



ZWS ISO 9001:2008 QUALITY MANAGEMENT SYSTEM

ZIMBABWE REVENUE AUTHORITY

ANNUAL REVENUE PERFORMANCE REPORT

DECEMBER 2018



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ZIMRA's Thrust and Focus

1. As per its thrust for 2018, which emphasised on enhancing revenue collections for the fiscus, the Authority managed to surpass its set target of reaching the US\$5 billion mark. This positive performance is attributed, in part to the revision of the Intermediated Money Transfer Tax, price effect and improved efficiency and effectiveness of the ZIMRA team, as well as enhanced compliance level from taxpayers.
2. In addition, the Authority managed to make remarkable achievements in 2018 by reaching a number of milestones which include, among others;
 - The ASYCUDA was upgraded and commissioned in June 2018, with three new servers now up and running.
 - The e-services platform that had some challenges emanating from premature launching of the system has now been stabilised.
 - The tax amnesty facility and subsequent voluntary disclosure program assisted defaulting taxpayers to regularise their tax affairs.
 - The launch of taxpayer education and engagement programs went a long way in comprehensively enhancing voluntary tax compliance.
 - Data matching and third party information verification assisted in widening the tax base to enhance revenue collections.
 - The introduction of Tax Administration Diagnostic Assessment Tool (TADAT) is assisting in strengthening the internal operating systems. The assessment was done by the International Monetary Fund team.
 - The Ministry of Finance and Economic Development availed funding towards Beitbridge border post infrastructural development. This development will go a long way in facilitating trade and travel.
 - A dedicated team was set up to follow up on the ballooning debt and improve compliance.



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- The Electronic Cargo Tracking System (ECTS) was improved to curb transit fraud and more seals were purchased to expand sealing for other import offences.

REVENUE PERFORMANCE.

3. As highlighted above, revenue collections in 2018 surpassed target with the Authority collecting a gross of **US\$5.36 billion** or **21.80%** of GDP, which is **24.71%** above the target of **US\$4.30 billion**. Net collections amounted to **US\$5.061 402**, which is **20.57%** of GDP.

2018 Fourth Quarter Performance

4. Gross collections for the fourth quarter of 2018 (Q4 2018) amounted to **US\$1.66 billion**, which is **49.29%** above the target of **US\$1.11 billion**. Net collections amounted to **US\$1.56 billion** after deducting refunds of **US\$106.09 million**, surpassing the target by **40.54%**.
5. Comparatively, Revenue collections for 2018 4th quarter grew by **44.44%** above the 2017 revenue collections of **US\$1.08 billion**. Net revenue collections for 2018 improved by **34.93%** from **US\$3.75 billion** collected in 2017.
6. The positive performance was anchored on the revision of the Intermediated Money Transfer Tax, general price increases experienced from the Third Quarter and improved revenue generation through increased voluntary compliance and enhancing of the Revenue Authority's operational systems.



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Figure 1 below shows a comparison of performance for 2017 and 2018.

