

REVENUE PERFORMANCE REPORT FOR THE FIRST QUARTER OF 2014



Mr Gershem T. Pasi, ZIMRA Commissioner General

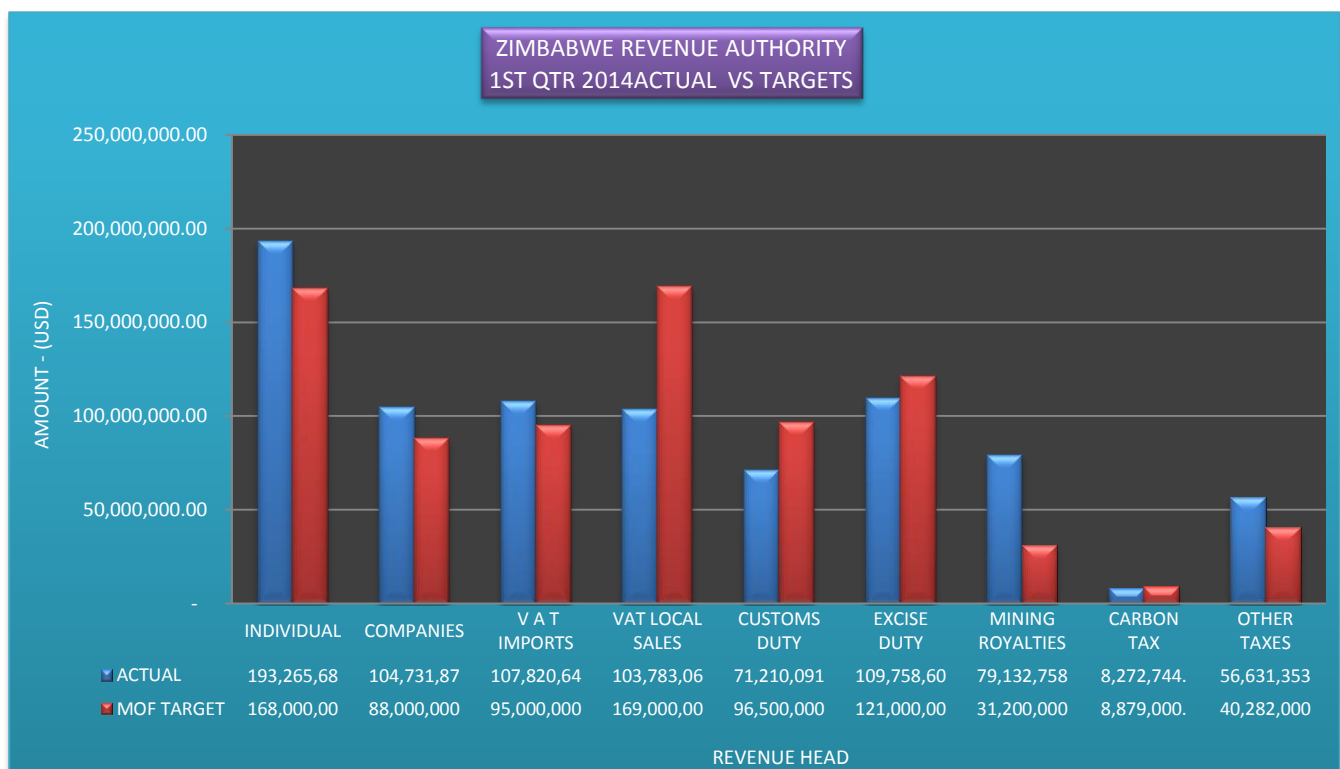
I am pleased to present to you the revenue performance report for the first quarter of 2014.

Overview of Revenue Performance

Net revenue collections for the first quarter amounted to US\$834.6 million against a target of US\$817.9 million, resulting in a positive variance of 2%. Most of the revenue was realised from Value Added Tax (VAT), Individual Tax and Excise Duty.

