

STATEMENT BY THE ZIMRA BOARD CHAIRMAN ON REVENUE PERFORMANCE FOR THE THIRD QUARTER OF 2011



Mr S. Moyo, ZIMRA Board Chairman

INTRODUCTION

It is a great pleasure to present to you the revenue performance report of the Zimbabwe Revenue Authority (ZIMRA) for the third quarter of 2011.

OVERVIEW

The third quarter registered a positive performance owing to revenue enhancement measures that were implemented by ZIMRA as well as a gradual improvement in compliance levels. In addition, the economy is gradually picking up, pointing to a positive year end.

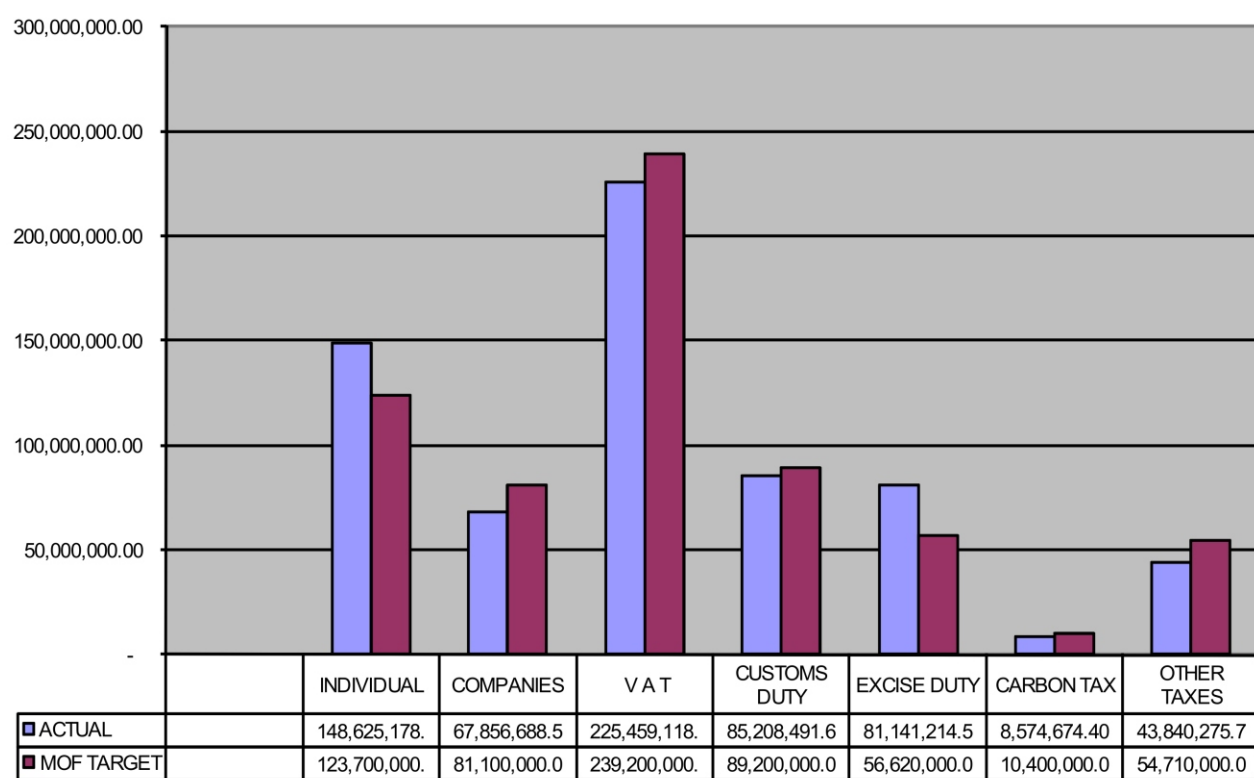
Total net collections for the quarter amounted to US\$660.7 million against a target of US\$654.9 million, resulting in a positive variance of 3%. Cumulative net collections are now slightly below US\$2 billion against a target of US\$1.8 billion.

Most of the revenue was realised from Value Added Tax (VAT), Individual Tax and Customs Duty which contributed US\$225.5 million, US\$148.6 million and US\$85.2 million respectively. Collections and targets for the quarter are as shown in the table below.

REVENUE HEAD	ACTUAL US\$	MINISTRY OF FINANCE TARGET US\$	VARIANCE US\$	% VARIANCE
INDIVIDUAL	148,625,178.14	123,700,000.00	24,925,178.14	20%
COMPANIES	67,856,688.58	81,100,000.00	-13,243,311.42	-16%
V A T	225,459,118.87	239,200,000.00	-13,740,881.13	-6%
CUSTOMS DUTY	85,208,491.66	89,200,000.00	-3,991,508.34	-4%
EXCISE DUTY	81,141,214.54	56,620,000.00	24,521,214.54	43%
CARBON TAX	8,574,674.40	10,400,000.00	-1,825,325.60	-18%
OTHER TAXES	43,840,275.75	54,710,000.00	-10,869,724.25	-20%
TOTAL	660,705,641.95	654,930,000.00	18,470,691.80	3%