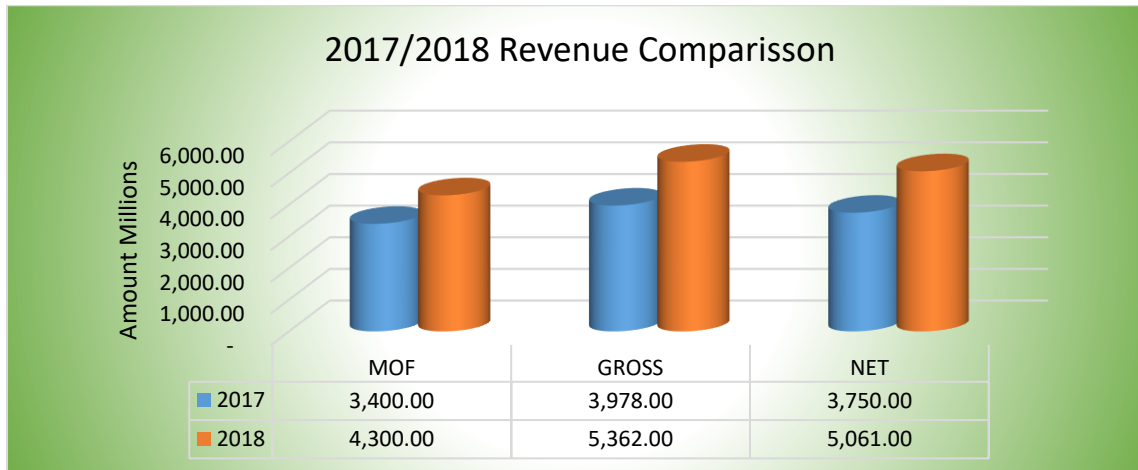


Figure 1: 2017/2018 Revenue Comparison

Table 1: 2018 Collections vs Target

2018 Annual Collections vs Targets						
TAX HEAD	2018 MOF TARGET \$	2018 ACTUAL \$	VARIANCE	% VARIANCE	2017 ACTUAL \$	GROWTH
Individuals	850,000,000.00	860,411,294.17	10,411,294.17	1.22%	490,011,929.78	75.59%
Companies	490,000,000.00	809,022,668.70	319,022,668.70	65.11%	730,496,981.71	10.75%
Gross VAT L/Sales	959,000,000.00	1,153,346,000.56	194,346,000.56	20.27%	913,411,126.54	26.27%
Less VAT Refunds		297,141,872.73			226,327,539.57	31.29%
Net VAT L/Sales	959,000,000.00	856,204,127.83	-102,795,872.17	-10.72%	687,083,586.97	24.61%
VAT on Imports	401,000,000.00	523,982,851.26	122,982,851.26	30.67%	387,923,332.91	35.07%
Gross Customs Duty	358,880,000.00	435,959,849.79	77,079,849.79	21.48%	296,089,559.89	47.24%
Less Customs Refunds		1,011,479.26			339,277.68	198.13%
Net Customs Duty	358,880,000.00	434,948,370.53	76,068,370.53	21.20%	295,750,282.21	47.07%
Excise Duty	815,308,000.00	908,875,201.96	93,567,201.96	11.48%	675,897,301.43	34.47%
Mining Royalties	90,000,000.00	95,674,393.92	5,674,393.92	6.30%	73,111,798.69	30.86%
WHT on Contracts	141,725,508.45	163,048,202.78	21,322,694.33	15.05%	126,446,817.08	28.95%
Intermediate Money Transfer Tax		177,266,319.04			18,693,057.32	848.30%
DFIR	69,000,000.00	75,524,264.97	6,524,264.97	9.46%	56,839,438.51	32.87%
Carbon Tax	35,940,000.00	43,159,182.51	7,219,182.51	20.09%	30,367,584.15	42.12%
Other Taxes	89,146,491.55	74,338,609.84	-14,807,881.72	-16.61%	64,807,554.46	14.71%
Gross Non Tax		41,710,286.56	41,710,286.56		114,151,095.98	-63.46%



