

ZIMRA BOARD CHAIRMAN'S REVENUE PERFORMANCE REPORT FOR THE FIRST QUARTER OF 2013



Mr Sternford Moyo, ZIMRA Board Chairman

It gives me great pleasure to present to you the revenue performance report for the first quarter of 2013.

Overview

Net revenue collections amounted to US\$818.6 million against a target of US\$779.7 million, resulting in a positive variance of five per cent (5%). Value Added Tax (VAT) collections amounted to 33% of total revenue. Individual Tax and Excise Duty, on the other hand, contributed 21% and 15% to total revenue respectively as shown in Figure 1.

Intensive audits by the Zimbabwe Revenue Authority (ZIMRA), as well as publicity campaigns to remind clients about due dates for the payment of taxes, had a cumulative positive impact on compliance levels. Liquidity constraints, however, continued to negatively affect revenue collection in the quarter under review.

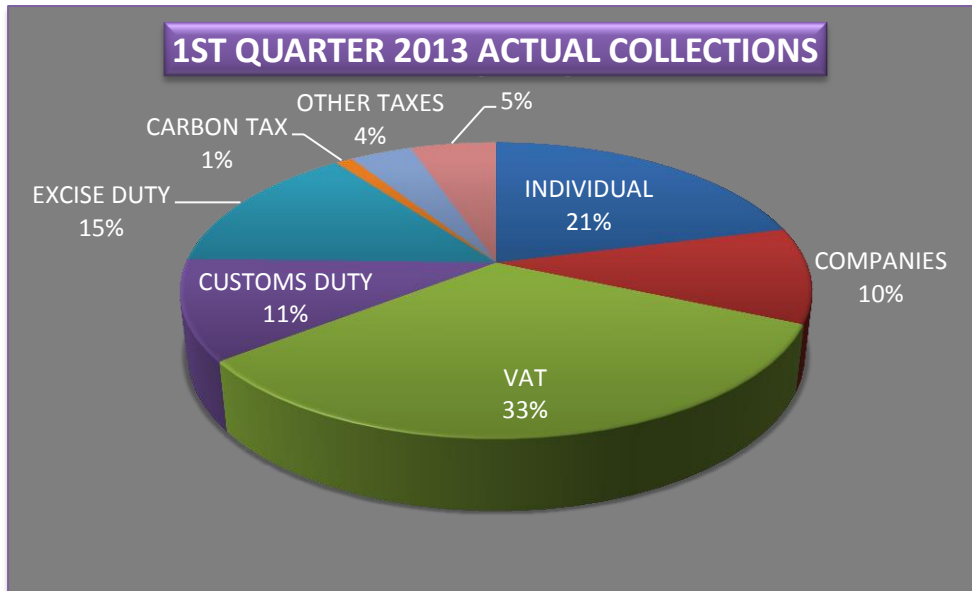


Fig 1: Percentage contribution of revenue heads to total revenue

The following bar graph shows the performance of various revenue heads against target during the period under review.

