

# Zimbabwe Revenue Authority



## **REVENUE PERFORMANCE REPORT FOR THE FOURTH QUARTER ENDED**

**31 DECEMBER 2020**

## 1. Introduction

The year 2020 ended on a positive note as the fourth quarter and annual tax revenue collections surpassed the revised set targets. Despite the dark cloud of the COVID-19 pandemic, which engulfed Zimbabwe and the rest of the world, a cocktail of fiscal and monetary measures introduced by the government brought about the much-needed stability that enhanced businesses viability and bolstered revenue inflows. This was augmented by the Authority's revenue enhancement strategies and an effective business continuity plan that ensured safety of both staff and clients.

During the period under review which marked the end of the Transitional Stabilization Programme (TSP), ZIMRA strategically focused on supporting the programme in three areas namely: 1) Restoration of Fiscal Balance, 2) Ease of Doing Business and, 3) Plugging of Revenue Leakages. Under the recently introduced National Development Strategy 1 (NDS1) blueprint, ZIMRA shall continue to support the economic growth and stability pillar through strengthening these strategic focus areas.

### Restoration of Fiscal Balance

Gross collections for the quarter were **ZWL\$94.28 billion**, translating to **11.72%** above the targeted **ZWL\$84.38 billion**. After deducting refunds of **ZWL\$2.77 billion**, net collections stood at **ZWL\$91.51 billion**. This resulted in a positive variance of **8.44%** against the target as summarized below.

Table 1: Q4 2020 Net Revenue Collections

Q4 2020 Actual Net Revenue Collected against Target	
Actual Net Revenue Collected (ZWL\$)	91,509,268,174.07
MoFED Target (ZWL\$)	84,387,415,968.00
<b>Variance</b>	<b>8.44%</b>

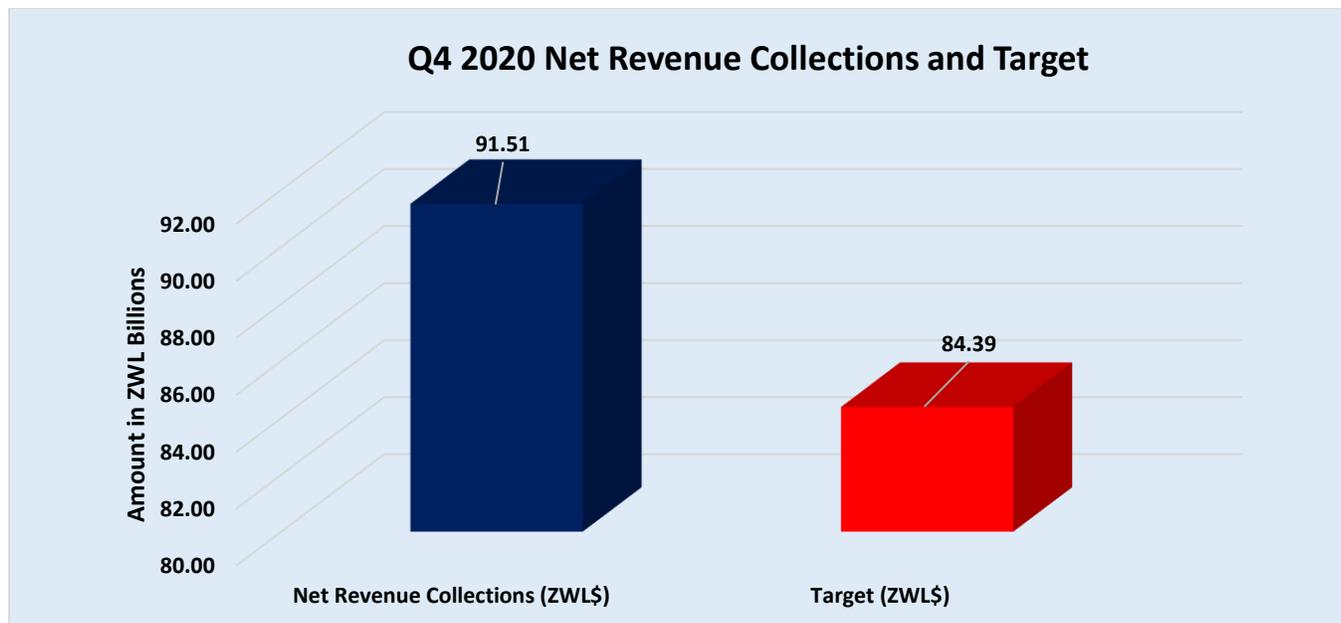


Figure 1: Q4 2020 Net Revenue Collections

### Foreign currency collections

Gross foreign currency collections for the quarter amounted to **US\$370.86 million**, whilst net foreign currency collections amounted to **US\$362.06 million** after deducting refunds of **US\$ 8.81 million**.