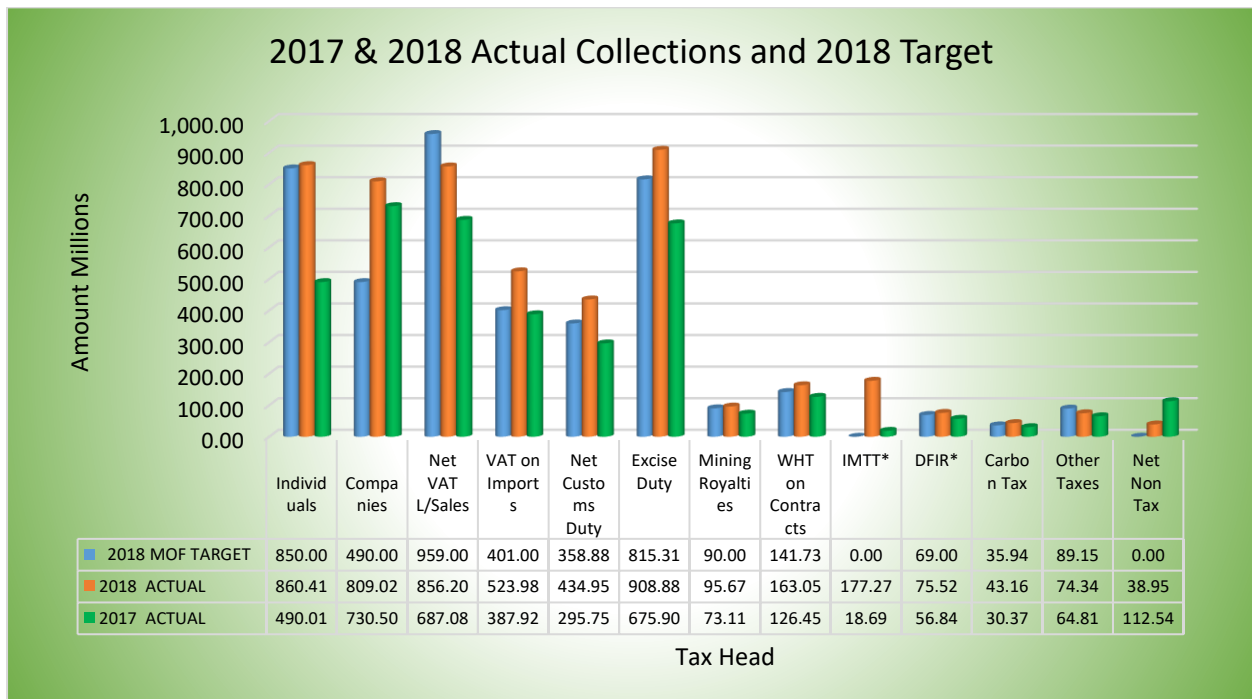
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<i>Less Other Refunds</i>		<i>2,763,087.65</i>	<i>2,763,087.65</i>		<i>-1,609,145.30</i>	<i>-271.71%</i>
Net Non-Tax		38,947,198.91	38,947,198.91		112,541,950.68	-65.39%
Total Net Revenue	4,300,000,000.00	5,061,402,686.41	761,402,686.41	17.71%	3,749,971,615.90	34.97%
Total Gross Revenue	4,300,000,000.00	5,362,319,126.05	1,062,319,126.05	24.71%	3,978,247,578.45	34.79%

7. Companies, VAT on Imports, Customs duty and Carbon Tax performed well above their targets. Intermediate Money Transfer Tax enhanced revenue collections with a total of **US\$177.27 million**. A total of **US\$11.12 million** was collected from IMTT before the revision in the first 9 months of 2018 whereas **US\$166.15 million** was collected after the revision for the last quarter of 2018. VAT refunds amounting to **US\$297.14 million** were attributed to a backlog of VAT refunds that were paid.

2017 and 2018 Annual Net Revenue Collections Comparison

8. The following bar graph shows a comparison of revenue collections for 2017 and 2018 and the 2018 revenue target per revenue head.





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Figure 2: 2017 & 2018 Actual Collections and 2018 Target

*(IMTT – Intermediate Monetary Transfer Tax, DFIR – Dividends, Fees, Interest and Remittances)