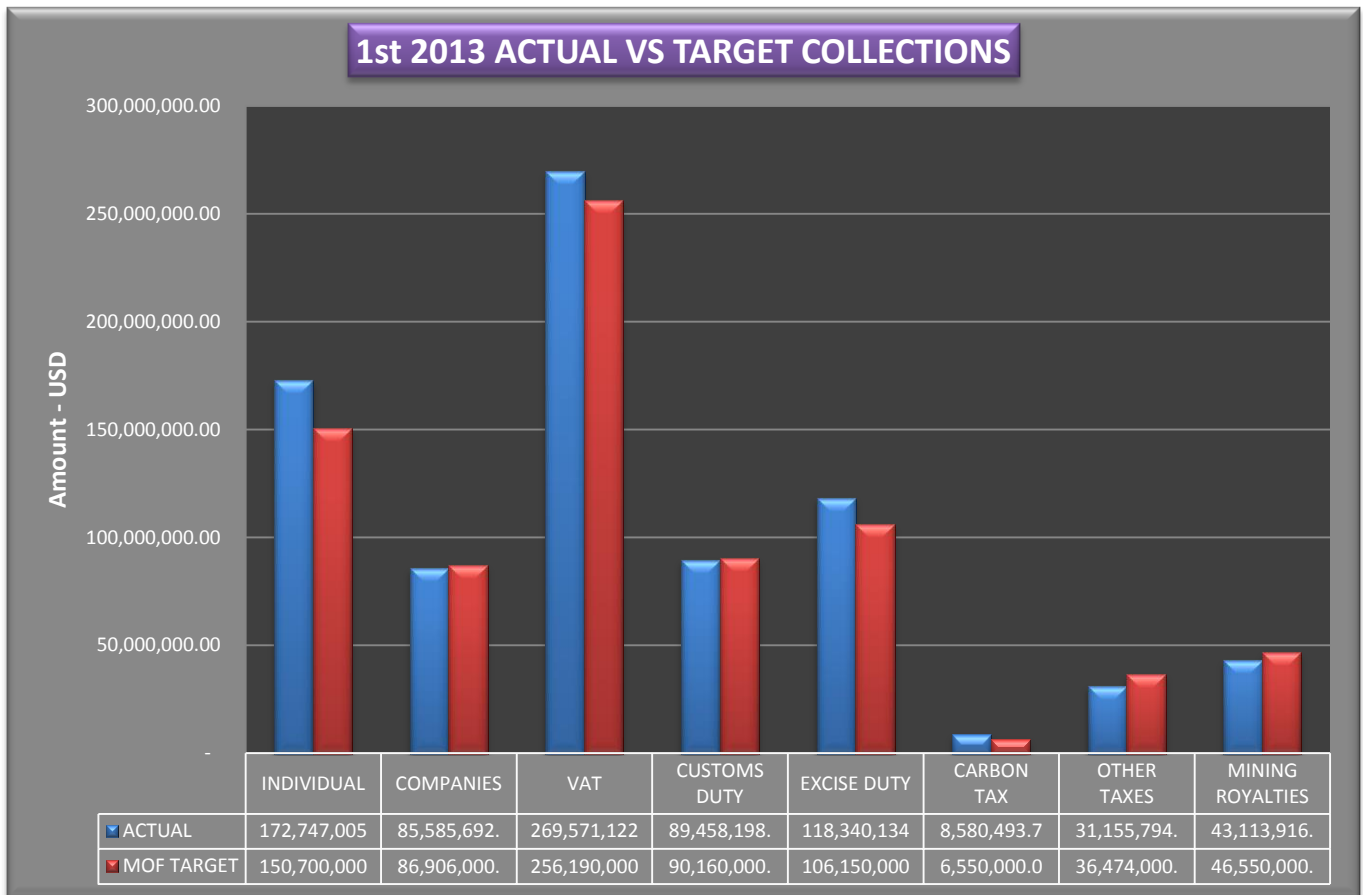


Fig 2: Revenue collection versus target

Individual Tax

Collections under Individual Tax amounted to US\$172.7 million against a target of US\$150.7 million, resulting in a positive variance of 15%. There was a 19% growth from the 2012 first quarter collections of US\$145.5 million.

Value Added Tax

Total VAT collections amounted to US\$269.6 million against a target of US\$256.2 million. This translates to a positive variance of five per cent (5%). VAT on Local Sales contributed 54% of total VAT revenue while the remainder was from VAT on Imports. There was also an 11% increase in net VAT collections as compared to the first quarter of 2012.

Company Tax

Company Tax performed below expectations mainly due to liquidity challenges and the resultant capacity underutilisation affecting the economy. A total of US\$85.6 million was

collected against a target of US\$86.9 million, resulting in a negative variance of two per cent (2%). There was a 14% increase in collections under this revenue head compared to the first quarter of 2012 when a total of US\$75.2 million was collected.

Tax on Dividends and Interest

Tax on Dividends and Interest contributed US\$11.5 million to revenue against a target of US\$17.9 million. There was a decline in collections under this revenue head as compared to the first quarter of 2012 whose collections amounted to US\$26 million. The performance of this revenue head can be attributed to the following factors, among others:

- Low activity on the stock and money markets resulted in less tax on dividends and interest being withheld.
- Very few companies awarded significant dividends to their shareholders. This resulted in the depressed performance of Non-Resident and Resident Shareholders' Tax.

CGT and CGT Withholding Tax

Capital Gains Tax (CGT) collections totalled US\$3.62 million against a target of US\$3.65 million. This resulted in a negative variance of one per cent (1%).

Customs Duty

A total of US\$89.5 million was collected as Customs Duty against a target of US\$90.2 million. This translates to a negative variance of one per cent (1%). There was, however, a two per cent (2%) growth in revenue as compared to the first quarter of 2012 when US\$87.9 million was collected.

The marginal growth in the local industry's production capacity resulted in reduced demand for imported goods and services. This, among other factors, negatively affected the performance of Customs Duty.

Excise Duty

Excise Duty amounted to US\$118.3 million against a target of US\$106.2 million, resulting in a positive variance of 11%. Excise Duty on Fuel contributed 64% and Excise Duty on Beer contributed 27% to total revenue from Excise Duty for the period respectively. The rest of

the revenue came from tobacco, wines, spirits and second-hand motor vehicles. The increase in fuel prices that was made within the quarter and a surge in the consumption of excisable goods such as beer and tobacco positively contributed to the performance of this revenue head.

Carbon Tax

This revenue head contributed US\$8.58 million to total revenue against a target of US\$6.6 million, resulting in a positive variance of 31%.

Tobacco Levy

Revenue from Tobacco Levy for the first quarter of 2013 was seven per cent (7%) above target. A total of US\$2.2 million was collected against a target of US\$2.1 million. During the same period last year, a total of US\$1.8 million was collected. An increase in the amount of tobacco that was traded at the auction floors this year as compared to last year was the major factor in the 23% growth in revenue under this tax head.

Other Taxes

Collections from 'Other Taxes' amounted to US\$11.7 million against a target of US\$12.9 million. Withholding Tax on Tenders contributed 64% to total revenue collected under this tax head while Presumptive Tax contributed 20%. The rest of the revenue came from Stamp Duty, Road Access Fees as well as Banking and ATM Levy.

Mining Royalties

A total of US\$43.1 million was collected as Mining Royalties against a target of US\$46.6 million. Revenue collections grew by 213% from last year's first quarter collections of US\$13.8 million.

Conclusion

In conclusion, I would like to express my gratitude and appreciation to those of our clients who continue to pay their taxes and duties on time and in full. This contributes to the economic development of our country. I urge those clients who are not observing their tax

obligations to comply with fiscal legislation and contribute their fair share to the needs of our country.

Secondly, my gratitude and appreciation goes to ZIMRA Management and staff. Surpassing first quarter revenue target by 5% against a background of a slower pace of economic growth is testimony to team spirit, hard work and efficient revenue collection on the part of the Authority.

Last but not least, I am grateful to the Ministry of Finance, our many stakeholders and my fellow Board members for their contribution to the successful discharge by the Authority of its mandate.

Given the positive trajectory which has been taken so far, I am optimistic that the overall 2013 revenue target will be surpassed.

A handwritten signature in blue ink, appearing to read 'Sternford Moyoyo'. The signature is stylized with a large initial 'S' and a long horizontal stroke.

STERNFORD MOYO
(CHAIRMAN OF THE BOARD)