

REVENUE PERFORMANCE REPORT FOR THE FIRST HALF OF 2015



Mrs W. Bonyongwe, ZIMRA Board Chairperson

It gives me great pleasure to present this revenue performance report for the first half of 2015 on behalf of the Zimbabwe Revenue Authority (ZIMRA).

Overview

The first half of the year has been characterised by a myriad of challenges which affected economic performance. These include liquidity constraints, limited lines of credit from financial institutions, power shortages, retrenchments and company closures. The shrinking of the formal economy has led to the growth of the informal sector whose contribution to revenue is not significant. Such challenges have seen some clients failing to honour their tax obligations, resulting in the Authority failing to meet the set target for the first half of the year.

Net collections for the first half of 2015 amounted to US\$1.66 billion against a target of US\$1.76 billion, resulting in a negative variance of 6%. Net collections declined by 3% from the same period last year where US\$1.72 billion was collected.

The table below shows net revenue collections for the first half of 2015.

Revenue Performance

Table 1: Revenue Performance per Revenue Head

NET REVENUE FOR THE FIRST HALF OF 2015				
Revenue Head	Actual	Target	Variance	% Variance
Individual Tax	\$379,537,290.92	\$390,000,000.00	(\$10,462,709.08)	-3%
Company Tax	\$167,479,104.52	\$185,000,000.00	(\$17,520,895.48)	-9%
Dividends, Fees, Interest and Remittances	\$26,658,847.50	\$26,640,000.00	\$18,847.50	0%
CGT & CGT Withholding Tax	\$10,102,171.93	\$24,460,000.00	(\$14,357,828.07)	-59%
Tobacco Levy	\$8,244,420.50	\$9,900,000.00	(\$1,655,579.50)	-17%
Carbon Tax	\$17,377,510.56	\$15,100,000.00	\$2,277,510.56	15%
VAT on Local Sales	\$212,764,492.93	\$316,300,000.00	(\$103,535,507.07)	-33%
VAT on Imports	\$215,244,942.98	\$195,700,000.00	\$19,544,942.98	10%
Customs Duty	\$160,418,049.43	\$183,000,000.00	(\$22,581,950.57)	-12%
Excise Duty	\$346,240,837.04	\$285,000,000.00	\$61,240,837.04	21%
Other Taxes	\$46,072,436.13	\$65,000,000.00	(\$18,927,563.87)	-29%
Mining Royalties	\$39,788,886.37	\$64,900,000.00	(\$25,111,113.63)	-39%
Non-Tax Revenue	\$33,506,495.78	\$0	\$33,506,495.78	
Total	\$1,663,435,486.59	\$1,761,000,000.00	(\$97,564,513.41)	-6%

VAT on Imports, Excise Duty and Carbon Tax were the only revenue heads that surpassed their set targets during the period under review.

The following bar graph shows the actual collections versus the target per revenue head.

