

# REVENUE PERFORMANCE REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2019



*Josephine Matambo*  
*ZIMRA Vice Board Chairman*

## 1. Introduction

The third quarter of 2019 saw Zimbabwe Revenue Authority (ZIMRA) gathering tremendous momentum in the implementation of its new five-year strategy (2019-2023). The Authority's strategy is tailor-structured to support the Government's Vision 2030 and the Transitional Stabilisation Programme (TSP). ZIMRA's strategy mainly supports the Government's efforts to achieve the following TSP goals:

- **Restoration of Fiscal Balance** – ZIMRA plays a pivotal role in mobilization of financial resources to fund government's recurrent and capital expenditure. The Authority seeks to strengthen Domestic Revenue Mobilisation through widening the tax base and increasing tax and customs compliance;
- **Plugging of revenue leakages** – The Authority is intensifying efforts to plug revenue leakages through closing of smuggling loopholes, fighting and prevention of corruption by ZIMRA staff members and the clients; and
- **Ease of doing business** – ZIMRA seeks to contribute to the improvement of Zimbabwe's 'Ease of Doing Business Index' by facilitation of smooth movement of goods/people at the national borders and implementation of simplified tax/customs processes. The objective is to increase tax and customs convenience to the transacting public.

This report provides a review of ZIMRA's strategic performance for the quarter ending 30 September 2019.

## 2. Domestic Revenue Mobilisation

Revenue performance for the Third Quarter of 2019 exceeded the set target on both gross and net positions. Gross collections for the Third Quarter (Q3) of 2019 were **\$6.59 billion** against the targeted **\$6.00 billion**, thereby surpassing the third revised set target by **26.55%**. After deducting refunds of **\$167.44 million** for the Quarter, net collections of **\$6.42 billion** surpassed the target of **\$6.00 billion** by **8.79%**.

Compared to the same period in 2018, Gross Collections grew by **413.66%** from **\$1.28 billion** collected during the Third Quarter of 2018. On the other hand, net collections recorded a growth of **349.17%** from **\$1.19 billion** that was collected in the same period in 2018.

The positive variance is attributed to both inflation and the Authority's voluntary compliance and enforcement strategies. Major contributors to revenue were Individual Tax, Company Tax, VAT on Imports, Excise Duty, Dividends, Fees, Interests and Remittances (DFIR), Withholding Tax on Contracts and Tobacco Levy.

**Figure 1: Comparison of revenue performance for Q3 2019 and Q3 2018:**

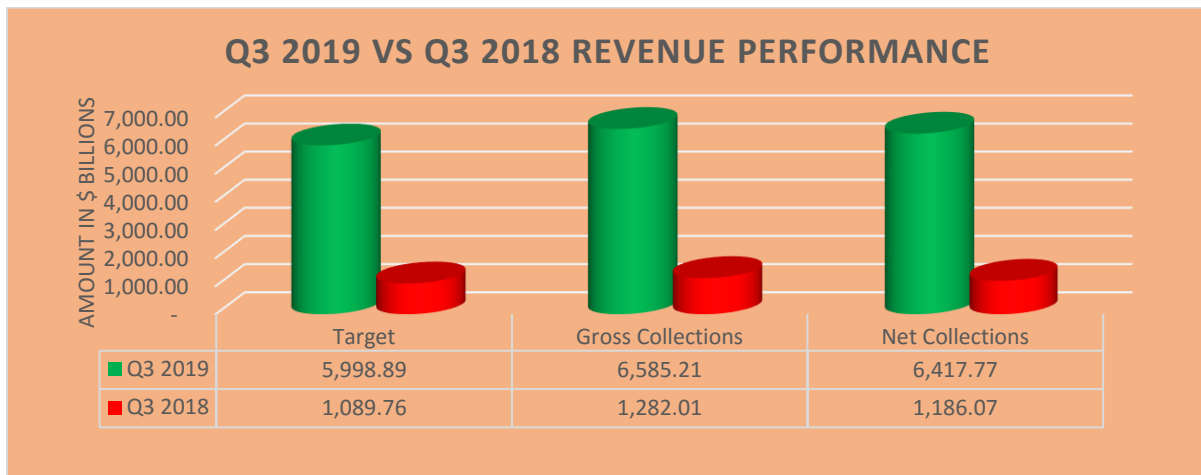


Table 1. below shows revenue collections and targets for Q3 2019 and Q3 2018 actuals as well as revenue growth for each revenue head.

