



REVENUE PERFORMANCE REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020



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ZIMRA vice Board Chairman

1. Introduction

The revenue performance in the Third Quarter ended 30 September 2020 reflected an upward trajectory despite the challenges in the operating environment during the period. Covid-19 lockdown conditions were relaxed, enabling more businesses to resume operations, thereby enhancing their ability to meet their tax obligations. Furthermore, the monetary policy interventions that were done during this period inflated the amounts to be collected resulting in a corresponding positive impact to the revenues.

Caution had to be taken in granting tax incentives in the Mid Term Budget Review process as the impact of the Covid-19 pandemic was not yet clear enough. The need to maximize domestic revenue mobilization in the given environment guided the level to which tax incentives could be granted when compared to what other nations could afford.

During the period under review, ZIMRA continued to focus on its strategic role of supporting the Transitional Stabilization Programme (TSP) in the three areas: 1) Restoration of Fiscal Balance, 2) Ease of Doing Business, and 3) Plugging of Revenue Leakages.

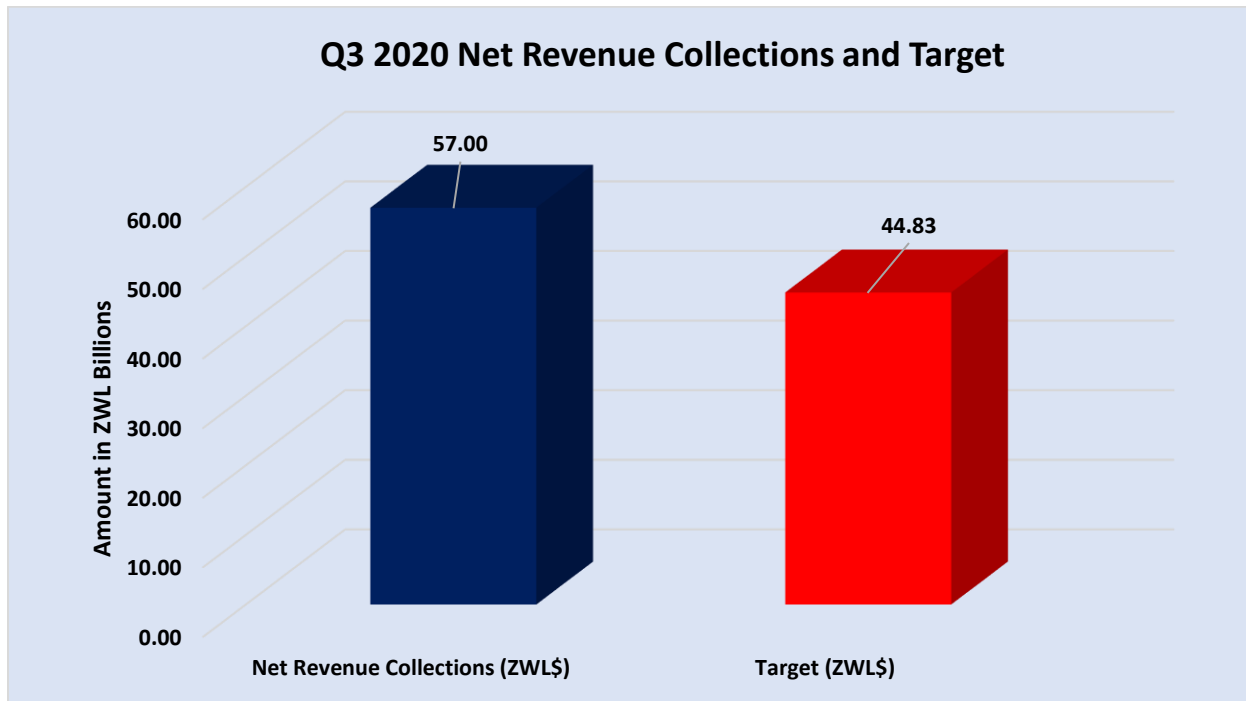
Restoration of Fiscal Balance

Gross collections for the quarter were **ZWL58.81 billion**, translating to **31.19%** above the targeted **ZWL44.83 billion**. After deducting refunds of **ZWL1.81 billion**, net collections came down to **ZWL57.00 billion**. This gives a positive variance of **27.16%** against the target as summarized below.

