

Zimbabwe Revenue Authority



REVENUE PERFORMANCE REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

JUNE 2020



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ZIMRA vice Board Chairman

1. Introduction

The report presents the Zimbabwe Revenue Authority's (ZIMRA) strategic performance for the Second Quarter ending 30 June 2020. Revenue collections maintained a positive trajectory in nominal terms despite the adverse operating environment that has been exacerbated by the Covid-19 pandemic. The second quarter of 2020 was characterized by a widening gap between official and parallel market exchange rates and rising inflation.

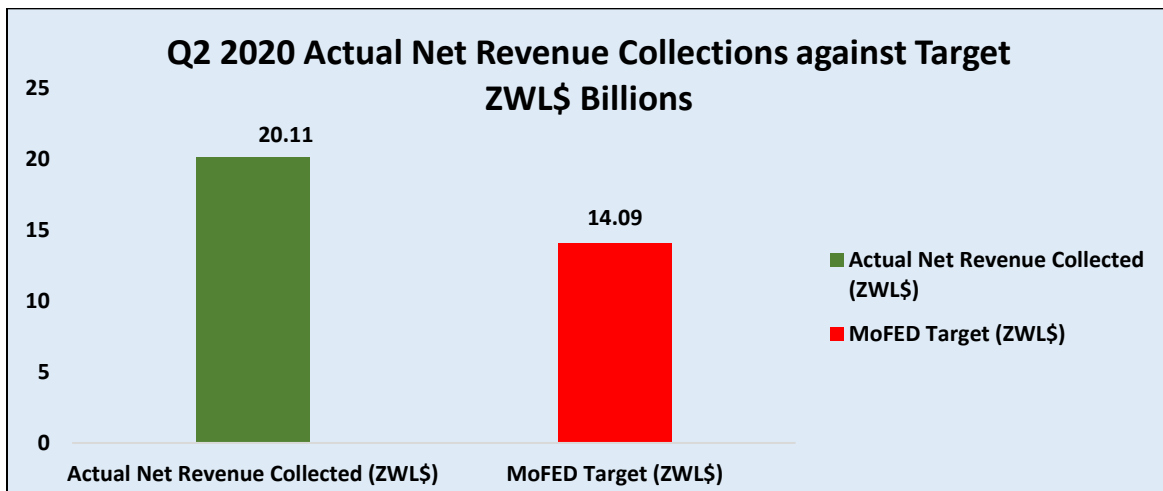
ZIMRA continued to partner the Government in its efforts to achieving its "Vision 2030" goal to turn Zimbabwe into an upper middle-income economy. The Authority's five-year strategy (2019-2023) which was aligned with the Transitional Stabilisation Programme (TSP) which is coming to an end in December 2020 supported the following pillars:

- **Restoration of Fiscal Balance** – Net revenue collections for the second quarter of 2020 amounted to **ZWL\$20.11 billion** against a target of **\$14.09 billion (42.75% above target)** as indicated in Table 1 below:

Table 1: Q2 2020 Net Revenue Collections

Q2 2020 Actual Net Revenue Collected against Target	
Actual Net Revenue Collected (ZWL\$)	20,112,833,018.11
Ministry of Finance & Economic Development Target (ZWL\$)	14,089,770,000.00
Variance	42.75%

Figure 1: Q2 2020 Net Revenue Collections



- **Plugging of revenue leakages** – The Authority remains committed to plugging revenue leakages through intensified anti-smuggling efforts and increased risk based audits.
- **Ease of doing business** – To improve the ease of doing business, ZIMRA is simplifying its business processes. A number of modules under the Customs modernisation program were completed in the quarter, and the procurement preparations are underway for the modern Tax Administration System (TaRMS) for the Domestic Taxes administration.