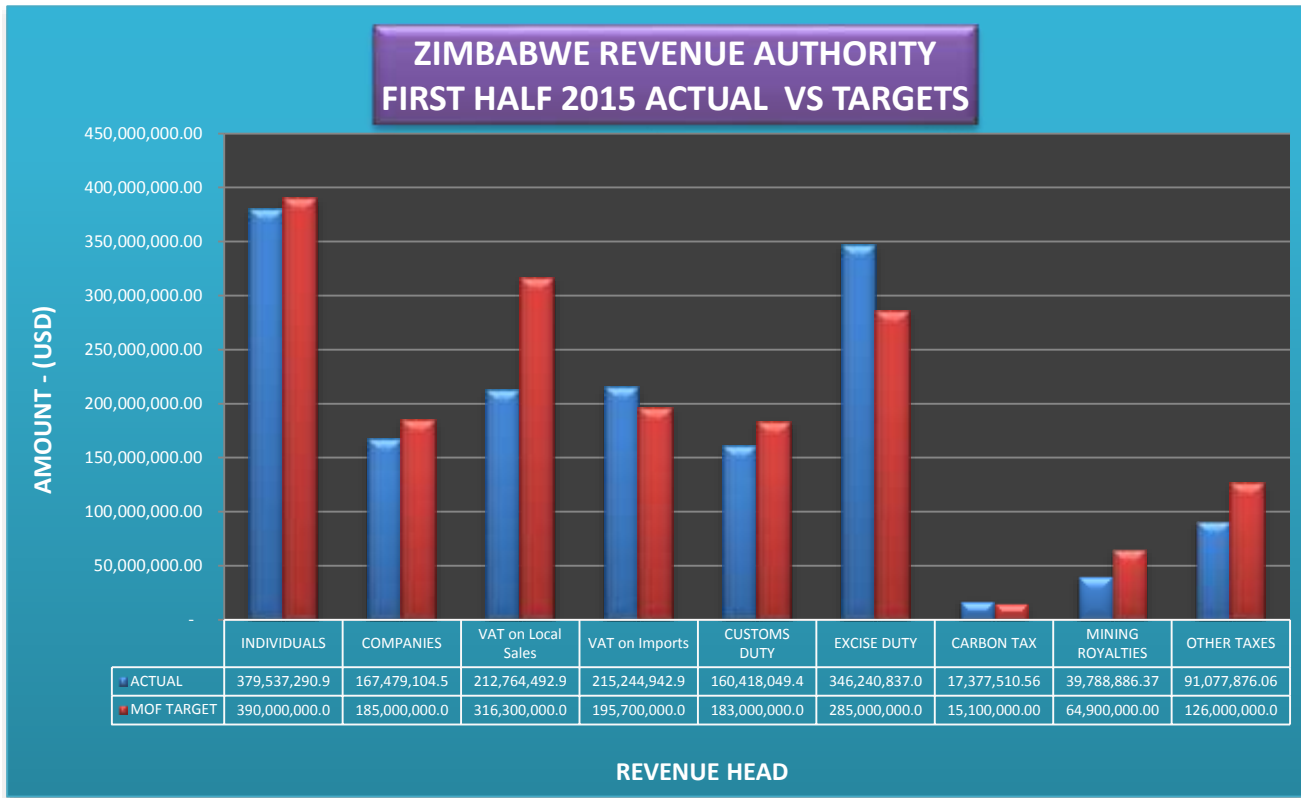


Figure 1: Actual vs Targets Bar Graph

Revenue Head Contribution

Individual Tax contributed the bulk of the revenue collected in the first half of 2015, contributing 23%, followed by Excise Duty which contributed 21% to total revenue. Both VAT on Imports and VAT on Local Sales contributed 13% apiece. The rest of the revenue heads' contributions are as shown in the pie chart below.