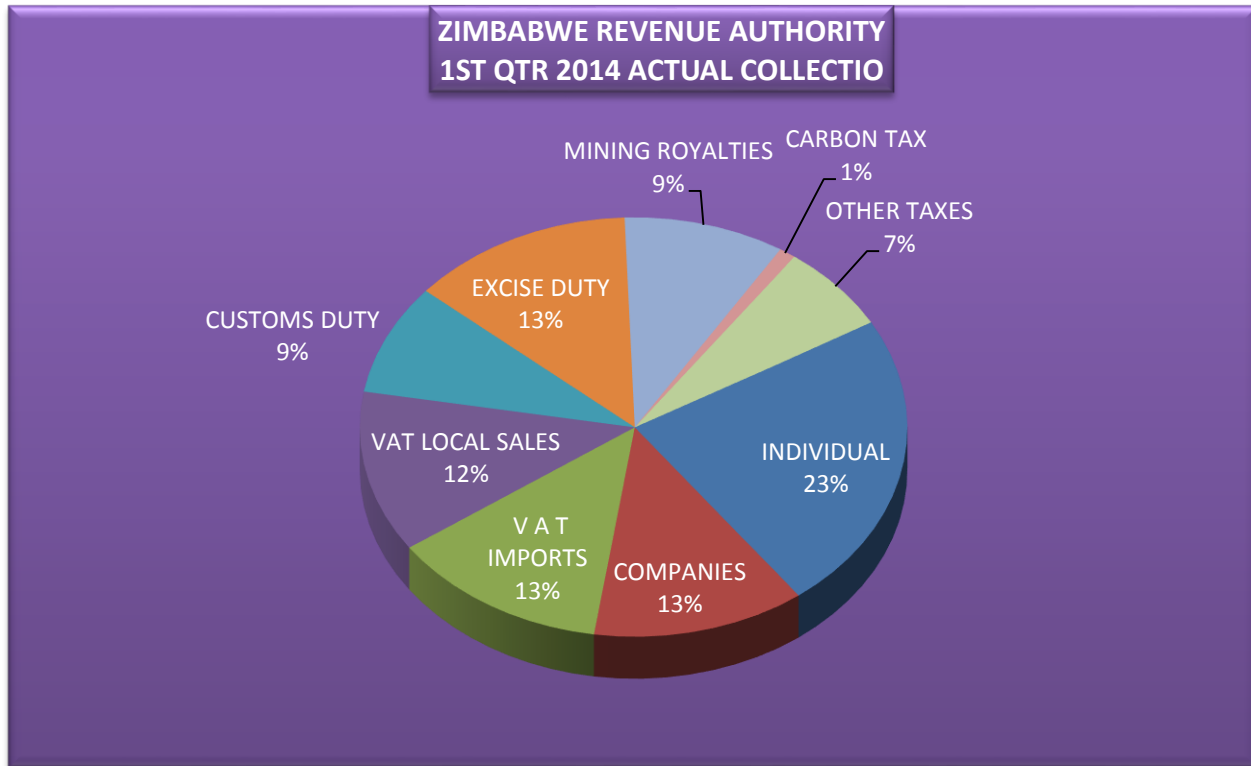
The following bar graph shows actual collections versus target per revenue head:

Revenue collections versus target



VAT brought in the greatest portion of revenue after contributing 25% while Individual Tax and Excise Duty contributed 23% and 13% respectively. The rest of the revenue heads' contributions are as represented in the pie-chart below.

Revenue heads' contribution to total revenue



Individual Tax

Collections under this revenue head amounted to US\$193.3 million against a target of US\$168 million, resulting in a positive variance of 15%. During the same period last year, US\$172.7 million was realised which translates to a 12% growth in revenue. The performance of the revenue head can be attributed to follow-ups and audits that the Authority carried out specifically on remuneration, which resulted in more revenue being collected.

Company/Corporate Income Tax

Corporate Income Tax amounted to US\$104.7 million against a target of US\$88 million resulting in a positive variance of 19%. There has been a 22% increase in revenue collections from companies from the US\$85.6 million that was collected during the same period last year. The performance of the revenue head can be attributed to intensified efforts by ZIMRA to enforce compliance through follow-ups and audits.

Collections under this revenue head are expected to improve in the second quarter where a greater percentage of the forecast tax liability (i.e. 25%) will be remitted as the second instalment under Quarterly Payment Dates (QPD).

Domestic Dividends and Interest

Revenue collections from Domestic Dividends and Interest amounted to US\$7 million against a target of US\$8 million resulting in a negative variance of 13%. During the same period last year, US\$11.5 million was collected which translates to a 39% decline in revenue collections. The performance of the revenue head can be attributed to liquidity constraints which resulted in fewer companies declaring dividends as well as low activity in the money market.

The revenue head's performance is also expected to remain subdued as liquidity constraints are likely to persist.

Capital Gains Tax (CGT) and CGT Withholding Tax

A total of US\$8.4 million was collected under this revenue head against a target of US\$5.9 million resulting in a positive variance of 44%. During the same period last year, US\$3.6 million was collected under the revenue head. The performance of the revenue head can be attributed to the availability of mortgage loans from some financial institutions which resulted in increased purchases of properties.