2. Domestic Revenue Mobilisation

2.1 Revenue Performance for Quarter 2 of 2020

Net revenue collections during the second quarter of 2020 amounted to **ZWL\$20.11 billion** against a target of **ZWL\$14.09 billion**. This translated to a positive variance of **42.75%**. Net revenue collections grew by **542.24%** in nominal terms from **ZWL\$3.13 billion** that was realized in the same period in 2019. While all revenue heads registered positive growth in nominal terms, in real terms there was no growth. **Table 3** below summarises revenue performance for the quarter by revenue head:

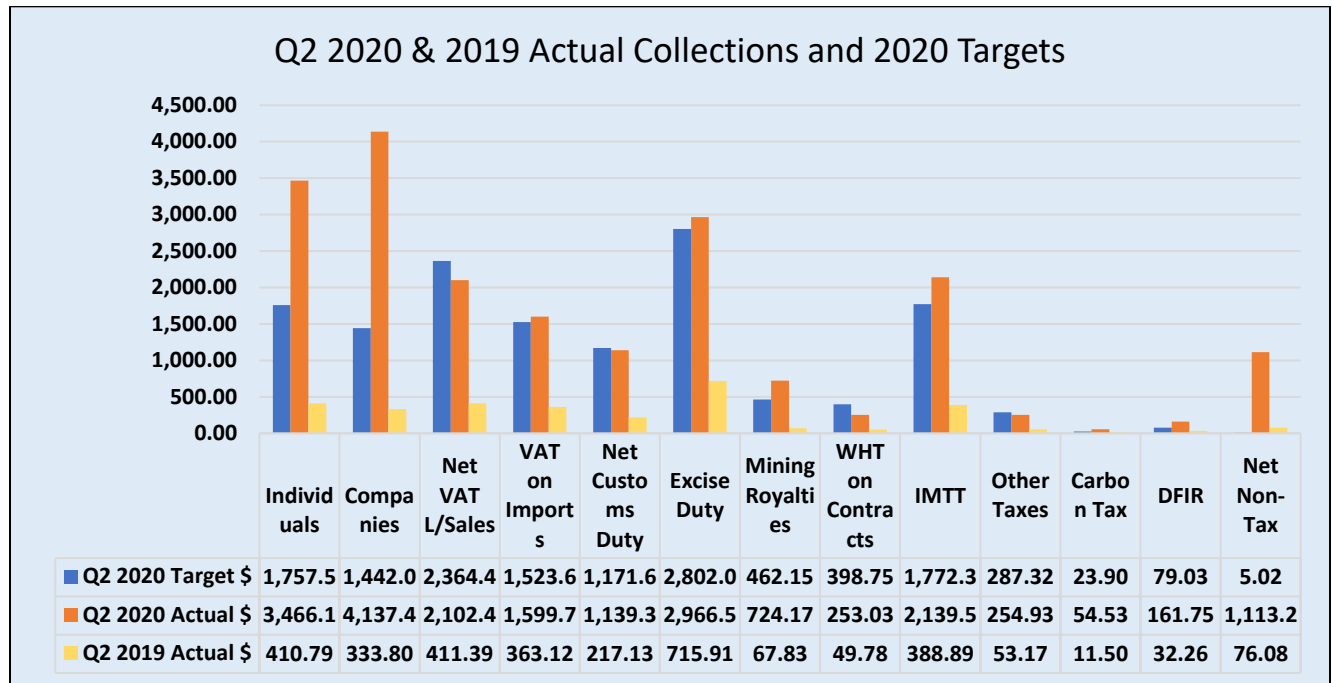
Table 2: 2020/2019 Second Quarter Revenue Comparison