**Table 1: Q3 2019 Collections vs Targets and Q3 2018 collections**

TAX HEAD	Q3 2019 TARGET \$	Q3 2019 ACTUALS \$	VARIANCE \$	% VARIANCE	Q3 2018 ACTUAL	% NOMINAL GROWTH
Individual Tax	781,489,347.82	899,113,150.10	117,623,802.28	15.05%	214,882,362.63	318.42%
Company Tax	824,656,629.75	921,916,735.38	97,260,105.63	11.79%	190,212,602.47	384.68%
Gross VAT on Local Sales	987,393,216.87	1,004,797,850.04	17,404,633.17	1.76%	293,910,819.14	241.87%
<i>Less VAT Refunds</i>		<i>155,950,488.93</i>			<i>94,668,402.37</i>	<i>64.73%</i>
Net VAT on Local Sales	987,393,216.87	848,847,361.11	<i>138,545,855.75</i>	<i>-14.03%</i>	199,242,416.77	326.04%
VAT on Imports	781,848,858.36	859,632,280.52	77,783,422.16	9.95%	140,230,428.60	513.01%
Gross Customs Duty	566,919,809.70	584,325,543.91	17,405,734.21	3.07%	116,684,170.79	400.78%
<i>Less Customs Refunds</i>		<i>11,139,051.19</i>			<i>333,503.29</i>	<i>3,240.01%</i>
Net Customs Duty	566,919,809.70	573,186,492.72	6,266,683.02	1.11%	116,350,667.50	392.64%
Excise Duty	922,559,120.92	1,013,454,461.22	90,895,340.30	9.85%	216,047,009.05	369.09%
Carbon Tax	16,254,248.19	14,118,840.36	<i>-2,135,407.83</i>	<i>-13.14%</i>	10,103,660.09	39.74%
Mining Royalties	174,585,840.08	140,045,388.91	<i>-34,540,451.17</i>	<i>-19.78%</i>	31,723,743.42	341.45%
DFIR	59,495,901.09	91,722,840.05	32,226,938.96	54.17%	15,653,771.79	485.95%
WHT on Contracts	112,437,074.63	124,414,281.21	11,977,206.58	10.65%	40,456,487.58	207.53%
Intermediated Money Transfer Tax	692,301,757.76	660,556,979.43	<i>-31,744,778.33</i>	<i>-4.59%</i>	1,966,609.88	33,488.61%
Other Taxes:						
<i>CGT &amp; CGT WHT</i>	<i>17,800,786.37</i>	<i>16,625,524.41</i>	<i>-1,175,261.96</i>	<i>-6.60%</i>	<i>6,816,412.99</i>	<i>143.90%</i>
<i>Tobacco Levy</i>	<i>26,164,924.38</i>	<i>28,221,453.66</i>	<i>2,056,529.28</i>	<i>7.86%</i>	<i>2,408,120.95</i>	<i>1,071.93%</i>
<i>Other Indirect Taxes</i>	<i>34,978,971.43</i>	<i>16,265,721.28</i>	<i>-18,713,250.15</i>	<i>-53.50%</i>	<i>6,490,184.80</i>	<i>150.62%</i>
<i>Net Non-Tax Revenue</i>		<i>209,649,961.84</i>			<i>-6,518,592.27</i>	<i>-33,16.18%</i>
<b>NET REVENUE</b>	<b>5,998,886,487.35</b>	<b>6,417,771,472.21</b>	<b>209,235,023.02</b>	<b>8.79%</b>	<b>1,186,065,886.25</b>	<b>349.17%</b>
<b>GROSS REVENUE</b>	<b>5,998,886,487.35</b>	<b>6,585,206,493.02</b>	<b>376,324,563.13</b>	<b>26.55%</b>	<b>1,282,006,712.98</b>	<b>413.66%</b>

