

Zimbabwe Revenue Authority



REVENUE PERFORMANCE REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022



Ms Regina Chinamasa
ZIMRA Acting Commissioner General

1. Introduction

The operating environment remained challenging in the second quarter of 2022. Year-on-year inflation at the end of the quarter under review increased to 191.6% from 72.7% at the close of the first quarter of 2022. The exchange rate at the beginning of the quarter was at 1:142.42 and closed at 1:366.27. High inflation and the depreciation of local currency against the US dollar had a negative impact on the purchasing power of incomes.

While the business community is still struggling from the effects of the Covid-19 pandemic, the ongoing geo-political conflicts has caused supply constraints for key commodities such as fuel, food, fertilizer, gas and wheat resulting in increased product prices. This has affected the global economy, resulting in an increase in price of imports which was then passed on to the local economy. In response to these global developments and to mitigate the domestic shocks, the Government has since announced several Fiscal and Monetary measures to stabilize the economy.

Despite the above-mentioned challenges, the Authority continued to implement robust revenue enhancement strategies. The set revenue target of **ZWL\$193.75 billion** was surpassed in both gross and net terms.

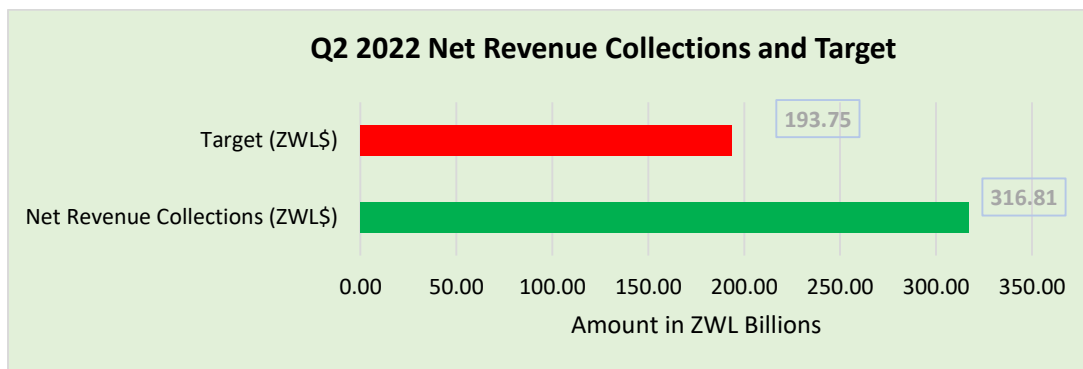
Restoration of Fiscal Balance

Gross revenue collections for the quarter amounted to **ZWL\$332.26 billion** against a set target of **ZWL\$193.75 billion**, which translates to **71.49%** positive variance. Net collections were **ZWL\$316.81 billion** after deducting refunds of **ZWL\$15.46 billion**. This gives a positive variance of **63.51%** against the target.

Table 1: Q2 2022 Net Revenue Collections

| Q2 2022 Actual Net Revenue Collected against Target | |
|---|--------------------|
| Net Revenue Collected (ZWL\$) | 316,806,814,890.85 |
| MoFED Target (ZWL\$) | 193,754,949,675.73 |
| Variance | 63.51% |

Figure 1: Q2 2022 Net Revenue Collections



Ease of doing business

The Authority is leading the implementation of the Zimbabwe Electronic Single Window (ZeSW), which will allow for on-line document submission, clearance and payment to all other government agencies involved in the clearance process of goods at the ports of entry. This will improve ease of doing business, reducing corruption and easing congestion at the ports of entry. The ZeSW is a fulfilment of Zimbabwe’s commitment to the Trade Facilitation Agreement to which the country is a signatory. On the domestic taxes front, continuous improvements to the E-services and Fiscalisation platforms are top priority focus areas for the Authority’s Business Reengineering Project.

