

REVENUE PERFORMANCE REPORT FOR THE YEAR ENDING 31 DECEMBER 2014



Mr G.T. Pasi, Commissioner General

It gives me great pleasure to present the revenue performance report for 2014.

Overview

The economy was characterised by low economic activity in 2014. Revenues were suppressed by liquidity challenges, company closures and scaling down of operations. These factors, among other things, resulted in the revision of the expected Gross Domestic Product (GDP) growth downwards from 6.1% to 3.1% in the Mid-Term Fiscal Policy Review Statement. However, the overall revenue target for the year was maintained at US\$3.82 billion.

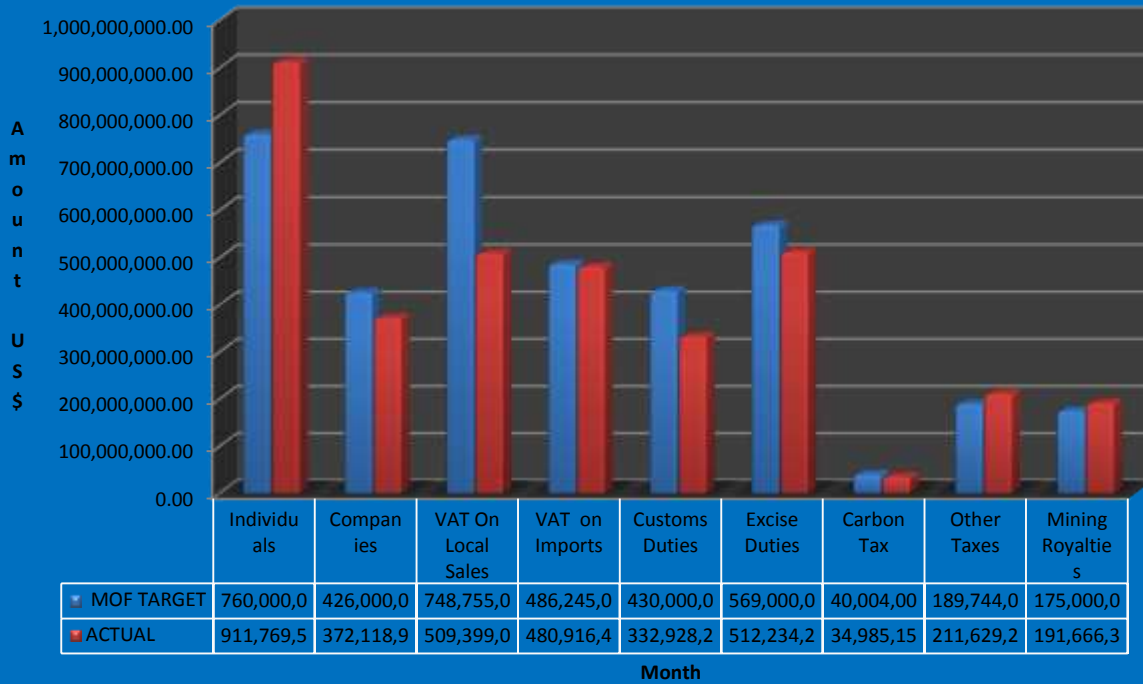
Total gross collections for 2014 amounted to US\$3.84 billion against a target of US\$3.82 billion, resulting in a positive variance of 1%. Net collections for the year amounted to US\$3.60 billion against a target of US\$3.82 billion, resulting in a negative variance of 6%. The bulk of the revenue was collected from Individual Tax, Value Added Tax (VAT), Excise Duty, and Corporate Income Tax.

Fourth quarter net collections were US\$996.94 million against a target of US\$1.11 billion. This translates to a negative variance of 10%.

Actual Collections per Revenue Head versus Target

Individual Tax, Mining Royalties and Other Taxes exceeded the target by 20%, 10% and 12% respectively. The following graph shows the actual collections versus target per revenue head for 2014.