Table 2: Q4 2020 Foreign currency Collections

Q4 2020 Gross and Net Foreign Currency collections (US\$)	
Gross collections	370,864,116.26
Refunds	8,806,525.28
Net collections	362,057,590.98

### Ease of doing business

The convenience and safety of staff and the tax paying public continued to be a top priority for ZIMRA. The Authority has fully embraced the digital edge hence the implementation of different platforms for the taxpayers to interact and transact with ZIMRA. To this end, the electronic cargo manifest system is facilitating an efficient and effective way of clearing commercial traffic hence easing border congestion.

### Plugging of revenue leakages

The risk of revenue leakages within and outside ports of entry continued, particularly just before and during the festive period, and ZIMRA stepped up its efforts to plug these leakages. Collaborative operations were done with relevant stakeholders such as the Zimbabwe Anti-Corruption Commission (ZACC), Vehicle Inspectorate Department (VID) and the Zimbabwe Republic Police (ZRP).

Unfortunately, lockdowns instituted to contain the spread of the COVID-19 pandemic have led to increased smuggling of goods along the country's porous border line. Joint patrols with security arms of state were conducted to plug such leakages. Internally, lifestyle audits were carried out and corruption cases investigated as the authority maintains zero tolerance towards corruption.

This report provides a review of ZIMRA's strategic performance for the quarter ended 31 December 2020 and also gives a summary of the 2020 annual net revenue collection performance.

## 2. Domestic Revenue Mobilization (DRM)

### 2.1 Revenue Performance for Q4 2020

The net revenue collections grew by **681.65%** in nominal terms when compared to the **ZWL\$11.71** billion collected during the same period in 2019. All revenue heads registered positive growth in nominal terms. **Table 3** below summarises the revenue performance for the quarter by revenue head:

**Table 3: 2020/2019 Fourth Quarter Revenue Performance Comparison**

TAX HEAD	2020 MOF TARGET \$	2020 ACTUAL \$	VARIANCE	% VARIANCE	2019 MOF TARGET \$	2019 ACTUAL \$	% Nominal Growth
Individuals	12,196,000,000.00	13,741,022,023.50	1,545,022,023.50	12.67%	970,236,646.78	1,774,641,551.31	674.30%
Companies	12,615,000,000.00	19,496,024,210.40	6,881,024,210.40	54.55%	1,132,238,597.72	1,668,333,520.34	1068.59%
Gross VAT L/Sales	14,834,000,000.00	14,549,300,375.47	-284,699,624.53	-1.92%	1,172,136,376.22	1,827,773,200.06	696.01%
<i>Less VAT Refunds</i>		<i>2,752,839,337.89</i>				<i>322,720,013.62</i>	<i>753.01%</i>
Net VAT L/Sales	14,834,000,000.00	11,796,461,037.58	-3,037,538,962.42	-20.48%	1,172,136,376.22	1,505,053,186.44	683.79%
VAT on Imports	8,032,420,924.00	9,914,752,134.58	1,882,331,210.58	23.43%	841,616,204.23	1,498,921,627.68	561.46%
Gross Customs Duty	8,801,484,968.00	7,053,044,496.91	-1,748,440,471.09	-19.87%	676,925,154.05	997,530,790.98	607.05%
<i>Less Customs Refunds</i>		<i>15,041,984.73</i>				<i>7,036,137.26</i>	
Net Customs Duty	8,801,484,968.00	7,038,002,512.18	-1,763,482,455.82	-20.04%	676,925,154.05	990,494,653.72	610.55%
Excise Duty	11,522,885,250.00	12,447,529,776.50	924,644,526.50	8.02%	1,453,846,294.33	1,829,975,449.64	580.20%
Mining Royalties	3,221,810,526.00	2,811,030,387.81	-410,780,138.19	-12.75%	258,216,379.91	295,885,310.91	850.04%
WHT on Contracts	1,159,000,000.00	1,004,137,303.21	-154,862,696.79	-13.36%	159,142,385.58	225,650,814.50	345.00%
Intermediated Money Transfer Tax	7,360,000,000.00	6,071,450,792.51	-1,288,549,207.49	-17.51%	1,074,808,469.78	1,322,908,586.60	358.95%
Other Taxes	772,500,000.00	571,791,830.40	-200,708,169.60	-25.98%	69,417,714.20	60,777,390.73	840.80%
CGT & CGT Withholding	556,500,000.00	386,175,033.97	-170,324,966.03	-30.61%	32,444,131.55	30,605,115.41	1161.80%
Other Indirect Taxes	216,000,000.00	177,465,495.16	-38,534,504.84	-17.84%	36,973,582.66	27,962,108.68	534.66%
Tobacco Levy		8,151,301.27	8,151,301.27			2,210,166.64	
Carbon Tax	701,700,000.00	726,424,925.70	24,724,925.70	3.52%	28,446,935.67	20,341,628.02	3471.12%
DFIR	3,077,905,300.00	2,735,843,787.65	-342,061,512.35	-11.11%	112,667,057.00	130,602,900.77	1994.78%