Plugging of revenue leakages

Under the #IamForZero, Anti-Corruption campaign, the Authority has adopted both persuasive and aggressive strategies to create awareness, identify, deter, prosecute and seize ill-gotten wealth. ZIMRA continues to extend taxpayer education through various channels that include print media, radio and television and nation-wide physical workshops. Furthermore, to address tax evasion and smuggling issues, the Authority is equipping its staff on contemporary tax and customs audit practices and methodologies through partnerships with Development Partners and the African Tax Administration Forum (ATAF).

The Authority is collaborating with other law enforcement agencies such as the Zimbabwe Anti-Corruption Commission (ZACC), Zimbabwe Republic Police (ZRP), Financial Intelligence Unit (FIU) and National Prosecuting Authority (NPA) in plugging revenue leakages.

2. Domestic Revenue Mobilization (DRM)

2.1 Revenue Performance for Q2 2022

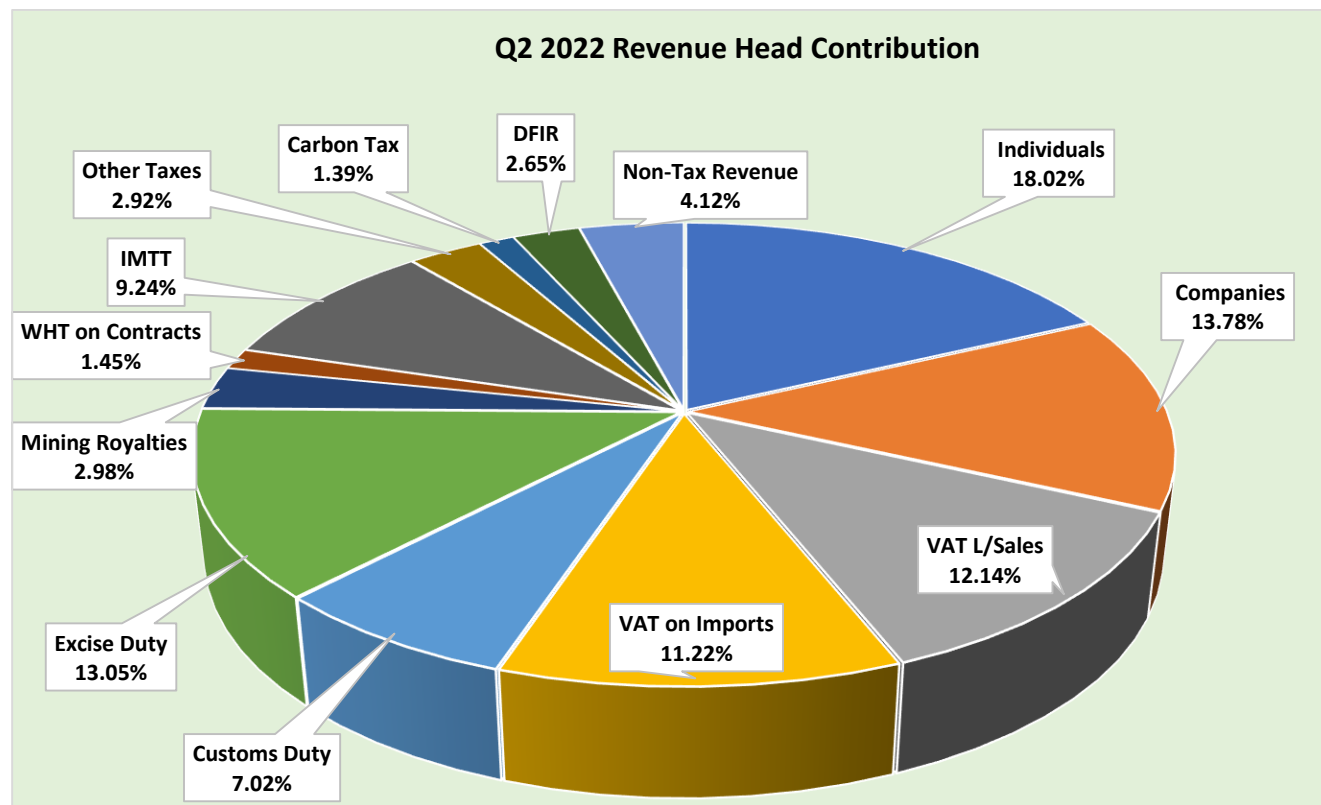
During the second quarter of 2022, net revenue collections amounted to **ZWL\$316.81 billion**, which gives a positive variance of **63.51%** against a target of **ZWL\$193.75 billion**. In comparison with the same period in 2021 where a total of **ZWL\$106.64 billion** was collected, nominal and real net revenue collections grew by **197.09%** and **23.83%** respectively. All revenue heads registered positive growth in both nominal and real terms.