The performance of Capital Gains Tax and CGT Withholding Tax is likely to remain constant as no significant changes are expected in the transfer of properties and stock market shares.

Carbon Tax

Total collections were US\$8.3 million against a target of US\$8.9 million resulting in a negative variance of 7%.

Tobacco Levy

A total of US\$1.9 million was realised from Tobacco Levy during the quarter against a target of US\$2.8 million resulting in a negative variance of 31%. The performance of the revenue head can be attributed to lower current tobacco prices as compared to 2013 prices, although volumes are higher this year. For instance, by 25 March 2014, the average price was US\$3.08/kg as compared to

US\$3.68/kg in 2013, while 31.4 million kilogrammes and 26.8 million kilogrammes were sold by March in 2014 and 2013 respectively.

Collections under this revenue head are expected to increase as the tobacco selling season progresses.

Value Added Tax on Imports

VAT on Imports contributed 13% to total revenue and 51% to total VAT revenue. Collections amounted to US\$107.8 million against a target of US\$95 million, resulting in a positive variance of 13%. During the same period last year, US\$123.4 million was realised which translates to a 13% decline in revenue collections. The performance of VAT can be attributed to an increase in the value of VAT paying goods on importation to supplement locally produced goods. This resulted in the revenue head surpassing the set target. However, liquidity challenges are still negatively affecting the importation of VAT paying goods.

The performance of the revenue head is not expected to improve significantly as liquidity challenges continue to negatively impact the importation of goods by industry.

Value Added Tax on Local Sales

VAT on Local Sales contributed 12% to total revenue and 49% to total VAT revenue. Net collections amounted to US\$103.8 million against a target of US\$169 million, resulting in a negative variance of 39%. There has been a 29% decline in revenue from the US\$146.1 million that was collected during the first quarter of 2013. VAT on Local Sales is subdued due to the decline in capacity utilisation from 44.6% in 2013 to 39.6% by the beginning of 2014 (Source: CZI 2013 Manufacturing Survey Report).

The revenue head's performance is expected to remain depressed for the foreseeable future.

Customs Duty

Customs Duty collections amounted to US\$71.2 million against a target of US\$96.5 million, resulting in a negative variance of 26%. During the same period last year, US\$89.5 million was collected resulting in a decline in revenue of 20%. This is attributed to the lack of lines of credit in the economy which negatively affected local industry's capacity to finance the importation of goods. The suspensions and concessions also negatively affected revenue collections from Customs Duty. During the First Quarter of 2014, US\$126.5 million was forgone with 96% being revenue forgone from Customs Duty.

The performance of the revenue head is not expected to improve significantly as liquidity challenges continue to negatively impact the importation of goods by industry.

Excise Duty

A total of US\$109.8 million was collected as Excise Duty against a target of US\$121 million resulting in a negative variance of 9%. Excise Duty on Fuel was the main contributor after bringing in 77% of the total Excise Duty while beer came second with a 13% contribution. The remainder of the revenue was realised from tobacco, wines and spirits, seconds hand motor vehicles and electric lamps.

During the same period last year, US\$118.3 million was realised from Excise Duty and this translates to a 7% reduction in revenue collections. The performance of the revenue head can be attributed to a reduction in the consumption of beer, tobacco and other excisable goods.

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.

Mining Royalties

Mining Royalties amounted to US\$79.1 million against a target of US\$31.2 million resulting in a positive variance of 154%. In 2013, US\$43.1 million was collected during the first quarter. The performance of the revenue head can be attributed to the removal of sanctions on Zimbabwe's diamond mining companies which enabled the sale of diamonds at Antwerp.

Other Taxes

Revenue collections from Other Taxes were US\$30.5 million against a target of US\$23.7 million resulting in a positive variance of 29%. Withholding Tax on Tenders contributed 87% of total revenue collected under this revenue head. The remainder of the revenue was realised from Stamp Duty, Banking Levy, Presumptive Tax, Road Access Fees and ATM Levy.

The performance of this revenue head is expected to improve due to the follow up projects that are currently being carried out by the Zimbabwe Revenue Authority.

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.

I am indebted to ZIMRA Management and Staff for the hard work and unity of purpose, the ZIMRA Board for the guidance, and the Minister of Finance and Economic Development and the whole 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
ZIMRA COMMISSIONER GENERAL



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"We are here to serve"