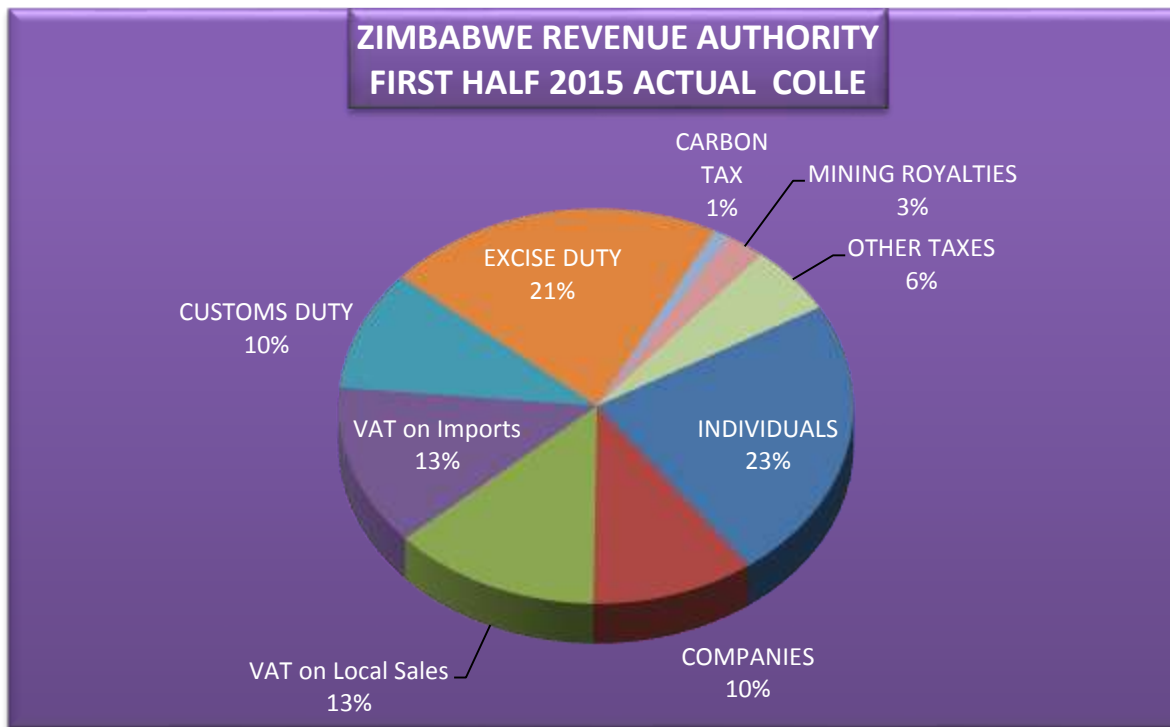
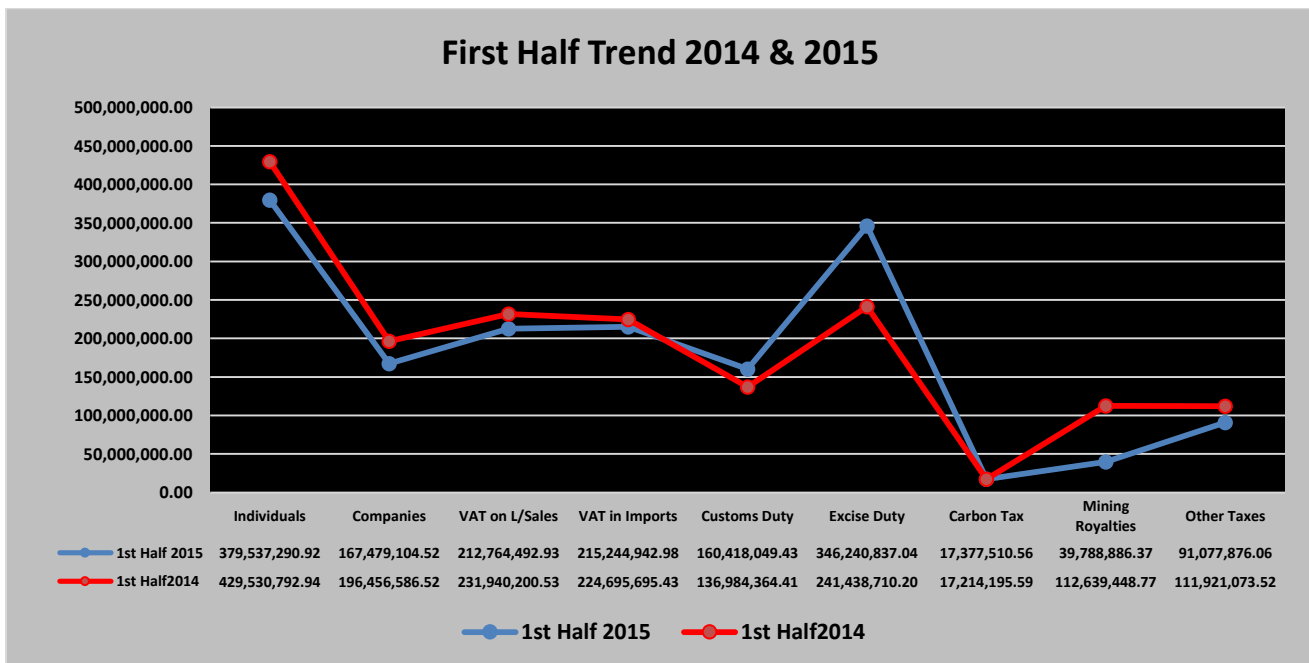


Figure 2: Actual Collections

Comparison of 2014 and 2015 Revenue Performance

Collections for the first half of 2014 and 2015 are as shown in the graph below.



Individual Tax

Revenue collections under this revenue head amounted to US\$379.5 million against a target of US\$390.0 million, resulting in a negative variance of 3%. During the same period last year, US\$429.5

million was collected, which translates to a decline of 12% in revenue. Retrenchments and company closures negatively impacted on the performance of the revenue head.

Corporate Income Tax

Collections under this revenue head amounted to US\$167.5 million against a target of US\$185.0 million, resulting in a negative variance of 9%. Revenue collections declined by 15% from the same period last year where US\$196.5 million was collected. The performance of the revenue head can be attributed to the depressed economic environment which has negatively affected the profitability of companies. These include liquidity challenges, limited credit facilities and high operational costs, among others.