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

Table 3: 2022/2021 Second Quarter Revenue Performance Comparison

| TAX HEAD | 2022 MOF TARGET \$ | 2022 ACTUAL \$ | % VARIANCE | 2021 ACTUAL \$ | % Nominal Growth | % Real Growth |
|----------------------------------|---------------------------|---------------------------|---------------|---------------------------|------------------|---------------|
| Individuals | 37,027,037,345.86 | 57,091,677,140.83 | 54.19% | 18,061,777,522.13 | 216.09% | 31.75% |
| Companies | 53,092,452,019.80 | 43,654,009,096.49 | -17.78% | 22,864,244,834.39 | 90.93% | -20.42% |
| Gross VAT L/Sales | 27,639,880,709.83 | 53,759,756,527.87 | 94.50% | 17,072,916,111.89 | 214.88% | 31.25% |
| <i>Less VAT Refunds</i> | | <i>15,287,042,961.18</i> | | <i>2,264,633,540.27</i> | 575.03% | 181.37% |
| Net VAT L/Sales | 27,639,880,709.83 | 38,472,713,566.69 | 39.19% | 14,808,282,571.62 | 159.81% | 8.29% |
| VAT on Imports | 16,491,774,424.49 | 35,538,035,012.28 | 115.49% | 10,696,218,105.82 | 232.25% | 38.49% |
| Gross Customs Duty | 10,687,879,626.07 | 22,399,604,641.93 | 109.58% | 6,844,824,391.61 | 227.25% | 36.40% |
| <i>Less Customs Refunds</i> | | <i>147,113,089.72</i> | | <i>17,116,396.63</i> | | |
| Net Customs Duty | 10,687,879,626.07 | 22,252,491,552.21 | 108.20% | 6,827,707,994.98 | 225.91% | 35.85% |
| Excise Duty | 17,969,742,335.33 | 41,354,900,472.37 | 130.14% | 12,660,815,215.46 | 226.64% | 36.15% |
| Mining Royalties | 7,300,483,344.15 | 9,454,121,039.07 | 29.50% | 4,352,594,450.22 | 117.21% | -9.46% |
| WHT on Contracts | 2,580,359,654.28 | 4,581,818,666.58 | 77.57% | 1,685,144,086.46 | 171.89% | 13.33% |
| Intermediated Money Transfer Tax | 14,447,189,334.17 | 29,260,632,184.58 | 102.54% | 9,492,455,567.07 | 208.25% | 28.49% |
| Other Taxes | 2,025,315,260.07 | 9,262,507,138.29 | 357.34% | 1,400,975,353.51 | 561.15% | 175.58% |
| CGT & CGT Withholding | 622,628,023.65 | 6,002,708,427.02 | 864.09% | 467,317,979.17 | 1184.50% | 435.41% |
| Other Indirect Taxes | 489,311,426.96 | 1,095,566,617.14 | 123.90% | 335,389,197.07 | 226.66% | 36.16% |
| Tobacco Levy | 913,375,809.46 | 2,164,232,094.13 | 136.95% | 598,268,177.27 | 261.75% | |
| Carbon Tax | 1,727,697,074.01 | 4,416,860,441.11 | 155.65% | 1,287,600,468.75 | 243.03% | 42.98% |
| DFIR | 991,369,084.32 | 8,402,542,585.55 | 747.57% | 712,330,665.43 | 1079.58% | 391.68% |
| Gross Non Tax | 1,773,769,463.358 | 13,087,681,732.37 | | 1,793,108,446.98 | 629.89% | 204.23% |
| <i>Less Other Refunds</i> | | <i>23,175,737.57</i> | | <i>6,781,873.10</i> | | |
| Net Non-Tax | 1,773,769,463.358 | 13,064,505,994.80 | | 1,786,326,573.88 | 631.36% | 204.85% |
| Total Net Revenue | 193,754,949,675.73 | 316,806,814,890.85 | 63.51% | 106,636,473,409.72 | 197.09% | 23.83% |
| Total Gross Revenue | 193,754,949,675.73 | 332,264,146,679.32 | 71.49% | 108,925,005,219.72 | 205.04% | 27.15% |

