,011,436.75 | 133.04% | 52.59% |
| Companies | 19,425,106,443.00 | 19,924,195,181.46 | 2.57% | 8,341,400,375.91 | 138.86% | 56.40% |
| Gross VAT L/Sales | 23,850,000,000.00 | 19,866,330,930.89 | -16.70% | 9,348,561,691.83 | 112.51% | 39.15% |
| <i>Less VAT Refunds</i> | | <i>1,157,158,334.63</i> | | <i>1,799,554,517.19</i> | | |
| Net VAT L/Sales | 23,850,000,000.00 | 18,709,172,596.26 | -21.55% | 7,549,007,174.64 | 147.84% | 62.28% |
| VAT on Imports | 9,480,000,000.00 | 11,480,118,425.72 | 21.10% | 7,455,222,721.44 | 53.99% | 0.83% |
| Gross Customs Duty | 7,105,000,000.00 | 6,928,061,908.13 | -2.49% | 5,359,792,388.65 | 29.26% | -15.36% |
| <i>Less Customs Refunds</i> | | <i>22,003,822.78</i> | | <i>4,123,842.39</i> | | |

| | | | | | | |
|----------------------------------|--------------------------|---------------------------|------------------|--------------------------|----------------|---------------|
| Net Customs Duty | 7,105,000,000.00 | 6,906,058,085.35 | -2.80% | 5,355,668,546.26 | 28.95% | -15.57% |
| Excise Duty | 12,718,081,841.00 | 13,824,461,561.39 | 8.70% | 8,077,171,955.86 | 71.15% | 12.07% |
| Mining Royalties | 3,020,000,000.00 | 2,083,713,418.76 | -31.00% | 1,898,007,320.73 | 9.78% | -28.11% |
| WHT on Contracts | 1,180,218,181.00 | 1,455,783,000.71 | 23.35% | 748,319,723.96 | 94.54% | 27.38% |
| Intermediated Money Transfer Tax | 7,410,000,000.00 | 12,188,256,959.12 | 64.48% | 3,912,823,403.88 | 211.50% | 103.96% |
| Other Taxes | 775,304,000.00 | 1,051,902,377.51 | 35.68% | 613,079,413.48 | 71.58% | 12.35% |
| CGT & CGT Withholding | 550,865,629.00 | 500,288,778.37 | -9.18% | 214,240,390.40 | 133.52% | 52.91% |
| Other Indirect Taxes | 84,800,000.00 | 367,048,140.58 | 332.84% | 133,210,165.15 | 175.54% | 80.42% |
| Tobacco Levy | 139,638,371.00 | 184,565,458.56 | 32.17% | 265,628,857.93 | -30.52% | -54.50% |
| Carbon Tax | 670,800,000.00 | 1,261,102,188.75 | 88.00% | 503,802,061.43 | 150.32% | 63.91% |
| DFIR | 3,180,000,000.00 | 1,172,716,586.81 | -63.12% | 1,346,334,339.55 | -12.90% | -42.96% |
| Gross Non Tax | 41,200,000.000 | 5,657,914,000.29 | 5,616,714,000.29 | 2,503,936,392.07 | 125.96% | 47.96% |
| <i>Less Other Refunds</i> | | 17,124,977.26 | | 2,824,543.85 | | |
| Net Non-Tax | 41,200,000.000 | 5,640,789,023.03 | 5,599,589,023.03 | 2,501,111,848.22 | 125.53% | 47.68% |
| Total Net Revenue | 98,769,682,103.00 | 115,968,322,230.61 | 17.41% | 56,999,960,322.11 | 103.45% | 33.22% |
| Total Gross Revenue | 98,769,682,103.00 | 117,164,609,365.28 | 18.62% | 58,806,463,225.54 | 99.24% | 30.46% |

Despite the negative impact of COVID-19 induced lockdowns on industry performance, revenue enhancement projects that were implemented during the quarter boosted revenue collections.

2.4 Distribution of Net Revenue Collected by Revenue Head

The figure below shows net revenue contributions by Revenue Head. Major contributors to net revenue collections for the quarter were Individuals (**17.48%**), Companies (**17.18%**), VAT on Local Sales (**16.13%**), Excise Duty (**11.92%**) and IMTT (**10.51%**).