Annual growth rates by Tax Head

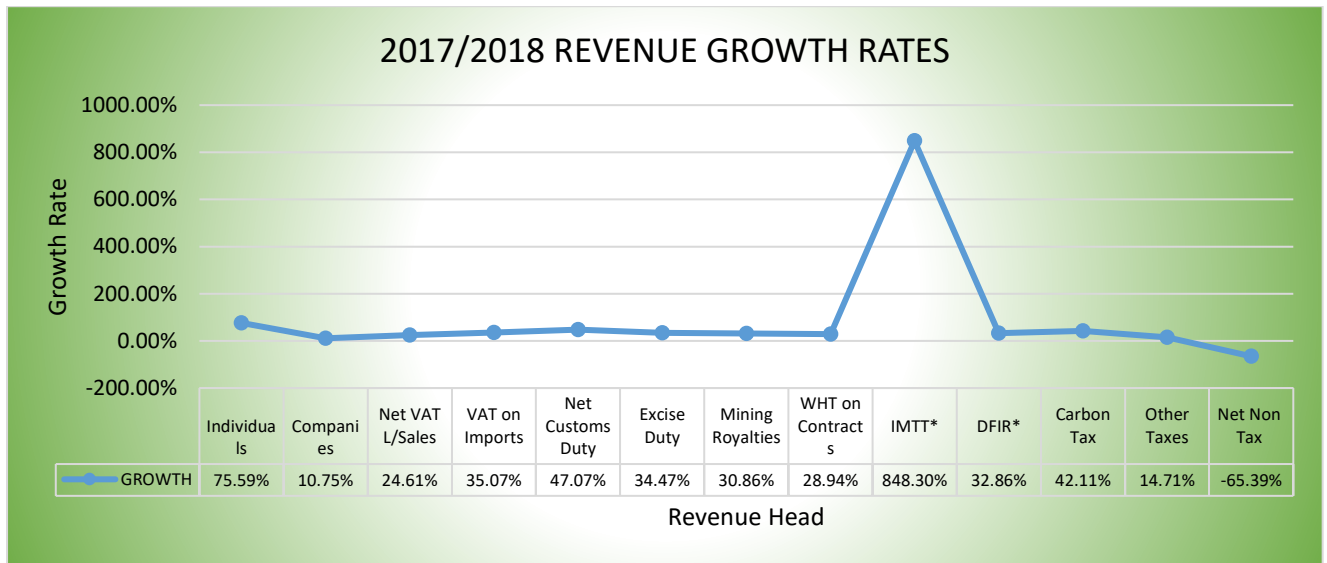


Figure 3: Annual Growth Rates by Tax Head

9. Most of the revenue heads registered growth in collections with Intermediate Money Transfer Tax introduced in October 2018 growing by **848.30%** compared to **US\$18.69 million** collected in 2017. The spike in the graph indicates the impact of the policy change on the IMTT rate. A negative growth was only recorded on Non-tax revenue when comparing collections during the same period in 2017.

Quarterly Performance for 2017, 2018 Actuals and Quarterly Targets for 2018

10. A comparison in Figure 4 shows quarterly performance during the year as well as the annual performance against set targets.



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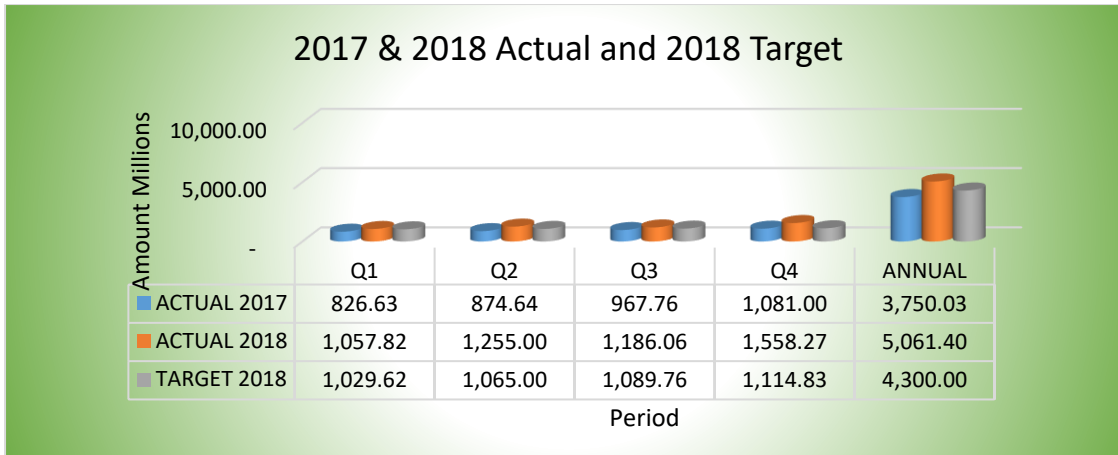


Figure 4: 2017 & 2018 Actual Collections and 2018 Target

11. It is important to note that the positive revenue collections maintained the same trend during the fourth quarter of 2018.