Individual Tax, Company Tax, VAT on Imports, Customs Duty, Excise Duty, DFIR, Withholding Tax on Contracts and Tobacco Levy surpassed set targets for the period under review. On the other hand, Net VAT on Local Sales, Carbon Tax, Mining Royalties, Intermediated Money Transfer Tax, CGT& CGT Withholding and Other Indirect Taxes failed to meet their targets.

Positive revenue collections from Individual Tax and Company Tax are attributed to the ongoing revenue enhancement initiatives that the Authority is undertaking. The Authority's intensified effort through debt follow-ups, audits and investigations is contributing to the good performance of these revenue heads.

Gross VAT on Local Sales marginally surpassed target as a result of reduced demand for goods and services due to high prices prevailing on the market. Refunds had a negative impact on the performance of Net VAT on Local Sales, hence its performance ended up below the set target.

The floating of the exchange rate in February 2019 continues to bear fruit as VAT on Imports and Customs Duty responded positively. At the same time, increased imports to cover for local shortages have boosted collections of both VAT on Imports and Customs Duty.

Excise Duty performance can be attributed to policy changes (*SI 161 of 2019*) that was implemented from the beginning of August whereby there was a change in the calculation of Excise Duty from the specific rates of **\$0.90** and **\$1.15** per litre of diesel and petrol respectively to ad valorem rates of **40%** and **45%** for diesel and petrol respectively. The value of fuel imports is converted at prevailing exchange rates.

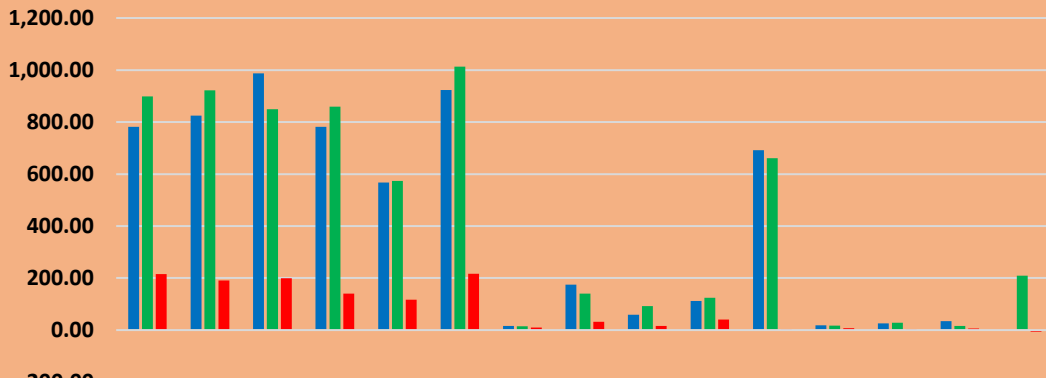
Carbon Tax failed to meet the set target because of reduced fuel imports. Petrol imports decreased by **18.24%** from **130.49 million** litres in the third quarter of 2018 to **106.66 million** litres in the third quarter of 2019. Diesel imports marginally increased by **0.68%** from **265.46 million** in the same period in 2018 to **267.26 million** in the third quarter of 2019.

### **Q3 2019 and Q3 2018 Net Revenue Collections Comparison**

The following graph shows a comparison of revenue collections for Q3 2019 and Q3 2018 as well as the Q3 2019 targets for each revenue head.