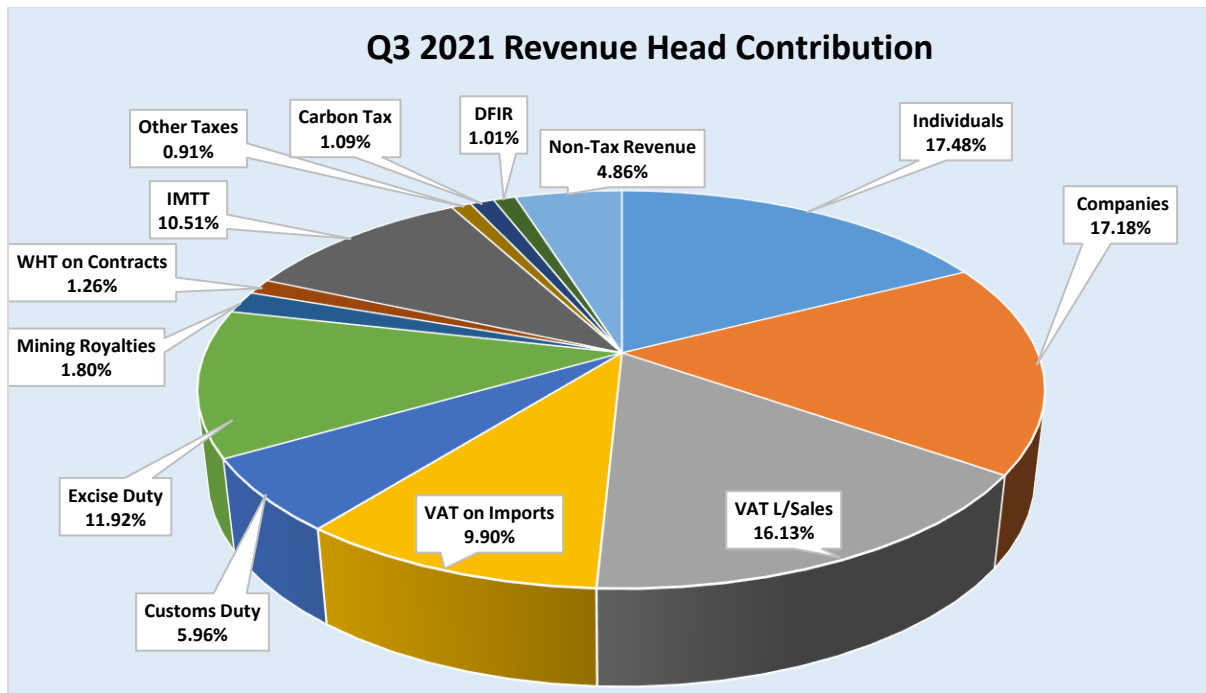


Figure 2: 2021 Q3 Revenue Contributions by Revenue Head

- **Individuals:** The positive performance of the revenue head is attributed to salary adjustments by some companies to cushion employees against inflation. Revenue enhancement projects implemented by the Authority also contributed to the positive performance of the revenue head.

- **Companies:** The revenue head benefited from increased capacity utilisation which had previously decreased due to the Covid-19 induced lockdowns. During the quarter many companies resumed operations under the relaxed lockdown measures resulting in increased production levels. Furthermore, there was increased demand for locally produced goods.

- **VAT on Local Sales:** The general consumption of goods was mainly concentrated on basic commodities which do not attract VAT which resulted in a depressed performance on this revenue head (**21.55%** below Target).

- **VAT on Imports:** The revenue head contributed **9.90%** to total revenue and the performance was **21.10%** above target. Collections remained positive during the quarter as more companies resumed operations leading to an increased demand for imported industrial supplies and various inputs for production.

- **Customs Duty:** Net Customs Duty revenue missed the target for the quarter by **2.80%** owing to the COVID-19 induced travel restrictions and to some extent, the riots which broke out in South Africa in June. The performance of the revenue head continues to be negatively affected by smuggling through undesignated entry points.
- **Excise Duty:** The revenue head recorded a positive performance during the quarter as the consumption for excisable goods such as fuel, airtime and alcoholic beverages increased upon relaxation of the COVID-19 lockdown. As companies and educational institutions continue to embrace the new normal, the demand for data and airtime has increased to enable remote working and studying.
- **IMTT:** Revenue collections from IMTT surpassed the quarterly target by **64.48%** and its contribution to total revenue was **10.51%**. This is attributed to increased use of electronic payment platforms as well as the rise in the prices of goods and services.

