

REVENUE PERFORMANCE REPORT FOR THE FIRST HALF OF 2014



Mr Gershem T. Pasi, ZIMRA Commissioner General

I am pleased to present to you the revenue performance report for the first half of 2014.

Overview of Revenue Performance

The revenue performance for the first half reflects the underlying economic environment currently obtaining. An improvement in the economic outlook as envisaged under the ZIMASSET Blue Print would boost revenue performance.

Net revenue collections for the first half of 2014 amounted to US\$1.72 billion against a target of US\$1.74 billion resulting in a negative variance of 1%. Most of the revenue was realised from Value Added Tax (VAT), Individual Tax and Excise Duty which contributed 26%, 25% and 14% respectively.

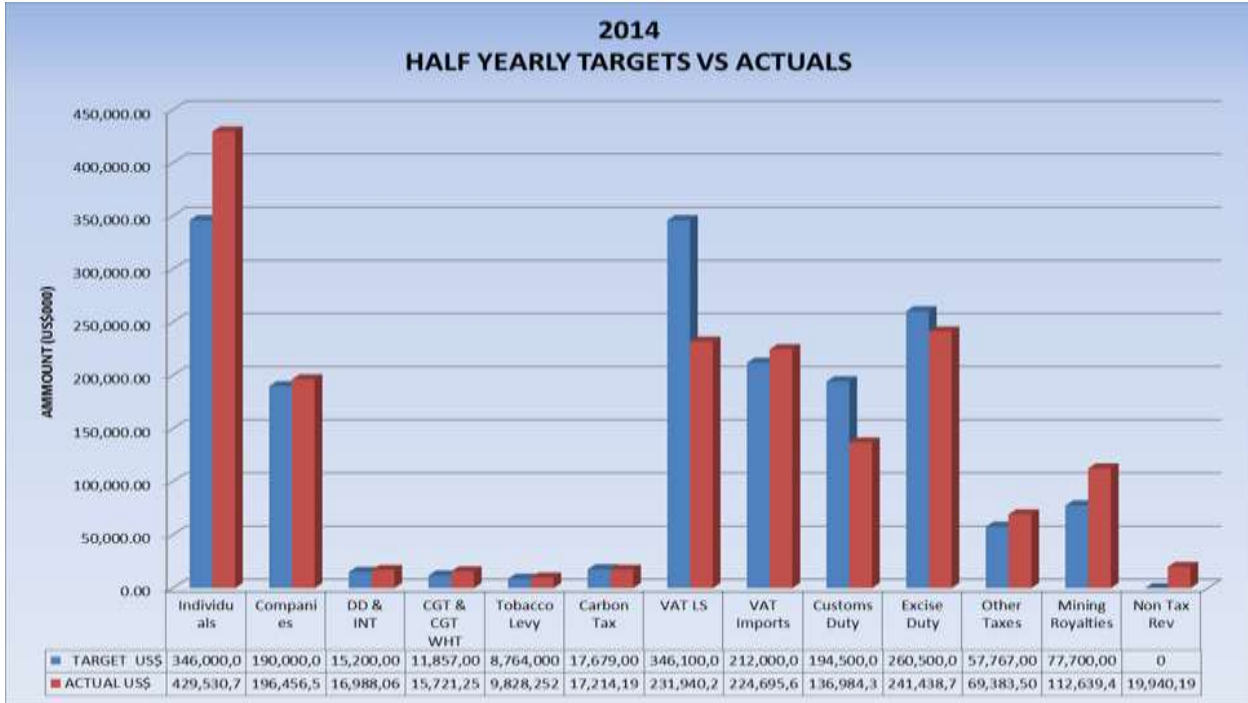
Collections for the first half of 2014 are as shown in the table below.