REVENUE HEAD	Q2 2020 MOF TARGET \$	Q2 2020 ACTUAL \$	VARIANCE	% VARIANCE	2019 Q2 MOF TARGET \$	2019 Q2 ACTUAL \$	Nominal Growth
Individuals	1,757,530,000.00	3,466,136,486.98	1,708,606,486.98	97.22%	278,076,362.00	410,787,015.92	743.78%
Companies	1,442,000,000.00	4,137,407,539.51	2,695,407,539.51	186.92%	286,400,000.00	333,803,627.31	1139.47%
Gross VAT L/Sales	2,364,400,000.00	3,596,907,734.77	1,232,507,734.77	52.13%	431,500,000.00	506,810,973.56	609.71%
<i>Less VAT Refunds</i>		<i>1,494,425,128.62</i>				<i>95,417,162.57</i>	
Net VAT L/Sales	2,364,400,000.00	2,102,482,606.15	-261,917,393.85	-11.08%	431,500,000.00	411,393,810.99	411.06%
VAT on Imports	1,523,600,000.00	1,599,755,540.89	76,155,540.89	5.00%	200,600,000.00	363,119,261.29	340.56%
Gross Customs Duty	1,171,630,000.00	1,140,321,775.83	-31,308,224.17	-2.67%	182,630,000.00	217,985,319.10	423.12%
<i>Less Customs Refunds</i>		<i>940,513.39</i>				<i>853,158.09</i>	
Net Customs Duty	1,171,630,000.00	1,139,381,262.44	-32,248,737.56	-2.75%	182,630,000.00	217,132,161.01	424.74%
Excise Duty	2,802,086,000.00	2,966,535,816.42	164,449,816.42	5.87%	493,244,605.00	715,914,207.47	314.37%
Mining Royalties	462,150,000.00	724,170,650.25	262,020,650.25	56.70%	34,100,000.00	67,830,383.86	967.62%
WHT on Contracts	398,750,000.00	253,025,316.07	-145,724,683.93	-36.55%	57,438,599.95	49,776,503.26	408.32%
Intermediated Money Transfer Tax	1,772,350,000.00	2,139,514,086.65	367,164,086.65	20.72%	285,000,000.00	388,894,076.60	450.15%
Other Taxes	287,324,000.00	254,933,960.82	-32,390,039.18	-11.27%	43,419,280.05	53,169,732.86	379.47%
CGT & CGT Withholding	83,090,000.00	87,210,255.18	4,120,255.18	4.96%	13,090,000.00	13,180,970.34	561.64%
Other Indirect Taxes	56,020,000.00	44,935,907.46	-11,084,092.54	-19.79%	14,909,280.05	9,119,319.46	392.76%
Tobacco Levy	148,214,000.00	122,787,798.18	-25,426,201.82	-17.16%			
Carbon Tax	23,900,000.00	54,533,602.86	30,633,602.86	128.17%	15,420,000.00	30,869,443.06	
DFIR	79,030,000.00	161,752,630.75	82,722,630.75	104.67%	12,190,000.00	11,504,820.37	374.01%
Gross Non Tax	5,020,000.000	1,114,061,923.78	1,109,041,923.78		23,529,849.00	32,258,404.61	401.43%
<i>Less Other Refunds</i>		<i>858,405.47</i>				<i>276,931.11</i>	
Net Non-Tax	5,020,000.000	1,113,203,518.31	1,108,183,518.31			76,361,437.63	1358.93%
Total Net Revenue	14,089,770,000.00	20,112,833,018.11	6,023,063,018.11	42.75%	2,328,128,696.00	3,131,668,512.07	542.24%
Total Gross Revenue	14,089,770,000.00	21,609,057,065.59	7,519,287,065.59	53.37%	2,328,128,696.00	3,228,215,763.84	569.38%

2.2 Quarter 2 2020 Net Revenue Collection Comparison against Q2 2019

The following graph shows a comparison of revenue collections for Q2 2020 and 2019 as well as the 2020 targets for each revenue head.