VAT on Local Sales

Gross collections were US\$366.5 million against a target of US\$316.3 million, which translates to a positive variance of 16%. Net VAT collections amounted to US\$212.8 million against a target of US\$316.3 million, resulting in a negative variance of 33%.

Net VAT on Local Sales contributed 13% to total revenue and 49.7% to total VAT revenue. There has been an 8.24% decline in net revenue collections as compared to the US\$231.9 million that was collected during the same period last year. The performance of VAT on Local Sales can be attributed to:

- Low disposable income in the hands of the consumers.
- A higher VAT refund bill of US\$153.8 million in the first half of 2015 as compared to US\$116.3 million that was refunded during the same period last year.

VAT on Imports

Collections under this revenue head amounted to US\$215.2 million against a target of US\$195.7 million. This translates to a positive variance of 10%. VAT on Imports contributed 13% to total revenue and 50.3% to total VAT revenue. There has been a 4% decline in revenue collections from the US\$224.7 million that was collected during the first half of last year. The performance of the revenue head can be attributed to the increase in the importation goods which attract VAT.

Customs Duty

Customs Duty collections amounted to US\$160.4 million against a target of US\$183.0 million, resulting in a negative variance of 12%. During the same period last year, US\$137.0 million was

collected. This translates to a 17% increase in revenue collections. The performance of the revenue head can be attributed to the following:

- Liquidity challenges which negatively affected the importation of duty-paying goods.
- Customs Duty suppressing instruments which enabled the importation of goods under rebates, trade agreements and concessions. A total of US\$436.9 million was foregone during the first half of the year.

Excise Duty

A total of US\$346.2 million was collected under Excise Duty against a target of US\$285 million, resulting in a positive variance of 21%. Excise Duty on Fuel was the main contributor to total Excise Duty revenue, with a contribution of 77%. Excise Duty on Beer and Airtime contributed 10% and 6% respectively. The remainder of the revenue was realised from Excise Duty levied on tobacco, wines and spirits, second-hand motor vehicles and electric lamps.

During the same period last year, a total of US\$241.4 million was realised from Excise Duty. This translates to a 43% increase in this year's revenue collections. The performance of the revenue head is attributed to the following;

- An upward review of Excise Duty rates for petrol and diesel which resulted in higher Excise Duty revenue collections as compared to last year.
- Revenue collections were also boosted by Excise on Airtime.

Carbon Tax

During the first half of the year, US\$17.4 million was collected against a target of US\$15.1 million, resulting in a positive variance of 15%. During the same period last year, US\$17.2 million was collected from Carbon Tax. There has been an increase of 1% in revenue collections as compared to the same period last year. The increase in the import volumes of petrol as compared to last year resulted in the revenue head surpassing the set target.

Mining Royalties

Mining Royalties contributed US\$39.8 million against a target of US\$64.9 million, which translates to a negative variance of 39%. There has been a 65% decline in revenue collections as compared to the same period last year where US\$112.6 million was collected. The performance of the revenue head can be attributed to depressed international mineral prices and lower sales.

Other Taxes

Revenue collections from Other Taxes were US\$46.1 million against a target of US\$65.0 million, resulting in a negative variance of 29%. Revenue collections reflected a 34% decline from the same period last year where US\$69.4million was realised. The performance of the revenue head can be attributed to:

- Liquidity constraints which negatively impacted on the performance of CGT and CGT Withholding Tax as fewer properties and securities changed hands.
- Lower volumes and average prices of tobacco that was sold this year as compared to last year.
- Depressed economic activity resulting in revenue heads such as Presumptive Tax and Withholding Tax on Tenders failing to perform according to expectations.

Conclusion

On behalf of the incoming ZIMRA Board, I would like to acknowledge the support and guidance received from the Ministry of Finance and Economic Development and the entire Government during the period under review.

I am also most grateful to those among the taxpaying public who continue to meet their fiscal obligations in spite of the challenging economic environment. May God bless you.

Lastly, I would like to recognise the hard work and commitment of the Management and Staff of the Zimbabwe Revenue Authority who continue to diligently execute their duties for the development of our country.

Thank You


Mrs W. Bonyongwe