2014 Annual Revenue Collection Actual vs MOF Target

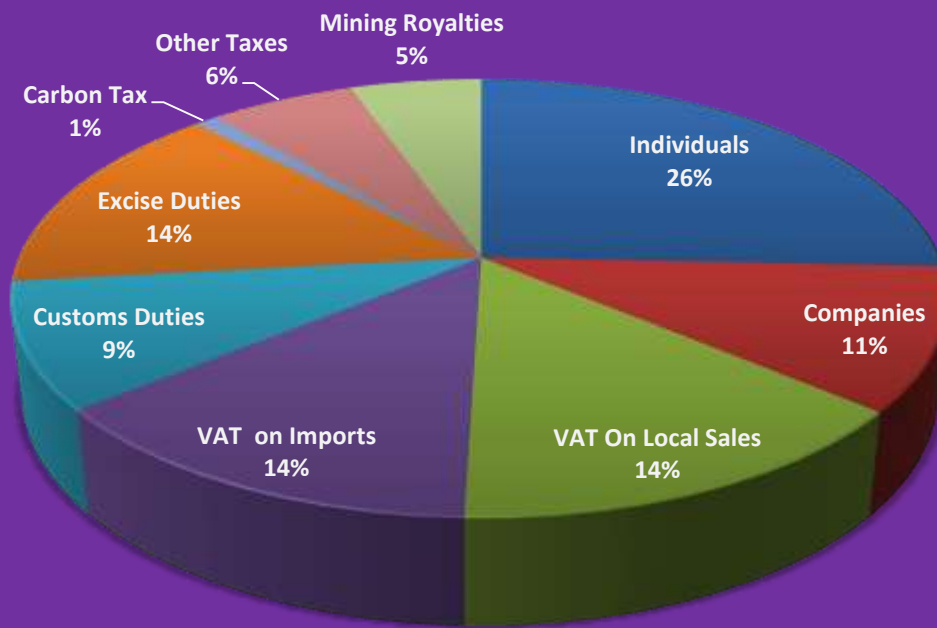


Actual Contribution per Revenue Head

Contributions by revenue heads were as follows:

- Individual Tax contributed 26%,
- VAT on Local Sales and on Imports contributed 14% apiece, and
- Excise Duty's contribution amounted to 14.4% of revenue collected.
- The rest of the revenue heads' percentage contributions are as represented in the pie-chart below.

2014 Annual Actual Revenue Head Contribution



Individual Tax (Pay As You Earn)

Total collections under this revenue head were US\$911.8 million against a target of US\$760.0 million, resulting in a positive variance of 20%. This revenue head contributed 26% of total annual revenue.

The positive performance of the revenue head can be attributed to the following:

- Improved compliance as a result of intensive audits and follow-ups undertaken by the Zimbabwe Revenue Authority (ZIMRA).
- Some companies managed to award bonuses and performance awards to their employees during the year and this aided the performance of the revenue head.

Corporate Income Tax

Gross collections under Corporate Income Tax were US\$373.9 million whilst net collections amounted to US\$372.1 million against a target of US\$426 million, resulting in negative variances of 12% and 13% respectively. The negative performance of the revenue head can be attributed to the following:

- The general poor performance of the economy due to various factors such as liquidity constraints, obsolete equipment, lack of lines of credit, high cost of production and the reduction in industrial capacity utilisation from around 39.6% in 2013 to 36.3% in 2014 (Source: CZI) had a negative impact on company profits thereby contributing to the revenue head's failure to meet expectations.

Taxes on Goods and Services

Taxes on Goods and Services comprise of VAT on Local Sales and Imports, Customs Duty and Excise Duty. Cumulative gross collections for 2014 were US\$2.1 billion against a target of US\$2.2 billion, resulting in a negative variance of 7%. Net collections amounted to US\$1.8 billion against a target of US\$2.2 billion, which translates to a negative variance of 18%. Revenue performance was mainly affected by the prevailing poor economic conditions. VAT contributed the bulk of the net revenue with US\$990.3 million, Customs Duty contributed US\$329.6 million and Excise Duty brought in US\$512.2 million.

Value Added Tax

Gross collections for 2014 amounted to US\$1.22 billion against a target of US\$1.24 billion, resulting in a negative variance of 2%. Net collections were US\$990.3 million against US\$1.24 billion after deducting VAT refunds amounting to US\$226.4 million (which constitutes 19% of Gross VAT).