Table 1: Q3 2020 Net Revenue Collections

Q3 2020 Net Revenue Collections against Target	
Net Revenue Collections (ZWL\$)	56,999,960,322.11
Target (ZWL\$)	44,826,443,283.00
Variance	27.16%

Figure 1: Q3 2020 Net Revenue Collections



Ease of doing business

ZIMRA exerted more effort towards the simplification of processes and procedures at both inland stations and ports of entry and exit. The Authority has been, and is still encouraging, the use of electronic platforms for the convenience of both the taxpayers and ZIMRA staff. During the quarter, additional tax payment relationships with OWNAI and One Money platforms were introduced for payment convenience. The Customs automation program had to be fast-tracked to eliminate paper processes and interface between staff and clearing agents as well as other stakeholders. Long-term solutions to alleviate the border posts congestion in the form of dry ports are advancing.

Plugging of revenue leakages

The Authority continued to implement risk and sector- based audits to plug revenue leakages as it works towards efficient domestic revenue mobilization. Customs enforcement activities in the form of roadblocks and border patrols were increased during the quarter to curb smuggling that had increased due to the closure of border posts to private travel. It is pleasing to note that the Government has committed itself to supporting anti-smuggling measures that are being implemented by ZIMRA by introducing the use of drones to curb smuggling along the country's border posts.

2. Domestic Revenue Mobilization (DRM)

2.1 Revenue Performance for Q3 2020

The net revenue collections of **ZWL57.00 billion** for Q3 2020 were **27.16%** above the targeted **ZWL44.83 billion**. Compared to the same period last year where **ZWL6.42 billion** was collected, nominal net revenue collections grew by **788.16%**. All revenue heads registered positive growth in nominal terms. **Table 2** below summarises the revenue performance for the quarter by revenue head:

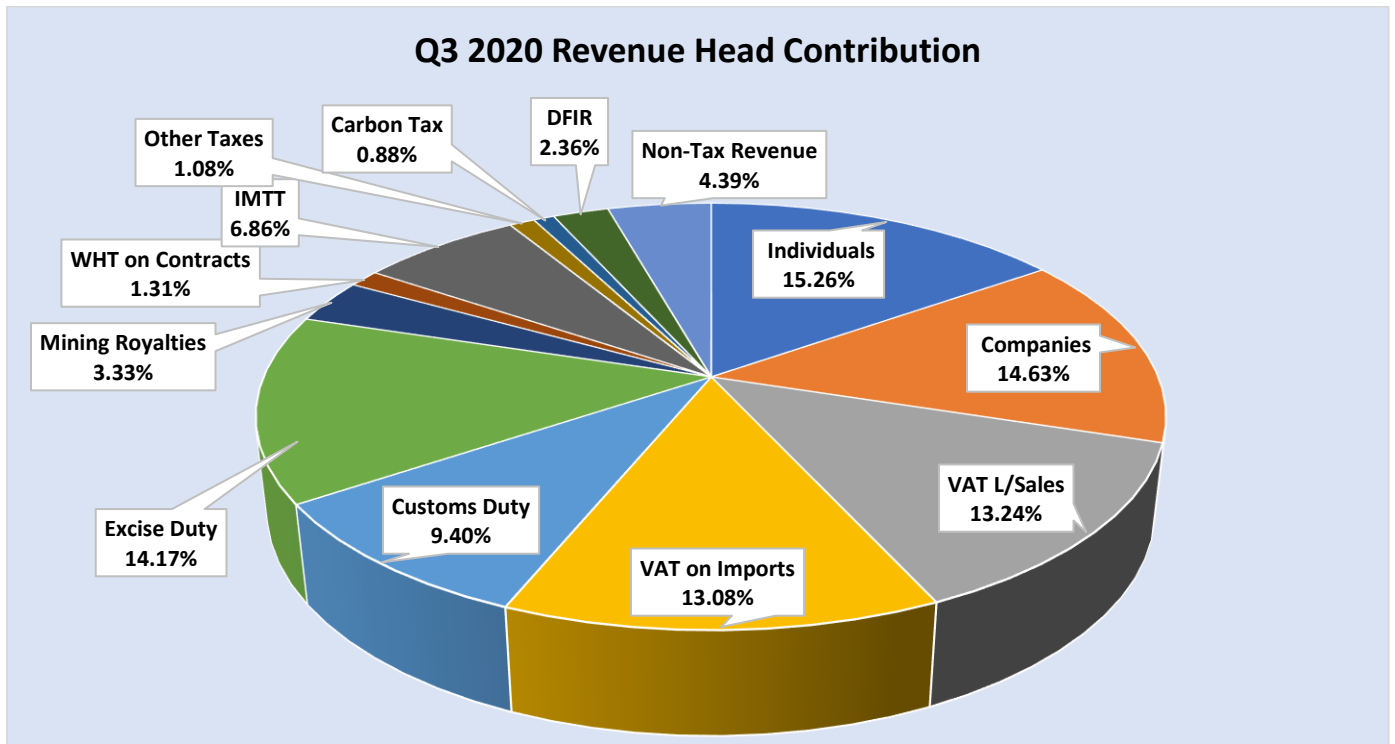
Table 2: 2020/2019 Third Quarter Revenue Performance Comparison