*Figure 2: Comparison of Q3 2019 Vs Q3 2018 by Revenue Head*

### 2019 & 2018 Actual Collections and 2019 Target

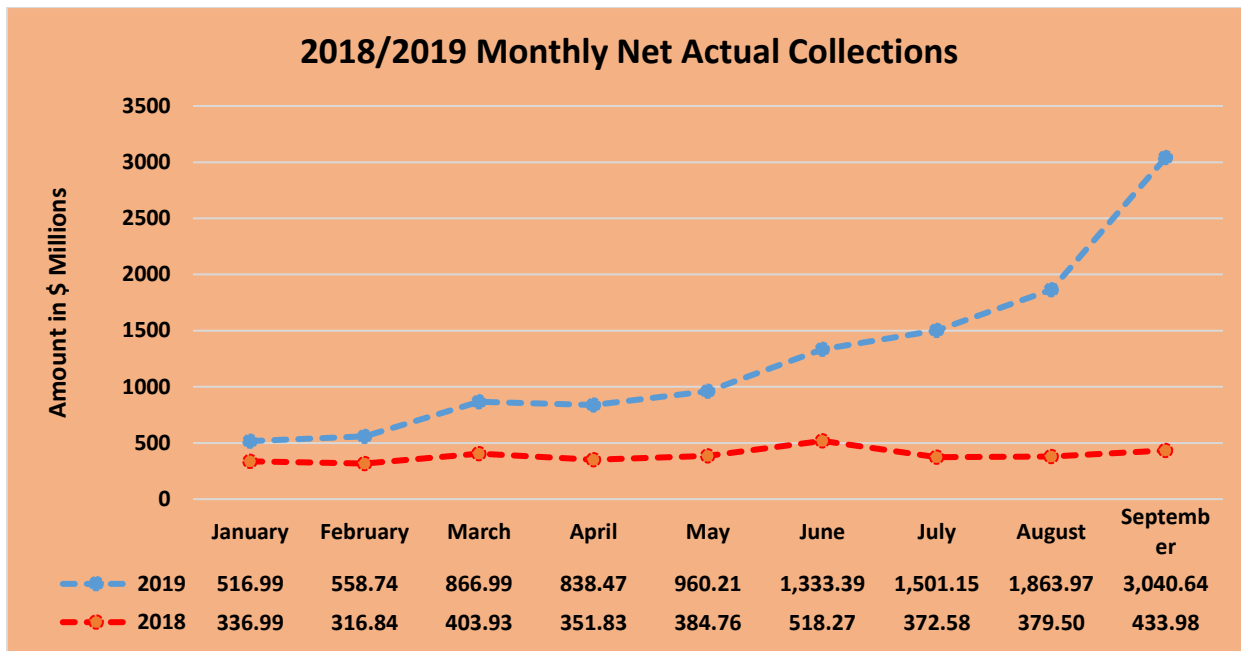


	Individual Tax	Company Tax	Net VAT on Local Sales	VAT on Imports	Net Customs Duty	Excise Duty	Carbon Tax	Mining Royalties	DFIR	WHT on Contracts	Intermediated Money Transfer Tax	CGT & WHT	Tobacco Levy	Other Indirect Taxes	Net Non-Tax Revenue
■ TARGET Q3 2019 \$	781.49	824.66	987.39	781.85	566.92	922.56	16.25	174.59	59.50	112.44	692.3	17.80	26.16	34.98	
■ ACTUALS Q3 2019 \$	899.11	921.92	848.85	859.63	573.19	1,013.	14.12	140.05	91.72	124.41	660.56	16.63	28.22	16.27	209.6
■ Q3 2018 ACTUAL	214.8	190.2	199.2	140.2	116.3	216.0	10.10	31.72	15.65	40.46	1.97	6.82	2.41	6.49	(6.52)

### Monthly Net Revenue Collections Comparison

Figure 3 shows a comparison of 2019 and 2018 monthly performances.