Figure 2: Q2 2022 Revenue Contributions by Tax Head



Major contributors to net revenue collections for the quarter were: Individuals **18.02%**, Companies **13.78%**, Excise Duty **13.05%**, VAT on Local Sales **12.14%**, and VAT on Imports **11.22%**.

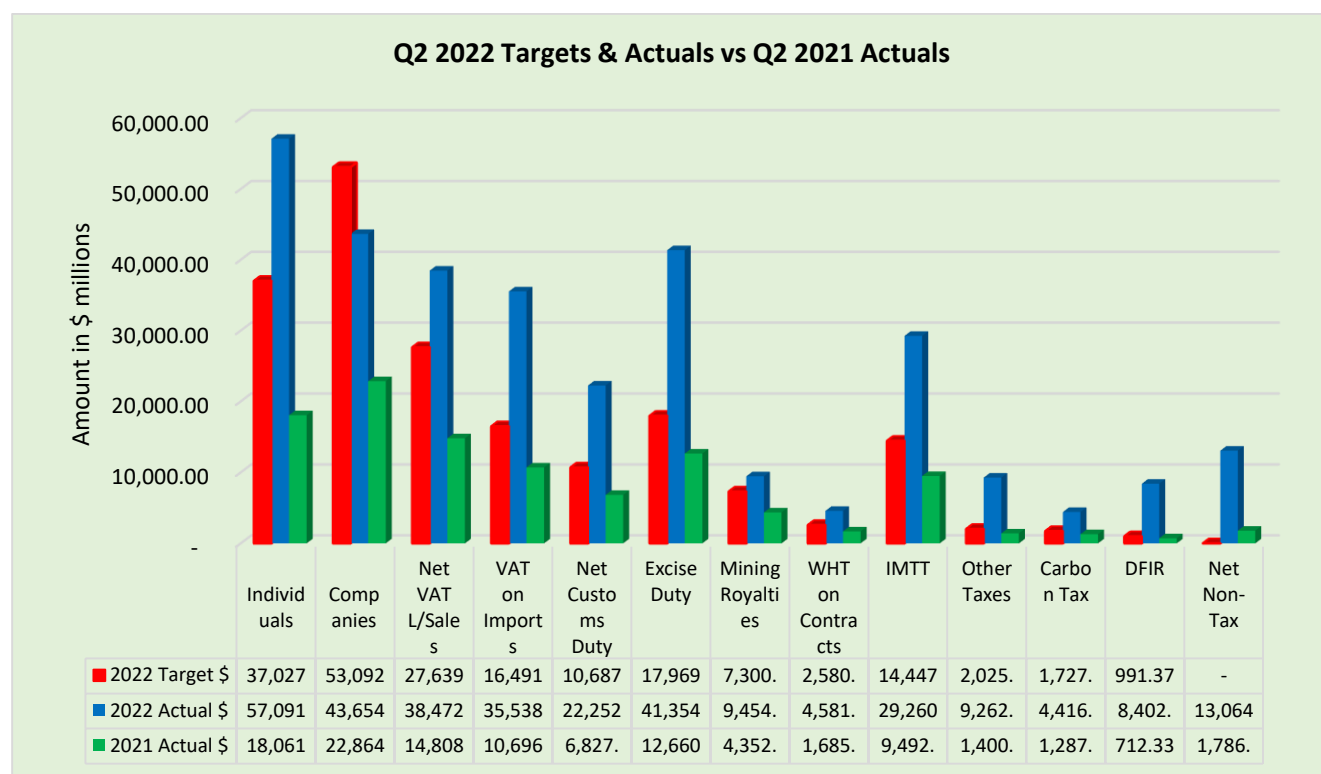
- **Companies:** Companies missed the target by 17.78%. Most companies are still depressed and struggling to recover from the effects of the Covid-19 pandemic. The Authority will continue to enforce compliance to improve performance of the revenue head.
- **Individuals:** The tax head performed above expectations largely due to salary adjustments, cost of living adjustments and payment of part of salaries in foreign currency to cushion employees from the high cost of living.
- **VAT on Local Sales:** The tax head surpassed its target by 39.19%. Besides the enforcement efforts by the Authority to ensure compliance, the high inflation is also impacting the performance of this tax head.
- **VAT on Imports:** This tax had performed above expectations by 115.49%. The reduction in Covid-19 infections and relaxation of the associated stringent measures to curb its spread have spurred the performance of this revenue head. The opening up of borders for cargo and travel have resulted in increased imports, thereby increased VAT collections.