TAX HEAD	2020 MOF TARGET \$	2020 ACTUAL \$	VARIANCE	% VARIANCE	2019 MOF TARGET \$	2019 ACTUAL \$	% Nominal Growth
Individuals	4,272,000,000.00	8,698,011,436.75	4,426,011,436.75	103.61%	781,489,347.82	899,113,150.10	867.40%
Companies	3,372,000,000.00	8,341,400,375.91	4,969,400,375.91	147.37%	824,656,629.75	921,916,735.38	804.79%
Gross VAT L/Sales	7,161,049,650.00	9,348,561,691.83	2,187,512,041.83	30.55%	987,393,216.87	1,004,797,850.04	830.39%
<i>Less VAT Refunds</i>		<i>1,799,554,517.19</i>				<i>155,950,488.93</i>	1053.93%
Net VAT L/Sales	7,161,049,650.00	7,549,007,174.64	387,957,524.64	5.42%	987,393,216.87	848,847,361.11	789.32%
VAT on Imports	5,153,242,105.00	7,455,222,721.44	2,301,980,616.44	44.67%	781,848,858.36	859,632,280.52	767.26%
Gross Customs Duty	3,722,723,120.00	5,359,792,388.65	1,637,069,268.65	43.98%	566,919,809.70	584,325,543.91	817.26%
<i>Less Customs Refunds</i>		<i>4,123,842.39</i>				<i>11,139,051.19</i>	
Net Customs Duty	3,722,723,120.00	5,355,668,546.26	1,632,945,426.26	43.86%	566,919,809.70	573,186,492.72	834.37%
Excise Duty	6,845,585,250.00	8,077,171,955.86	1,231,586,705.86	17.99%	922,559,120.92	1,013,454,461.22	696.99%
Mining Royalties	3,651,263,158.00	1,898,007,320.73	-1,753,255,837.27	-48.02%	174,585,840.08	140,045,388.91	1255.28%
WHT on Contracts	886,000,000.00	748,319,723.96	-137,680,276.04	-15.54%	112,437,074.63	124,414,281.21	501.47%
Intermediated Money Transfer Tax	5,860,000,000.00	3,912,823,403.88	-1,947,176,596.12	-33.23%	692,301,757.76	660,556,979.43	492.35%
Other Taxes	3,541,380,000.00	613,079,413.48	-2,928,300,586.52	-82.69%	78,944,682.18	61,112,699.35	903.19%
CGT & CGT Withholding	395,800,000.00	214,240,390.40	-181,559,609.60	-45.87%	17,800,786.37	16,625,524.41	1188.62%
Other Indirect Taxes	3,038,280,000.00	133,210,165.15	-2,905,069,834.85	-95.62%	34,978,971.43	16,265,721.28	718.96%
Tobacco Levy	107,300,000.00	265,628,857.93	158,328,857.93	147.56%	26,164,924.38	28,221,453.66	

Carbon Tax	49,500,000.00	503,802,061.43	454,302,061.43	917.78%	16,254,248.19	14,118,840.36	3468.30%
DFIR	311,700,000.00	1,346,334,339.55	1,034,634,339.55	331.93%	59,495,901.09	91,722,840.05	1367.83%
Gross Non Tax		2,503,936,392.07	2,503,936,392.07			209,995,442.55	1092.38%
<i>Less Other Refunds</i>		<i>2,824,543.85</i>				<i>345,480.71</i>	
Net Non-Tax	-	2,501,111,848.22	2,501,111,848.22		0.00	209,649,961.84	1092.99%
Total Net Revenue	44,826,443,283.00	56,999,960,322.11	12,173,517,039.11	27.16%	5,998,886,487.35	6,417,771,472.20	788.16%
Total Gross Revenue	44,826,443,283.00	58,806,463,225.54	13,980,019,942.54	31.19%	5,998,886,487.35	6,585,206,493.03	793.01%

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

Figure 2: 2020 Q3 Revenue Contributions by Tax Head



Major contributors to net revenue collections for the quarter were: Individuals (**15.26%**), Companies (**14.63%**), Excise Duty (**14.17%**), VAT on Local Sales (**13.24%**) and VAT on Imports (**13.08%**).