*Figure 1: Comparison of Monthly Collections*



Monthly collections for the year to end of third quarter 2019 maintained an outright positive upward trajectory as compared to an almost flat trajectory for the same period in 2018.

### 3. Plugging revenue leakages -Preventing and fighting corruption

ZIMRA's fight against corruption and smuggling is being intensified through collaborative partnerships with other government law enforcement agencies such as Zimbabwe Republic Police, Zimbabwe National Army and the National Prosecuting Authority. In October 2019, the Authority signed a Memorandum of Understanding with the Zimbabwe Anti-Corruption Commission (ZACC) whose objective is to provide a framework for the two organisations to jointly work together in the fight against corruption.

Over and above fighting corruption, ZIMRA is now intensifying corruption prevention measures. The authority has started scoring successes in property seizures under the Money Laundering and Proceeds of Crime Act particularly houses and motor vehicles. Seizing all proceeds of corruption and prosecuting the offenders will reinforce the ZERO Tolerance to Corruption. Below is a table showing ZIMRA's internal corruption fight statistics as at 30 September 2019:

*Table 2: ZIMRA corruption fight statistics*

Item Description	Hotline	Intelligence	Lifestyle Audits	Total
<b>Quarter 3 2019 Statistics</b>				
Investigated Cases	01	91	54	146
Finalised Cases	01	30	17	48
Revenue Identified for Recovery	Nil	<b>\$14,446,524.71</b>	Nil	<b>\$14,446,524.71</b>
Recommendation for Corrective Action	Nil	07	04	11
<b>Year to Date cumulative statistics for 9 months ending 30 September 2019</b>				
Investigated Cases	20	188	181	389
Finalised Cases	08	114	95	217
Revenue Identified for Recovery	00	\$73,549,969.4		\$73,549,969.4
Recommendation for Corrective Action	1	71	31	103
Number of staff members suspended for corruption				42

## Key

- **Hotline** – These are cases reported on ZIMRA’s Hotline number 0800776748. This Hotline number is administered by an independent external institution.
- **Intelligence**- These are investigated cases as a result of internal and external intelligence.
- **Lifestyle Audits** – These are lifestyle audits held on internal ZIMRA staff members and this applies to all ZIMRA staff members.
- **Recommended for corrective action** –this is recommendation for disciplinary action against the perpetrators and/or improvement of systems /processes / procedures.

## 4. Improving ease of doing business

### Simplification of processes and service efficiency improvement

ZIMRA’s new five-year strategy (2019-2023) is alive to the fact that the effectiveness and efficiency of exports / imports clearance at the borders have a direct bearing on our country’s ease of Doing Business Index. The same applies to Domestic Taxes processes, systems and procedures. The Authority is thus making a drive to review, simplify and improve process efficiencies across the whole organisation. This will be achieved through a Business Process Re-engineering Project which will cut across all ZIMRA’s internal business processes and systems. ZIMRA has begun the process of acquiring a new Tax Revenue Management System. This new system is expected to eliminate a lot of manual processes, thereby