VAT on Local Sales

Gross collections for the year amounted to US\$735.8 million and net cumulative collections were US\$509.4 million against a target of US\$748.8 million, resulting in a negative variance of 32%. VAT on Local Sales contributed 51% of total VAT revenue. The performance of the revenue head can be attributed to:

- Reduction in local industrial capacity utilisation which resulted in low levels of production on goods that attract VAT.
- The liquidity challenges have negatively affected production as well as companies' capability to secure funds for the procurement of efficient production machinery and manage cash flows.
- Low disposable incomes negatively affected consumer spending on goods that attract VAT.

VAT on Imports

Collections under this revenue head amounted to US\$480.9 million against a target of US\$486.2 million, resulting in a negative variance of 1%. VAT on Imports contributed 49% of VAT revenue during the year. The tight liquidity challenges continue to negatively affect the importation of goods that attract VAT to complement the low production levels being experienced in the economy.

Customs Duty

Gross collections for the year were US\$341.6 million against a target of US\$430.0 million. Cumulative net collections for 2014 were US\$332.9 million against a target of US\$430.0 million, resulting in a negative variance of 23%. Refunds amounted to US\$8.7 million for the year.

The performance of the revenue head can be attributed to the liquidity challenges which resulted in the reduction in volumes of imports that attract duty.

Excise Duty

A total of US\$512.2 million was collected under this revenue head against a target of US\$569.0 million, resulting in a negative variance of 10%. Excise Duty on fuel and beer contributed 71% and 20% respectively. The performance of the revenue head can be attributed to the following:

- The volumes of petroleum products declined in 2014 as compared to 2013. Petrol imports declined from 472.9 million litres in 2013 to 455.2 million litres in 2014. Diesel imports declined from 935.5 million litres in 2013 to 910.7 million litres in 2014.

Carbon Tax

This revenue head contributed US\$34.9 million against a target of US\$40.0 million, which translates to a negative variance of 13%. This can be attributed to a decline in volumes of petroleum products as explained above under Excise Duty.

Mining Royalties

Total collections under Mining Royalties amounted to US\$191.67 million against a target of US\$175.0 million. This translates to a positive variance of 10%. The performance of the revenue head is due to the following:

- The revenue was boosted by some of the arrears from the previous years (23%) which were paid up in 2014.

Other Taxes

Other Taxes include revenues from Withholding Tax on Tenders, Domestic Dividends, Interest, Remittances, Fees and Tobacco Levy. The cumulative collections amounted to US\$211.6 million against a target of US\$189.7 million. This translates to a positive variance of 12%. Withholding Tax on Tenders and Domestic Dividends recorded positive variances of 199% and 21% respectively. Tobacco Levy contributed US\$9.8 million, missing its target by 8% whilst Capital Gains Tax (CGT)

and CGT Withholding Tax contributed US\$28.5 million resulting in a negative variance of 10%. The positive performance was due to:

- Some companies managing to pay dividends to their shareholders and this led to improved revenue collections.
- The improved revenue collections from Non-Residents' Tax on Fees and Remittances due to investigations and audits done during the year.
- The availability of limited mortgage finance in a few financial institutions resulted in the depressed performance of Capital Gains Tax.
- Liquidity challenges in the economy negatively affected the performance of the stock market resulting in depressed collections under CGT Withholding.

Conclusion

I would like to express my appreciation to His Excellency, Head of State and Government and Commander-in-Chief of the Zimbabwe Defence Forces, President R.G. Mugabe; the Minister of Finance and Economic Development, Honourable P.A. Chinamasa; and the entire Zimbabwean Government for the support which the Zimbabwe Revenue Authority enjoyed in 2014.

I am also indebted to all clients who continue to pay their taxes on time and in full for promoting socio-economic development in the country as we now embark on the accelerated phase of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET).

Those of our clients whose tax affairs are not in order are encouraged to take advantage of the tax amnesty which covers the period 1 February 2009 to 30 September 2014. Such clients are required to submit applications for amnesty within the period 1 October 2014 to 31 March 2015.

My appreciation will be incomplete without saluting the men and women within the Zimbabwe Revenue Authority who continue to serve the nation with Integrity, Transparency and Fairness. I am optimistic that if the spirit of team-work, professionalism and hard-work continues to prevail and is augmented by improvements in the performance of the economy, the US\$3.7 billion revenue target for 2015 will be surpassed.

Thank You



G.T. PASI
COMMISSIONER GENERAL



"We are here to serve"

"We are here to serve"