Monthly Actual Collections and Variances for 2017 and 2018

12. Figure 5 below represents monthly revenue performance and month on month growth from 2017 to 2018.

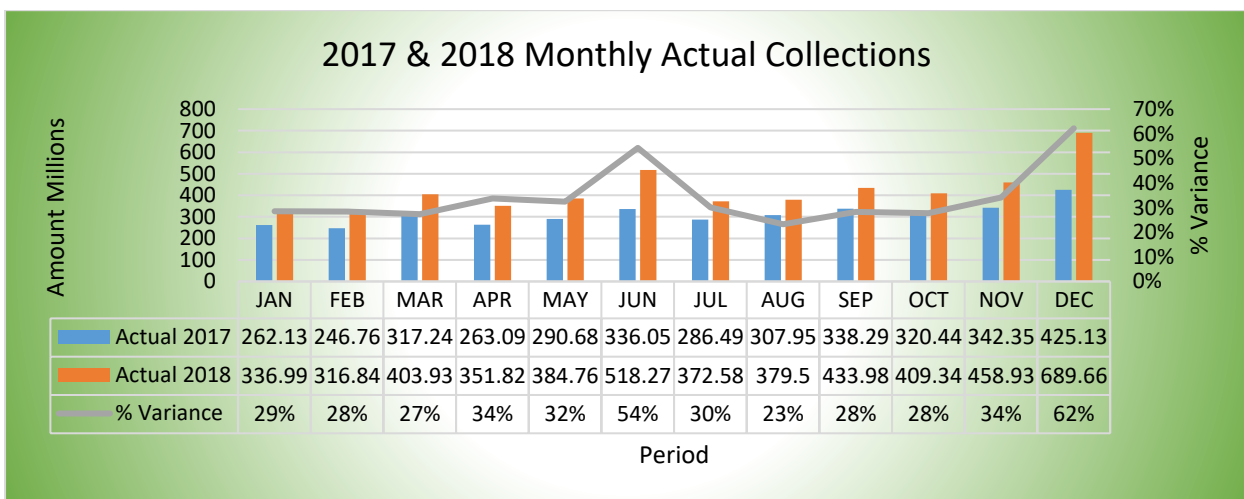


Figure 5: 2017 & 2018 Monthly Actual collections

13. Revenue performance for 2018 was above the 2017 performance on all the months.



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ANALYSIS OF THE SPECIFIC REVENUE HEADS' PERFORMANCE

Individual Tax

14. Annual revenue collections of **US\$860.41 million** from Individual Tax were **1.22%** above the targeted **US\$850.00 million**. Revenue collections grew by **75.59%** from the **US\$490.01 million** that was realised in 2017. The Revenue head was the second highest contributor accounting for **17%** of total revenue collections.
15. The revenue head recorded a positive performance due to salary adjustments and performance awards that were awarded prior to the end of the year. Voluntary compliance initiatives implemented by the Authority also contributed to the performance of this tax head.

Corporate Income Tax (Company Tax)

16. Revenue collections from Company Tax amounted to **US\$809.02 million** against a target of **US\$490.00 million** to give a positive variance of **65.11%**. Revenue collections in 2018 increased by **10.75%** from the **US\$730.50 million** collected in 2017. However, its revenue share decreased by **3%** in 2018 from **19%** attained in 2017. Corporate Income Tax debt increased by **21.23%** from **US\$1.46 billion** in January 2018 to **US\$1.77 billion** at the end of 2018.
17. The positive performance can be attributed to improved profitability by some companies during the year and the use of electronic transactions remained a leverage to providing traceable transactions for audit purposes.

VAT on Local sales

18. Gross collections for VAT on Local Sales amounted to **US\$1.15 billion** against a target of **US\$959.00 million**, resulting in a positive variance of **20.27%**. Gross collections grew by



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26.27% from **US\$913.41 million** realized in 2017. Net collections were **US\$856.20 million** missing the target by **10.72%** after deducting refunds amounting to **US\$297.14 million**. Despite missing the target, net collections grew by **24.61%** from **US\$687.08 million** collected in 2017.

19. The gross performance of the revenue head was enhanced by the hyped consumer patterns and surge in prices experienced during the fourth quarter of 2018. Net collections performed below expectation due to refunds paid out during the year. The refund bill grew by **31.29%** from **US\$226.33 million** in 2017 to **US\$297.14 million** in 2018. Debt under this revenue head increased by **10.53%** from **US\$1.33 billion** in January closing the year at **US\$1.47 billion**.

VAT on Imports

20. Collections for 2018 amounted to **US\$523.98 million** against a target of **US\$401.00 million**, resulting in a positive variance of **30.67%**. In comparison to 2017, revenue collections grew by **35.07%** from **US\$387.92 million** collected then.
21. The positive performance of the revenue head is attributed to high demand for imports following relaxation of import controls by the Government in order to supplement deficiencies in supply of locally produced goods.

Customs Duty

22. Gross revenue collections for 2018 were **US\$435.96 million** against a target of **US\$358.88 million**. Net revenue collections amounted to **US\$434.95 million** against a target of **US\$358.88 million**, resulting in a positive variance of **21.20%**. Revenue growth of **47.07%** was recorded from **US\$295.75 million** collected in 2017.