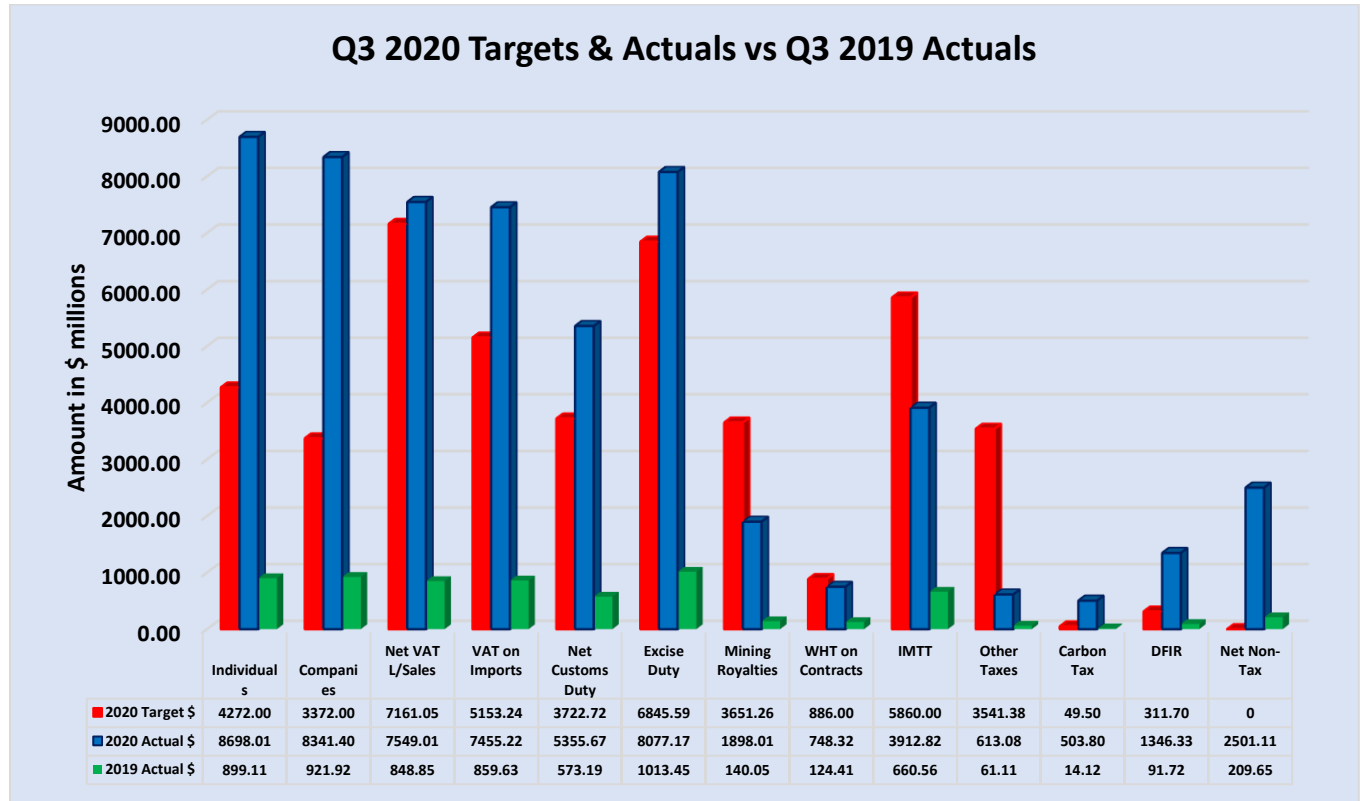
- **Individuals:** The revenue head recorded positive performance due to continuous salary adjustments and cost of living adjustments that employers offered to their employees to counter rising inflation.