Table 1: Actual Collections versus Targets by Revenue Head

Jan- June 2014			
	TARGET US\$	ACTUALS US\$	% VARIANCE
Individual Tax	346,000,000.00	429,530,792.94	24%
Company Tax	190,000,000.00	196,456,586.52	3%
Tax on Domestic Dividends and Interest	15,200,000.00	16,988,064.11	12%
CGT and CGT Withholding Tax	11,857,000.00	15,721,251.43	33%
Tobacco Levy	8,764,000.00	9,828,252.35	12%
Carbon Tax	17,679,000.00	17,214,195.59	-3%
VAT on Local Sales	346,100,000.00	231,940,200.53	-33%
VAT Levied on imports	212,000,000.00	224,695,695.43	6%
Customs Duty	194,500,000.00	136,984,364.41	-29%
Excise Duty	260,500,000.00	241,438,710.20	-7%
Other Indirect Taxes	57,767,000.00	69,383,505.63	20%
Mining Royalties	77,700,000.00	112,639,448.77	45%
Non-Tax Revenue	-	19,940,199.15	
Total	1,738,067,000.00	1,722,761,267.06	-1%

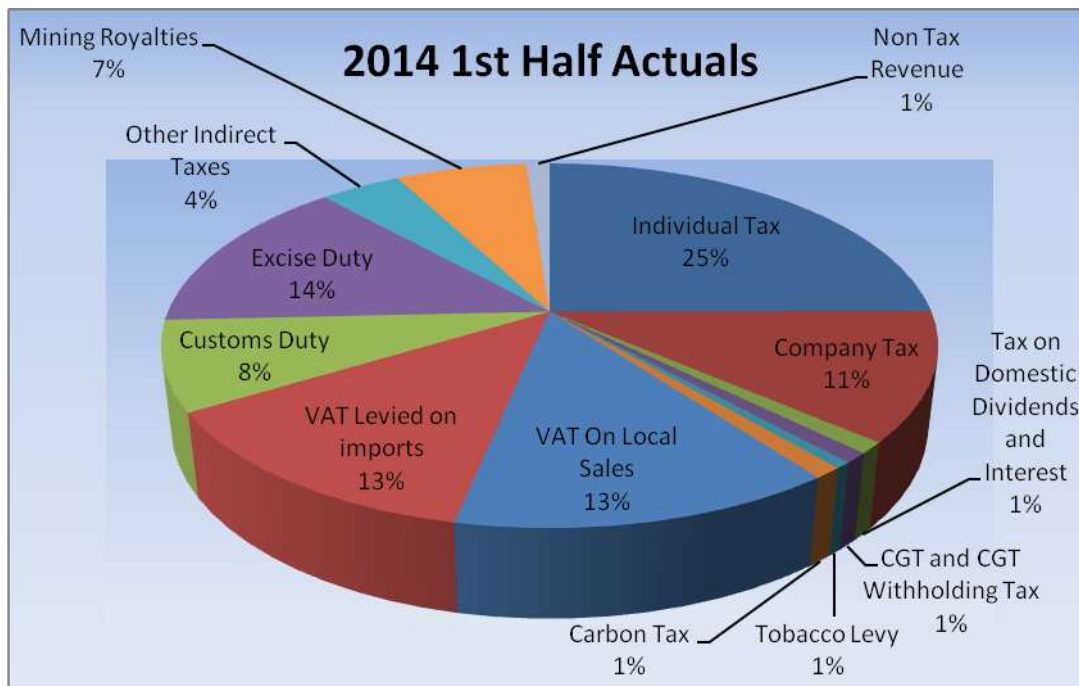
The following bar graph shows the actual collections versus the target per revenue head for the first half of 2014.

Figure 1: 2014 Half Year Revenue Collections versus Target



VAT contributed the bulk of the revenue after bringing in 26% of total collections while Individuals and Excise Duty contributed 25% and 14% respectively. The rest of the revenue heads' contributions are as represented in the pie-chart below:

Figure 2: 2014 Half Year Revenue Performance Pie Chart



1. Individual Tax

Collections under this revenue head amounted to US\$429.5 million against a target of US\$346.0 million, resulting in a positive variance of 24%. The current performance of the revenue head can be attributed to:

- ❖ The projects undertaken by the Authority have recovered previously unpaid PAYE which strongly boosted the performance of the revenue head. This pattern is however not predicted to continue in the medium term, nor does it imply any corresponding responsiveness of indirect taxes like VAT and Excise.
- ❖ Despite the good performance due to efforts by the Authority, the economy is characterised by closure of companies, scaling down of operations as well as retrenchments which affect revenue collection. The anticipated positive boost of indirect taxes from retrenchment packages is not realised as retrenching companies struggle to pay the retrenchees while those receiving their packages prefer to save or invest rather than spend.