- **Customs Duty and Excise Duty:** The tax heads surpassed their targets by 108.20% and 130.14% respectively. The relaxation of stringent Covid-19 restrictions and Russia-Ukraine conflict resulted in increase of both the volume and value of imports spurring the good performance.
- **IMTT:** The tax head performed above the target by 102.54%. Electronic payment transactions constitute above 90% of the total payments (in both value and volume) in the country, hence the positive performance of this tax head.

2.2 Q2 2022 Net Revenue Collections in Comparison to Q2 2021

The following graph shows a comparison of revenue collections for Q2 2022 and Q2 2021 as well as the Q2 2022 targets for each revenue head.

Figure 3: 2022/2021 Second Quarter Revenue Comparison by Tax Head

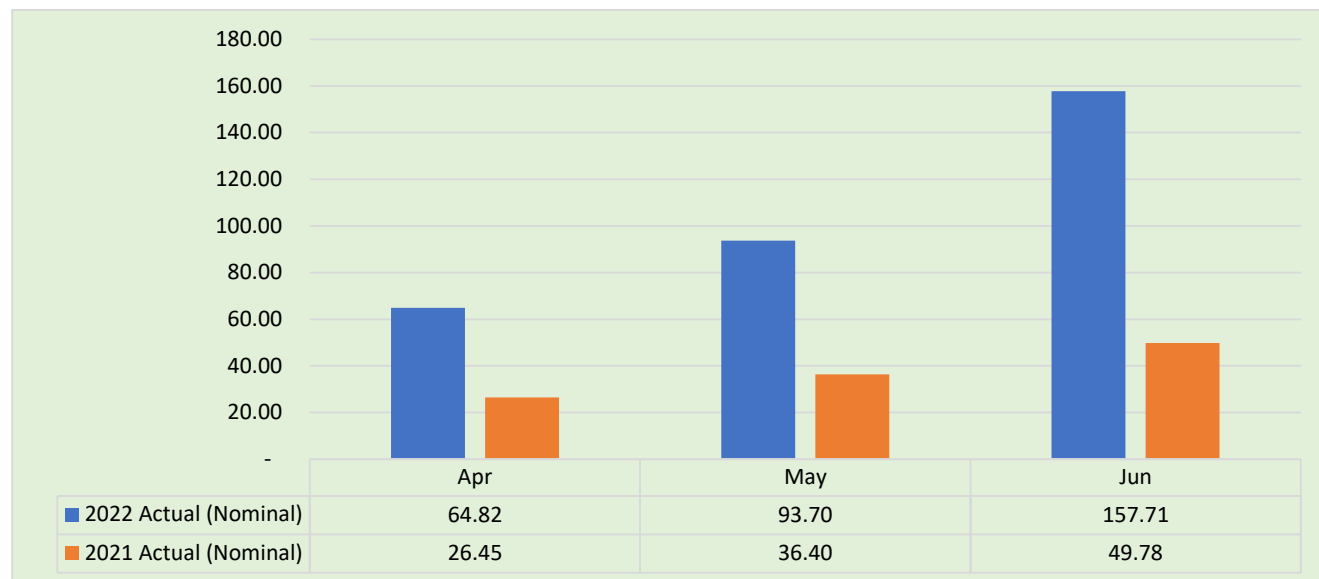


All revenue heads surpassed the set targets in Q2 2022 except Companies that performed below target by 17.78%.

2022 monthly net revenue performance vs. 2021 monthly revenue performance

Figure 4 shows a comparison of 2022 and 2021 monthly performances.

Figure 4: Comparison of monthly net revenue collections, 2022 vs 2021



Despite slow economic recovery, monthly revenue collections maintained a positive trajectory and recorded significant growth compared to what was realized in 2021.

3. Revenue Strategies

Revenue enhancement strategies implemented during the second quarter of 2022 were as follows:

- **Continued taxpayer education and awareness:** To encourage and support voluntary compliance, the Authority continued with its taxpayer education and awareness campaigns on various platforms that include electronic and print media, and in some instances physical workshops.
- **Stakeholder engagements:** Cognisant of the role of stakeholders in implementing its strategic plan and meeting its mandate, the Authority continued to engage and partner with various strategic partners.
- **Effective debt management:** Strategies implemented included forthwith collections, negotiated payment plans and placement of garnishees.
- **Intensified risk based audits:** Intensified risk-based audits were implemented during the quarter under review.