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23. The performance of imports continued to increase in response to demand for essential goods that were not available on the local market. Enhanced performance of the ASYCUDA system also improved efficiency thereby expediting the imports clearing processes.

Excise Duty

24. Excise Duty revenue collections were **US\$908.88 million** against a target of **US\$815.31 million** resulting in a positive variance of **11.48%**. Excise Duty revenue grew by **34.47%** from **US\$675.90 million** collected in 2017. The main contributors were Beer, Air Time and Fuel, each contributing **9.32%**, **12.68%** and **71.34%**, respectively. Excise duty was the highest contributor to total revenue collections in 2018.

25. Performance of the revenue head is attributed to increased supply of petroleum products. The demand for petrol and diesel was heightened by cross boarder travellers who preferred to fuel in Zimbabwe due to its flexible exchange rate of Real Time Gross Settlements. Petrol imports increased by **39.92%** from **407.49 million** litres in 2017 to **570.17 million** litres in 2018 whilst diesel imports increased by **26.84%** from **834.40 million** litres in 2017 to **1.06 billion** litres in 2018.

Withholding Tax on Contracts

26. Collections amounted to **US\$163.05 million** against a target of **US\$141.73 million** resulting in a positive variance of **15.05%**. Revenue growth of **28.94%** was recorded from **US\$126.45** collected in 2017. The positive performance of this revenue head is attributed to efforts by ZIMRA to ensure the withholding and remittance of revenue from traders who operate without valid tax clearance certificates.

Intermediate Money Transfer Tax

27. Cumulative collections for 2018 amounted to **US\$177.27 million**, of which **US\$11.12 million** was collected at the then rate of US\$0.05 per transaction during the first 9 months.



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An amount of **US\$166.15 million** was realised due the revision of the IMTT. Revenue collections grew by **848.30%** from **US\$18.69 million** collected in 2017.

Carbon Tax

28. A total of **US\$43.16 million** was realised from Carbon Tax during the year. This translates to **20.09%** above the target of **US\$35.94 million**. In comparison with 2017 collections of **US\$30.37 million**, revenue collection improved by **42.11%** owing to increased consumption of petrol and diesel.

Mining Royalties

29. The revenue head contributed **US\$95.67 million** against a target of **US\$90.00 million**, translating to a positive variance of **6.30%**. Revenue collections grew by **30.86%** from the **US\$73.11 million** collected in 2017.

30. The performance of the revenue head was influenced by the movement of international commodity prices. Mineral prices surged during the first and fourth quarter of 2018, thereby enhancing revenue collections. Major minerals like gold, platinum and diamonds production levels improved significantly owing to the formalisation of small-scale miners.

Dividends, Fees, Interest and Remittances

31. Collections amounted to **US\$75.52 million** against a target of **US\$69.00 million**, translating to a positive variance of **9.46%**. The 2018 collections grew by **32.86%** as compared to 2017 collections of **US\$55.72 million**.

32. Improved performance of the revenue head is attributable to improved profitability by some companies that paid dividends and imported services.



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Other Taxes

33. This revenue head consists of Capital Gains Tax and Capital Gains Withholding Tax, Tobacco Levy and Other Indirect Taxes (Stamp Duty, Banking Levy, Presumptive Tax and ATM Levy).

34. Revenue collections were **US\$74.34 million** against a target of **US\$89.15 million** giving a negative variance of **16.61%**. In 2018, collections grew by **14.71%** from the 2017 collections of **US\$64.81 million**. Capital Gains Tax and Capital Gains Withholding Tax were the major contributors with a **43.48%** revenue contribution.

35. The performance of the revenue head is attributed to increased gains from the 2017/2018 tobacco season, which produced high volumes and returns from local sales. Low compliance under Presumptive tax and Capital Gains Tax negatively affected the revenue collections.

CONCLUSION

36. The above developments show that the Authority has made tremendous progress with regard to revenue enhancement measures, which will, indeed go a long way in ensuring that the fiscus is well-resourced to finance different Government programmes and projects.

37. The Authority will work around the clock to ensure that this positive trend is carried over to 2019, with more revenue measures being put in place. These measures include strengthening operational efficiencies, improvement and modernization of systems, improved voluntary compliance and reduction of the debt bill.