Anticipated performance

The performance of this revenue head is expected to be constant in the short term because the Authority's compliance projects are still on going and payment plans by defaulting taxpayers are still running.

2. Company Tax/ Corporate Income Tax

This revenue head contributed US\$196.5 million against a target of US\$190.0 million, resulting in a positive variance of 3%. The performance of the revenue head can be attributed to intensive audits and debt management strategies implemented by the Authority as well as debt set-off initiatives by Government.

Anticipated Performance

The performance of the revenue head is expected to slightly improve during the second half of the year as 65% is expected from quarterly payment date (QPD) instalments as compared to 35% that was due and payable in the first half. However, the performance is likely to be depressed due to economic hardships being experienced.

3. Tax on Domestic Dividends and Interest

Collections under this revenue head amounted to US\$16.99 million against a target of US\$15.2 million, resulting in a positive variance of 12%. The performance of the revenue head can be attributed to the number of companies that managed to declare dividends, though there is low activity on the stock exchange due to liquidity constraints prevailing in the economy.

Anticipated Performance

The revenue head is not expected to improve significantly as liquidity challenges are constraining both the stock and money markets.

4. Capital Gains Tax and Capital Gains Withholding Tax

A total of US\$15.7 million was collected under this revenue head against a target of US\$11.8 million. This translates to a positive variance of 33%. Capital Gains Tax (CGT) contributed 85% to revenue collected under this revenue head with the remainder coming from Capital Gains Withholding Tax. The good performance was realised from the availability of mortgage finance from some financial institutions which boosted the properties market and this resulted in improved revenue collections from Capital Gains Tax.

Anticipated Performance

The performance of the revenue head is expected to follow a positive trend as mortgage bonds (though limited) become available from some financial institutions.

5. Tobacco Levy

Tobacco Levy contributed US\$9.8 million against a target of US\$8.8 million resulting in a positive variance of 12%. The performance of the revenue head can be attributed to an increase in the amount of tobacco that has been traded compared to the same period last year though prices were depressed.

By 30 June 2014, a total of 204.4 million kilogrammes had been sold at an average price of \$3.17/kg compared to 153.1 million kilogrammes sold by 30 June in 2013 at average price of \$3.69/kg. The sales values of tobacco for the first halves of 2013 and 2014 were US\$565.7 million and US\$647.5 million respectively. Factoring in a Tobacco Levy rate of US\$0.015 on the total sales value gives an anticipated collection of US\$9.7 million, which is in sync with the reported figure of US\$9.8 million.

Anticipated Performance

Collections under this revenue head are expected to fall as the tobacco selling season closed at the end of June. Limited revenue will be coming from ‘mop-up’ sales.

6. Carbon Tax

Revenue collections from Carbon Tax during the first half of 2014 amounted to US\$17.2 million against a target of US\$17.7 million. This resulted in a negative variance of 3%. The decline in collections is consistent with the volumes of petrol and diesel that were imported in 2014. There is no major difference in terms of volumes of fuel imports as compared to the same period last year.

7. Value Added Tax

VAT collections contributed US\$456.6 million against a target of US\$558.1 which constitutes 26% of total revenue collected. The performance translates to a negative variance of 18%.

7.1 Value Added Tax on Local Sales

A total of US\$231.9 million was collected against a target of US\$346.00 million after deducting refunds of US\$85.6 million resulting in a negative variance of 33%. Net VAT on Local Sales contributed 51% to total VAT revenue and 13% to total revenue.

The underperformance of the revenue head can be attributed to:

- ❖ The fall in industrial capacity utilisation which has resulted in reduced production of goods that attract VAT.
- ❖ A decline in disposable incomes as some companies are retrenching, closing or failing to award meaningful remuneration increments to their employees.

Anticipated Performance

The performance of the revenue head is expected to remain depressed until industrial capacity utilisation improves.