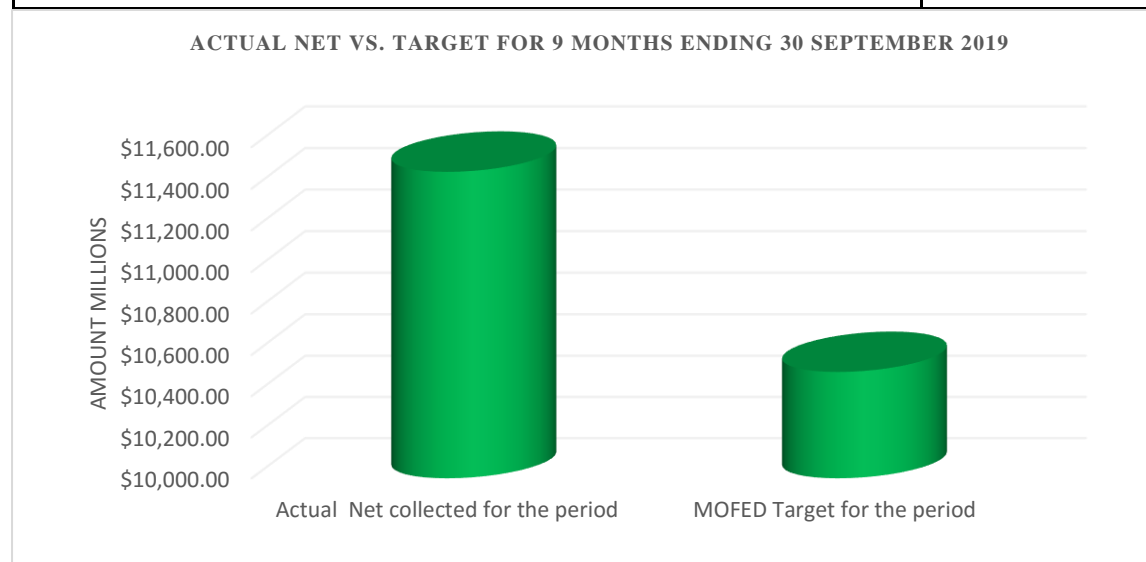
improving service efficiency. The Authority secured Technical Assistance from international development partners to review domestic taxes processes ahead of the acquisition of this new Tax Revenue Management System. ZIMRA is also building capacity for improved compliance management in specialized sectors like the Telecommunication and Mining sectors. Training and technical assistance was received from the African Tax Administrators Forum (ATAF) through collaborations with the Tax Inspectors Without Borders (TIWB) Project, the International Monetary Fund, World Bank and the World Customs Organisation. Under the Partnership pillar, the Authority continues to build strategic partnerships to improve its service delivery and facilitate both local and international trade.

### 5. Cumulative Revenue Performance up to 30 September 2019 and Outlook

The cumulative net revenue collections for 9 months ending 30 September 2019 stood at \$11.48 billion against a target of \$10.52 billion. At this rate, ZIMRA is set to exceed the 2019 annual revised net revenue mobilization target of \$18.6 billion.

*Table 3: Cumulative net revenue collections up to 30 September 2019*

Actual Net Vs. Target for 9 months ending 30 September 2019	
Actual Net collected for the period (Billions)	\$11.48
Ministry of Finance and Economic Development Target (Billions)	\$10.52
<b>% Variance above target</b>	<b>9.16%</b>



Some of the interventions earmarked for the 4<sup>th</sup> quarter include:

- Strengthening of risk based and sector targeted audits;
- Intensification of debt recoveries through implementation of a focused Debt Recovery Project;

- Increasing compliance through implementation of a Compliance Management Programme and
- Fighting corruption and prosecuting tax evasion offenders.

These interventions, together with other compliance and enforcement projects on IMTT, Foreign currency traders, Fuel, Mobile Transactions and other taxes should see ZIMRA's cumulative collections meeting and surpassing the 2019 annual target.

## 6. Gratitude

I would like to express my sincere gratitude to my colleagues on the Board for your commitment. Without your unwavering support, we would not have recorded the positive performance we have achieved to date.

To the Commissioner General, Management and Staff, thank you for the hard work, commitment and positive results shown in the Third Quarter. You have indeed demonstrated that it is possible to produce excellent performance when you work as a team.

To our compliant Clients, I say thank you for your continued support which has enabled us to discharge our mandate effectively. Your good conduct in honouring your obligations in spite of the challenges in the current operating environment is greatly appreciated. The Authority will continue striving to provide quality service to all Clients. You are encouraged to engage us for constructive resolutions whenever our services go below your expectation as pledged in our Service Charter.

I thank you



Josephine Matambo

**ZIMRA Vice Board Chairperson**