- **Intensified anti-smuggling and post clearance compliance enforcement:** In line with the central government’s call to plug revenue leakages, the Authority has intensified its customs surveillance and post clearance audit and enforcement activities.
- **Leveraging on technology:** To plug revenue leakages and expand the tax base, the Authority is continuing with the automation and system improvement of its processes.

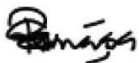
4. Outlook

The 2022 annual revenue target of **ZWL\$809.40 billion** is likely to be reviewed upwards in the second half of 2022. Going forward, the Authority will intensify implementation of various compliance strategies that ensure timely and accurate tax remittances from different taxpayer segments. Real revenue growth is anticipated to exceed 10% supported by the improving manufacturing sector capacity utilisation and the anticipated mining sector growth in which the industry is expected to meet the US\$12-billion-dollar target by 2023. Infrastructure developments particularly the completion of part of the Beitbridge- Chirundu highway that links Zimbabwe to the North South corridor is expected to enhance revenue performance. Inflation and exchange rate depreciation will also result in higher nominal revenue growth.

5. Gratitude

I would like to convey my sincere gratitude to valuable traders and taxpayers who were consistent in paying their dues on time and in full. My gratitude goes to the Government of Zimbabwe, particularly the Ministry of Finance and Economic Development for guidance and provision of resources which enabled ZIMRA to execute its mandate. I would also want to express my appreciation to all key Partners and Stakeholders who worked with ZIMRA during the quarter under review. A special thank you to the ZIMRA Board members for giving strategy oversight and guidance on ZIMRA operations. My heartfelt appreciation also goes to the entire ZIMRA Management and Staff for the commitment and hard work put in towards the execution of the ZIMRA mandate.

I thank you.



R. Chinamasa

ZIMRA Acting Commissioner General