7.2 Value Added Tax on Imports

- Revenue collections for the first half were US\$224.7 million against a target of US\$212.0 million resulting in a positive variance of 6%. The positive performance of VAT on Imports can be attributed to the reduction in local industrial capacity utilisation which has compelled economic agents to substitute local goods with imports that attract Value Added Tax.

Anticipated Performance

The performance of the revenue head is not expected to improve significantly as liquidity challenges will constrain the importation of goods that attract VAT.

8. Customs Duty

Net revenue collections from Customs Duty for the first half were US\$137.0 million against a target of US\$194.5 million. This translates to a negative variance of 29%. Customs Duty refunds amounting to US\$10.6 million were paid out during the first half of 2014. The majority of refunds totalling US\$7 million emanated from exchange rate variations. The underperformance of the revenue head is attributed to the following:

- ❖ Liquidity constraints and insufficient domestic and foreign lines of credit. This has led to a reduction in the volumes of duty-paying imports.
- ❖ Revenue foregone during the first half of the year as a result of various instruments which suspended the payment of Customs Duty amounted to US\$296.3 million.

Anticipated Performance

The performance of the revenue head is expected to remain subdued due to liquidity constraints and lack of domestic and foreign lines of credit.

9. Excise Duty

Revenue from Excise Duty amounted to US\$241.4 million against a target of US\$260.5 million resulting in a negative variance of 7%. Excise Duty from fuel and beer contributed the bulk of the revenue with contributions of 74% and 17% respectively.

If the economic performance and capacity utilisation were as high as anticipated, this revenue head would have performed better. However, there is no major difference in terms of volumes of fuel imports as compared to the same period last year. 435.6 million litres of diesel were imported during the first half of 2014, while 436 million litres were imported during the same period last year. On the other hand, 226 million litres of petrol were imported during the first half of 2014, as compared to 219 million imported during the same period last year.

Anticipated Performance

The performance of the revenue head is expected to be almost constant as no significant changes are expected in terms of volumes of fuel imports and consumption of other excisable goods.

10. Mining Royalties

Revenue collections for the first half of 2014 amounted to US\$112.6 million against a target of US\$77.7 million, resulting in a positive variance of 45%. Collections were boosted by the debt set off done in March 2014. About US\$45 million was set off against outstanding mining royalties from mining companies.

11. Other Indirect Taxes

Collections under this revenue head were US\$69.4 million against a target of US\$57.8 million, resulting in a positive variance of 20%. Withholding Tax on Tenders was the major contributor to total collections under this revenue head with a contribution of 89% and the remainder coming from Presumptive Tax, Road Access Fees, Stamp Duties, Banking Levy and ATM Levy. The positive performance of Withholding Taxes on Tenders was boosted by improved compliance from clients due to audits and follow ups undertaken by ZIMRA.

Anticipated Performance

The revenue head is expected to continue surpassing the set targets especially on Withholding Tax on Tenders due to audits which are being carried out by the Authority.

12.Non-Tax Revenue

Collections under this revenue head were US\$19.9 million against a nil target. Non-Tax revenue comprises un-receipted funds, fines, rummage sales and prepayments. Un-receipted funds constituted the bulk of revenue under this revenue head, with a contribution of 67%. Fines and rummage sales contributed 10% and 9% respectively.

Conclusion

Let me take this opportunity to thank those clients who continue to pay their taxes on time and in full for the development of our nation. To those of our clients who evade paying taxes or resort to non-disclosures, I would like to urge them to put their tax affairs in order because ZIMRA will continue to intensify its revenue recovery processes. To set the record straight and for public interest, garnishee orders are used as a last resort for truant and non-cooperating clients.

I am indebted to ZIMRA Management and Staff for the hard work and unity of purpose and to the Minister of Finance and Economic Development and the entire Government for the support.

Going forward, the Authority will continue to play its part in ensuring efficient and effective systems for domestic resource mobilisation, which is critical in the attainment of targets under the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET).



G.T. PASI
COMMISSIONER GENERAL



"We are here to serve"

"We are here to serve"