- **Companies:** The positive performance during the quarter was mainly driven by the relaxation of lockdown conditions which resulted in more businesses resuming operations, restrictions of imports in line with COVID-19 measures which led to an increased demand for locally produced goods, as well as ongoing compliance enforcement projects which the Authority is implementing.
- **Excise Duty:** The performance of the revenue head is attributed to increased consumption of excisable goods as well as the exchange rate factor in the calculation of duty on fuel, especially in line with the auction rate adjustment.
- **VAT on Local Sales:** The revenue head registered a positive performance in both gross and net terms due to increased operations by businesses, enforcement of the use of fiscal devices by registered operators which leave an audit trail of transactions and compliance checks that are being conducted by the Authority. The revenue head has benefited from the import substitution efforts being made in order to boost local manufacturing.
- **VAT on Imports:** The positive performance of this trade tax is mainly attributed to the diligence displayed by staff when clearing consignments and the prevailing exchange rates used in the calculation of taxes on imports.
- **Customs Duty:** Customs Duties, which are usually among the top five contributors, only contributed **9.40%** due to the impact of the lockdown on imports: only food, medicines, protective clothing and machinery were being imported, and these were mainly either duty free or subject to duty rebates.
- **IMTT:** The Intermediated Money Transfer Tax (2%) lost its momentum, missing the target of **ZW\$5,860,000,000** by **ZW\$1,947,176,596.12 (32.23%)** and contributing only **6.86%** to total revenue for the quarter. This was partly due to the monetary policy interventions introduced to harness the local currency depreciation that was threatening economic stability.
- **Other Taxes:** Mining Royalties, Withholding Taxes and Other Taxes missed the quarterly targets, mainly due to operational challenges in the mining sector caused by energy shortages and the Covid-19 pandemic.

2.2 Q3 2020 Net Revenue Collections in Comparison to Q3 2019

The following graph shows a comparison of revenue collections for Q3 2020 and 2019 as well as the 2020 targets for each revenue head.

Figure 3: 2020/2019 Third Quarter Revenue Comparison by Tax Head



In nominal terms, all revenue heads performed better in Q3 2020 compared to the same period last year; this is attributed to inflationary pressures that the country has been experiencing during the greater part of 2020.

3. Strategies

The Authority implemented the following revenue enhancement measures during the third quarter of 2020:

- **Foreign Currency Traders:** Checking compliance status of VAT operators trading in foreign currency.
- **Debt Management:** Debt follow-ups and stricter monitoring of debt payment plans.
- **Risk Based Audits:** Specific sector and tax type audits as part of risk management. Digital audits are also being carried out to reduce physical interaction and exposure to COVID-19.
- **Customs Post Clearance Compliance Enforcement:** Roadblocks and border patrols were re-enforced to curb smuggling.
- **Transit Management:** Enforced through the Electronic Cargo Tracking System (ECTS) and escorts.

- **Excise Manufacturers and Bonded Warehouses:** Compliance checks were increased.

4. Outlook

Momentum in revenue collection is expected to be gained in the last quarter of the year with the revenue collection target for the year having been increased to ZWD172 billion. The growth is expected to come from increased productivity with the opening up of more business sectors in the economy. In addition, the Government's strategy to target low hanging fruits in various sub-sectors of the manufacturing industry is expected to attract the much-needed investment for domestic production. South Africa has opened its borders and cross-border trade is therefore expected to increase thereby feeding into higher collections in import duties. The weather forecasts are projecting good rains in the coming farming season; this boosts economic activity in all sectors as value chains can then be easily promoted.

The Authority has already started aligning its strategies with the National Development Strategy (NDS) 2021 to 2025 and will play its expected role in mobilizing domestic revenue for the national goals to be achieved.

In compliance with the WHO COVID-19 Regulations, the Authority will continue to serve clients electronically and simplify processes for the convenience of the taxpayers and traders. The fight against corruption is expected to gain strength with the beefing up of staff in the relevant Department. The Authority is also working on improving business processes and reducing human interface, which should reduce rent-seeking opportunities.

5. Gratitude

On behalf of the ZIMRA Board, I would like to express my sincere gratitude to the Minister of Finance and Economic Development, Honourable Professor M. Ncube and his team for their guidance and support to the Authority. Without their support, we would not have succeeded in delivering our mandate.

Furthermore, my appreciation goes to the ZIMRA Commissioner General, Executive Management and Staff for their commitment and hard work despite the Covid-19 challenges. Although some clients might have been disappointed, the teams tried their best to attend to clients under the difficult circumstances.

To the taxpayer community, I would like to thank you all for honouring your tax obligations in full and on time. You are invaluable partners to ZIMRA; and together we can make it. You play a critical role in driving the country's economic recovery and growth. Together we will bring back our country to the bread-basket of the Region position. As an Authority, we remain committed to serving you, and our doors are always open for dialogue.

Lastly, to my fellow Board members, your dedication, commitment and support cannot go unnoticed. Together we will ensure ZIMRA contributes positively towards the development of our nation.

I thank you.



Josephine Matambo

ZIMRA Vice-Board Chairperson