3. Ease of Doing Business

ZIMRA, in executing its mandate, impacts directly to the nation's ease of doing business index. In this regard, the Authority is making strides in improving digital technologies and infrastructure through strategic projects and initiatives. As part of 'Improving Ease of Doing Business', ZIMRA is part of a Multi-stakeholder Project Team working on the **Zimborders Beitbridge Border Upgrade Project**. The Authority played a key role in developing Physical Infrastructure and ICT systems design requirements of the Beitbridge Border Upgrade Project. The first phase of the modernization of the Beitbridge Border Post into a world class commercial hub is complete. The upgraded infrastructure is expected to go a long way in promoting ease of doing business through improved trade and travel facilitation.

4. Plugging of revenue leakages

The Authority continued to fight corruption and fraud through various initiatives aimed at plugging revenue leakages. In this regard, the Authority partnered with security agents to curb smuggling along the country's porous borders and utilised digital systems to guard against fraudulent activities. The following exercises are being implemented to plug revenue leakages.

- **Transit Management:** The Authority continued to implement the Electronic Cargo Tracking System to plug revenue leakages from transit cargo.

- 12484 high risky consignments were sealed with ECTS gadgets and strictly monitored during the quarter.
 - Follow ups were made on clearing agents and transporters with outstanding transit entries to ensure compliance of the three-day transit period.
 - Reactions were made to intelligence and alarms which led to seizure and forfeiture of the offending goods to deter transit fraud.
- **Compliance Checks:** The Authority carried out compliance checks to curb abuse of import concessions such as immigrants' rebate, miners' rebate, tourism rebate as well as temporary importation permits (TIPs) among others. Verification tours are also underway to ascertain the extent of utilisation of the rebates granted in various sectors.
 - **Anti-corruption strategies** – ZIMRA continued to implement anti-corruption strategies whose objectives are to eliminate corruption. These include internal lifestyle audits, mystery shopping, automation of processes to reduce human interventions, asset forfeitures, disciplinary actions against corruption perpetrators and implementation of an internal anti-corruption campaign.

5. Summary revenue enhancement strategies

During the third quarter of 2021, the Authority implemented the following revenue enhancement measures:

- **Foreign Currency Voluntary Disclosure Compliance Project:** The project which is aimed at encouraging voluntary compliance by taxpayers who trade in foreign currency continued during the quarter. Taxpayers were and are still being encouraged to voluntarily disclose their foreign currency transactions and pay correct amounts of tax.
- **Debt Management:** The Authority, through its Debt Management Unit, implemented various debt recovery strategies to follow up on outstanding tax.
- **Joint Post Clearance Compliance Enforcement:** To curb smuggling and other forms of evading trade taxes, the Authority collaborated with other security agents on border patrols and roadblocks.
- **Post Clearance Verifications:** The project helped in ensuring that correct amounts of duties are collected and that revenue leakages from undervaluation, false declarations and misclassification of imports are plugged. The project was also extended to fuel imports by road, car sales and groceries imports.

- **Investigations of tax and customs cases** - The Authority continued to implement the Whistle blower facility as a ZIMRA-public partnership facility to fight corruption through tax evasion activities by Taxpayers. Other measures implemented include Transfer Pricing audits, criminal investigations into Money Laundering, tax and customs matters.

6. Outlook

The easing of lockdown restrictions in response to improved COVID-19 management and monitoring efforts is expected to go a long way in enhancing economic activity and subsequently revenue collections in the remaining months of the year. The inflationary pressures are expected to stabilize as the authorities continue to monitor the respective economic indices. The Authority will implement intensified revenue enhancement strategies in the remaining period of the year and encourages taxpayers to comply with tax laws and regulations voluntarily.

7. Gratitude

On behalf of the Board, I would like to express my sincere gratitude to the Minister of Finance and Economic Development, Honourable Professor M. Ncube, the Permanent Secretary Mr G. Guvamatanga and the entire Ministry for their unwavering support to the Board. I also want to thank ZIMRA Board Members for their commitment in providing oversight over the affairs of ZIMRA.

To the Acting Commissioner General, Mr. Rameck Masaire, management and staff, thank you very much for your hard work in executing the mandate of the Authority in challenging circumstances.

Finally, I wish to thank ZIMRA's valued clients for their continued support through honouring their tax obligations in full and on time.

I thank you.



Josephine Matambo

ZIMRA Vice-Board Chairperson