Figure 3: 2020/2019 Fourth Quarter Revenue Comparison by tax head

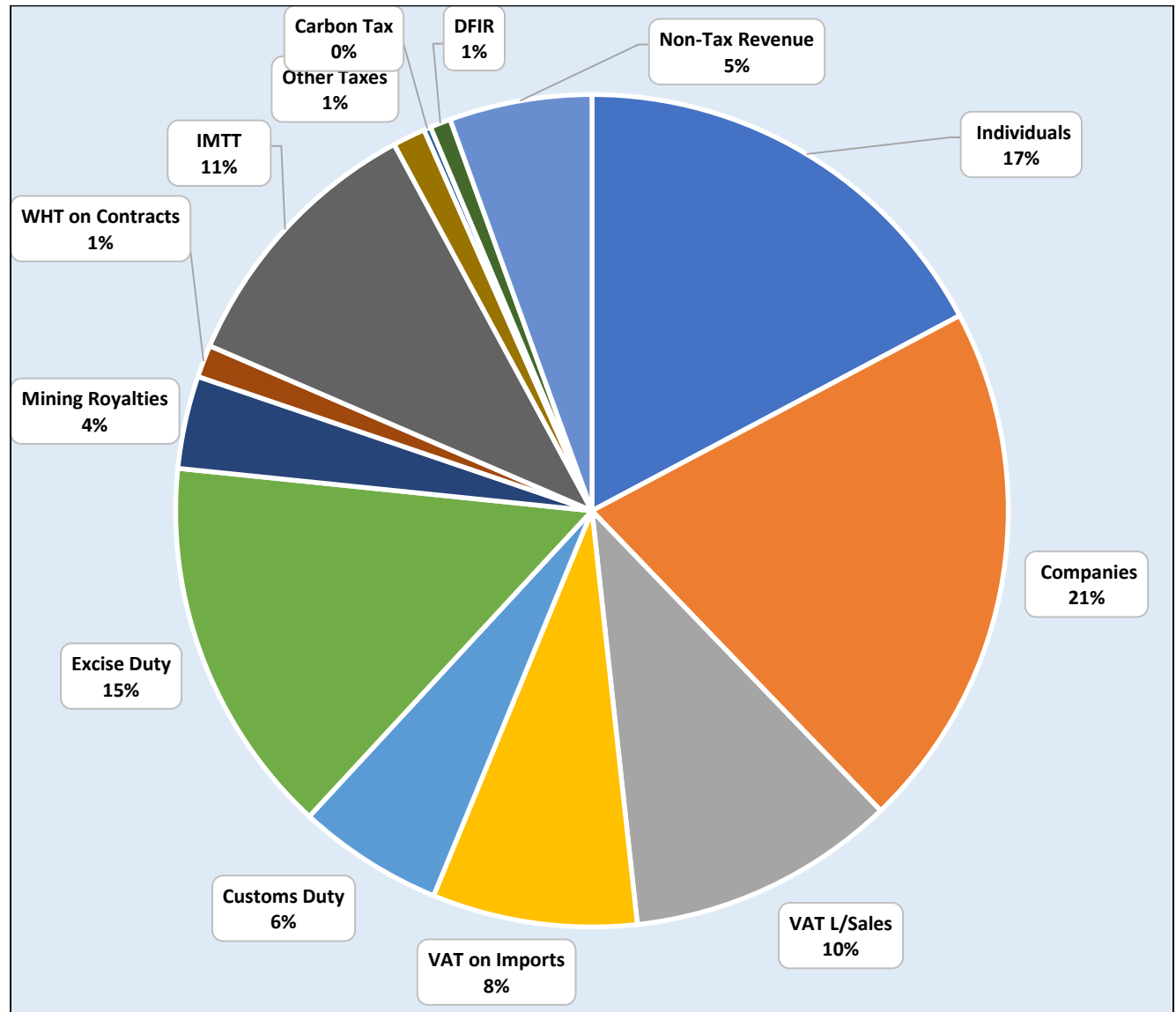


All revenue heads performed above 2019 levels in nominal terms because of the hyperinflationary environment that the country is experiencing. The revenue enhancement strategies that the Authority is implementing are expected to improve revenue collections in real terms as the benefits begin to manifest. Such strategies include effective debt management, risk based audits, anti-smuggling activities, post clearance audits, and improved business processes. During the second quarter of 2020, these strategies were curtailed by the COVID-19 pandemic restrictions.

2.3 Revenue Head Performance and Contribution

The pie-chart below shows the net revenue contributions of each revenue head to total net collections during the second quarter of 2020.

Figure 2: 2020 Q2 Revenue Contributions by Tax Head



Major contributors to revenue were Companies (21%), Individuals (17%), Excise Duties (15%), and VAT on Local Sales (10%).

- Companies** – The revenue head recorded a positive performance mainly due to the nominal profits being recorded by most businesses as a result of the hyperinflationary environment. The Authority’s compliance enforcement programmes also ensured sustained compliance under the difficult conditions of the lockdown. Though revenues dropped below target in April 2020, the eased lock down conditions in June boosted revenue collections as more businesses resumed operations.