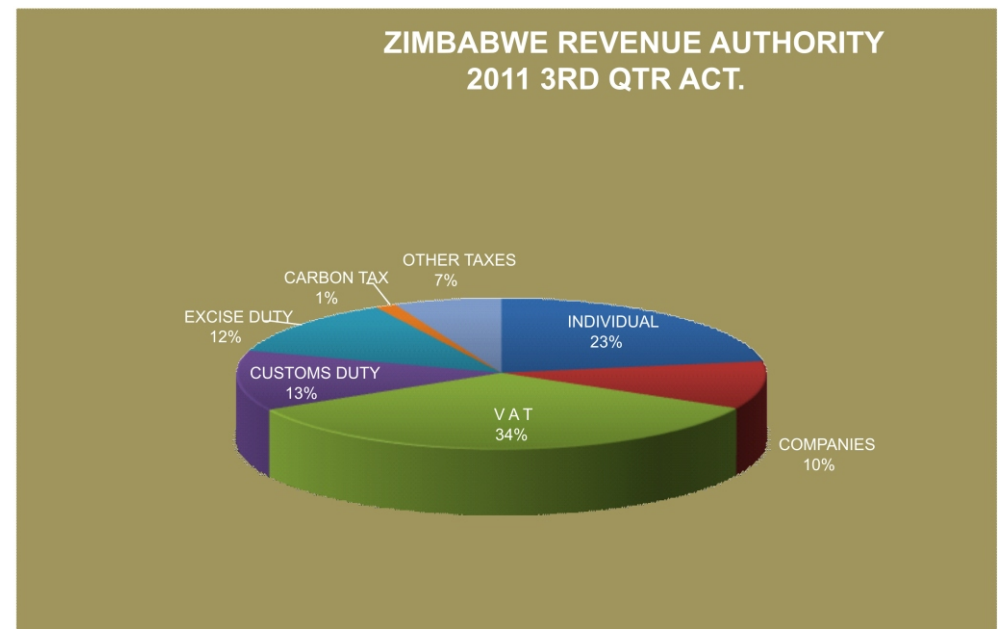
The following bar graph shows the actual collections versus the target per revenue head for the third quarter of 2011.

ZIMBABWE REVENUE AUTHORITY
2011 3RD QTR ACT.



VAT contributed the most revenue, bringing in 34% of total collections. Individual Tax was second after contributing 23% followed by Customs Duty which contributed 13%.

The rest of the revenue heads' contributions are as represented in the pie-chart below:



Individual Tax

A total of US\$148.6 million was collected against a target of US\$123.7 million. This constituted a positive variance of 20% against target. The performance of the revenue head can be attributed to the following:

- ♦ Improvement in local capacity utilisation has necessitated the recruitment of more employees, hence the improvement in the performance of the revenue head.
- ♦ Compliance checks and audits that are being carried out by the Authority are bearing fruit as compliance levels are improving gradually.

Corporate Tax

Collections were US\$67.9 million against a target of US\$81.1 million leading to a negative variance of 16%. There was a decline in the performance of this revenue head as compared to last quarter's performance. The following factors had a bearing on collections under Corporate Tax:

- ♦ Many companies are still affected by liquidity challenges, owing to lack of lines of credit, resulting in them operating with low working capital.
- ♦ In addition, constant power outages are working against productivity in many companies and this is negatively affecting profitability.

Value Added Tax

This revenue head brought in the most revenue after contributing 34% to total collections. US\$225.5 million was collected against the targeted US\$239.2 million, giving a negative variance of 6%. VAT on Local Sales contributed 44% of total VAT revenue while the remainder was from VAT on Imports. VAT collections fell short of the Ministry of Finance target because capacity utilisation for the local industry is gradually picking up hence VAT on Local Sales did not perform optimally.

Customs Duty

There was a 4% negative variance under this revenue head after US\$85.2 million was collected against a target of US\$89.2 million. The quarterly target was marginally missed because the local industry has now significantly improved in terms of capacity utilisation. As a result of this improvement, the economy is no longer fully dependant on imports.

Excise Duty

Excise Duties realised US\$81.1 million against a target of US\$56.6 million resulting in a positive variance of 43%. Excise on Fuel contributed 67% of the total Excise Duty collected. Beer came second with a percentage contribution of 22%. The performance of the revenue head is attributed to the following:

- ♦ Improved audit and follow ups from ZIMRA have resulted in improved compliance.
- ♦ The economy has registered a growth in demand for fuel as industry capacity utilisation is gradually picking up.
- ♦ As the economy recovers, consumers are getting more disposable income to spend on excisable products.

Other Taxes

Other Taxes consist of Domestic Dividends and Interest, Other Income Tax, Tobacco Levy, Other Indirect Taxes, Non-Tax Revenue and Carbon Tax. Collections under this revenue head amounted to US\$52.4 million against a target of US\$65.1 million. There was, therefore, a negative variance of 19%.


Revenue heads which contributed to this decrease were Tobacco Levy, Carbon Tax and Other Indirect Taxes. On the other hand, Domestic Dividends and Other Direct Taxes had a positive contribution. Some of the highlights which affected the revenue head during the quarter include:

- ♦ The price of tobacco which fell as the season progressed, as compared to the price that prevailed at the beginning of the season. The lower collections from Tobacco Levy are attributable to the fact that the country produced lower volumes than originally projected. Instead of the projected 180 million kilogrammes, less than 140 million kilogrammes were auctioned this year.
- ♦ Other Indirect Taxes were negatively affected by the fact that the amount received from royalties on diamond sales was not as originally projected.

GRATITUDE AND APPRECIATION

During the quarter, the Authority commemorated its 10th anniversary which culminated in the launch of the Taxpayer Appreciation Day. This day will be observed annually to recognise the contribution made by clients who consistently pay their taxes on time and in full. I am, therefore, grateful to the clients and stakeholders who were honoured for their contribution and would like to urge them to continue to pay taxes for the development of our country.

I would also like to express ZIMRA's gratitude and appreciation to its clients, employees, management, the Government of Zimbabwe in general and the Ministry of Finance in particular, my fellow Board members, and the Authority's many stakeholders for their tireless efforts in support of the Authority as it carries out its mandate. Given the momentum gathered so far and the level of dedication and team spirit that is prevailing within the organisation, ZIMRA is confident that this year's target will be surpassed.


STERNFORD MOYO
CHAIRMAN OF THE BOARD