- **Individuals** – The revenue head registered a positive performance, mainly buoyed by cost of living adjustments, interbank rate adjusted salaries and cushioning allowances paid by most companies to cushion their employees against the hyperinflation scourge.
- **VAT on Local Sales** – The revenue head missed the set target after deducting refunds amounting to **ZWL\$1.49 billion**. This unprecedented refund level was a deliberate tax administration measure on deserving claims to mitigate cash flow challenges for businesses during this COVID-19 environment. However, the revenue head's performance in gross terms was positive mainly due to the high inflation and depreciation of the exchange rate that pushed the prices of most goods upwards.
- **Intermediated Money Transfer Tax (IMTT)** – The Authority continued with the compliance improvement strategies on the telecom sector and mobile money platforms to ensure improved collections; this had a positive impact on collections. The tax head performed above target as the use of data increased during the quarter with businesses setting up home work stations during the lockdown.
- **Excise Duty** – Though the revenue head was marginally above the set target, collections in the quarter were negatively affected by reduced economic activity due to travel restrictions during the lockdown.
- **Customs Duty and VAT on Imports** – The ban on non-essential imports and closure of some border posts at the start of the COVID-19 lockdown had a major negative impact on Customs Duties and VAT on imports, reducing both their contribution to the overall collections and performance against the set targets. The performance of the revenue heads would, otherwise, have been better with the continued depreciation of the local purchasing unit against major currencies since import duties and VAT on imports are calculated using the prevailing exchange rate.

3. Service Delivery and Revenue Enhancement Strategies

During this quarter, the Authority implemented a COVID-19 mitigation plan to safeguard revenue inflows and staff and to minimize interruption on service delivery during the lockdown. A number of staff were set up to work from home and facilities were set up for minimal staff to work in shifts while providing protection as much as possible for those working in the office. Though clients were not accessing the office, the full services were available through our on-line platforms for queries, returns and other documents submissions and payments. Delays in responding to clients were experienced due staff working in shifts and challenges in accessing the system data from home; my sincere apologies for

this inconvenience to our valued clients. Strategies are being put in place to ensure that this does not become the norm as the lockdown is extended.

The Authority implemented the following revenue enhancement and compliance enforcement measures:

- Risk based compliance checks on specific business sectors and specific revenue heads. Desk follow ups on payments and returns were made on IMTT, VAT, CIT, Presumptive Tax, VAT Withholding Tax, and Mining Royalties.
- A specialized debt management team is now in place to ensure effective debt recoveries.
- Enforcement activities in the form of physical examinations, post clearance audits, and bonded warehouse inspections were carried out only to the extent possible.
- Risk management was intensified to curb false declaration of values, quantities, origin and tariff of imported goods and products.
- The electronic cargo tracking system (ECTS) continued to combat transit fraud.

4. Outlook

COVID-19 continues to pose challenges for the local and global economy, and the Authority has not been spared. The global economy continues in recession, with recent forecasts by the IMF indicating that the global economy and Zimbabwean economy could contract by 4.9% and 10.4% respectively. Recovery from the COVID-19 shock is expected to be more gradual than expected as the country continues on level 2 lock down.

Going forward into the third quarter of 2020, although lockdown measures were relaxed, allowing registered businesses to operate, business activity is anticipated to remain subdued due to reduced business hours and the risk of rising local infections. Revenue collections are expected to stabilize at the current trend as the exchange rate stabilizes due to the foreign exchange auction system introduced at the end of June 2020.

The Authority continues to operate with skeletal staff in line with the WHO COVID-19 regulations that require observing social distancing. However, ZIMRA continues to exploit its ICT technologies to minimize disruption of business and ensure that taxpayers fulfil their tax obligations conveniently.

5. Gratitude

On behalf of the ZIMRA Board, I would like to express my appreciation to the Commissioner General, Management and Staff of ZIMRA across different areas of the organisation for their continued dedication and hard work despite the challenging work environment. ZIMRA staff remained and still remains in the frontline of the COVID-19 pandemic battle to ensure they deliver the much needed revenue for our Government.

Most importantly, I would like to thank the taxpayer community for honouring their tax obligations during this harsh economic environment. Without the combined effort of all stakeholders, it would be difficult for ZIMRA to achieve its objectives. The continued support from all stakeholders is greatly appreciated. I would like to encourage our taxpayer community to continue utilising the online platforms provided by the Authority to engage and settle their tax obligations. The contact supervisors and managers will make themselves available when needed.

Finally, I would like to express my heart-felt gratitude to my fellow board members for their sterling work during the second quarter of 2020. I am confident that the team will continue to deliver on its commitments and guide the Authority to an even better performance in the third quarter of 2020.

I thank you



Josephine Matambo

ZIMRA Vice-Board Chairperson