Gross Non Tax	92,709,000.000	3,157,461,427.56	3,064,752,427.56			384,215,499.18	721.79%
<i>Less Other Refunds</i>		<i>2,663,975.50</i>				<i>652,986.57</i>	
Net Non-Tax	92,709,000.000	3,154,797,452.06	3,062,088,452.06		0.00	383,562,512.61	722.50%
Total Net Revenue	84,387,415,968.00	91,509,268,174.07	7,121,852,206.07	8.44%	7,949,698,215.47	11,707,149,133.27	681.65%
Total Gross Revenue	84,387,415,968.00	94,279,813,472.20	9,892,397,504.20	11.72%	7,949,698,215.47	12,037,558,270.72	683.21%

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

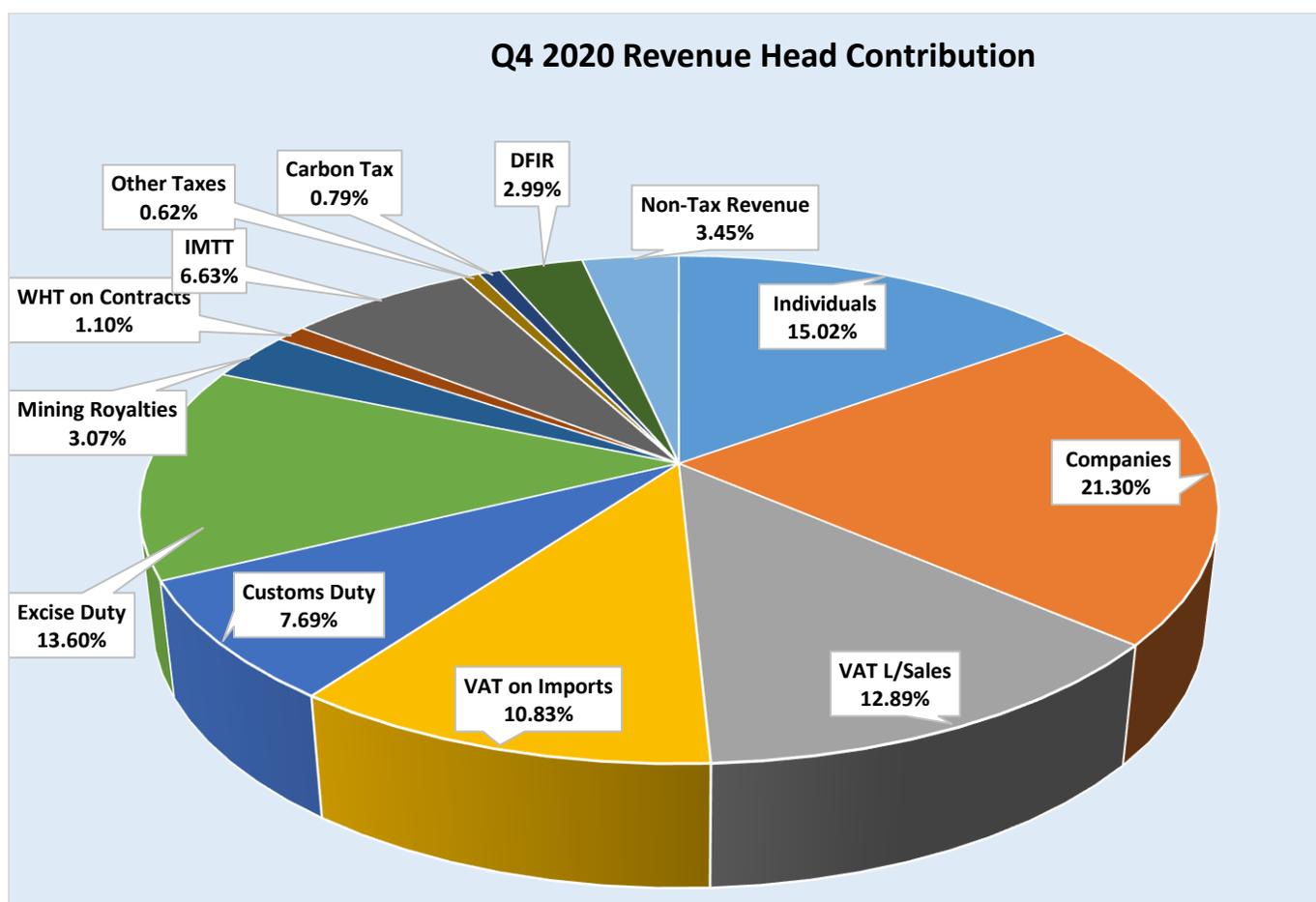


Figure 2: 2020 Q4 Revenue Contributions by Tax Head

Major contributors to net revenue collections for the quarter were: Companies (21.30%), Individuals (15.02%), Excise Duty (13.60%), VAT on Local Sales (12.89%) and VAT on Imports (10.83%).

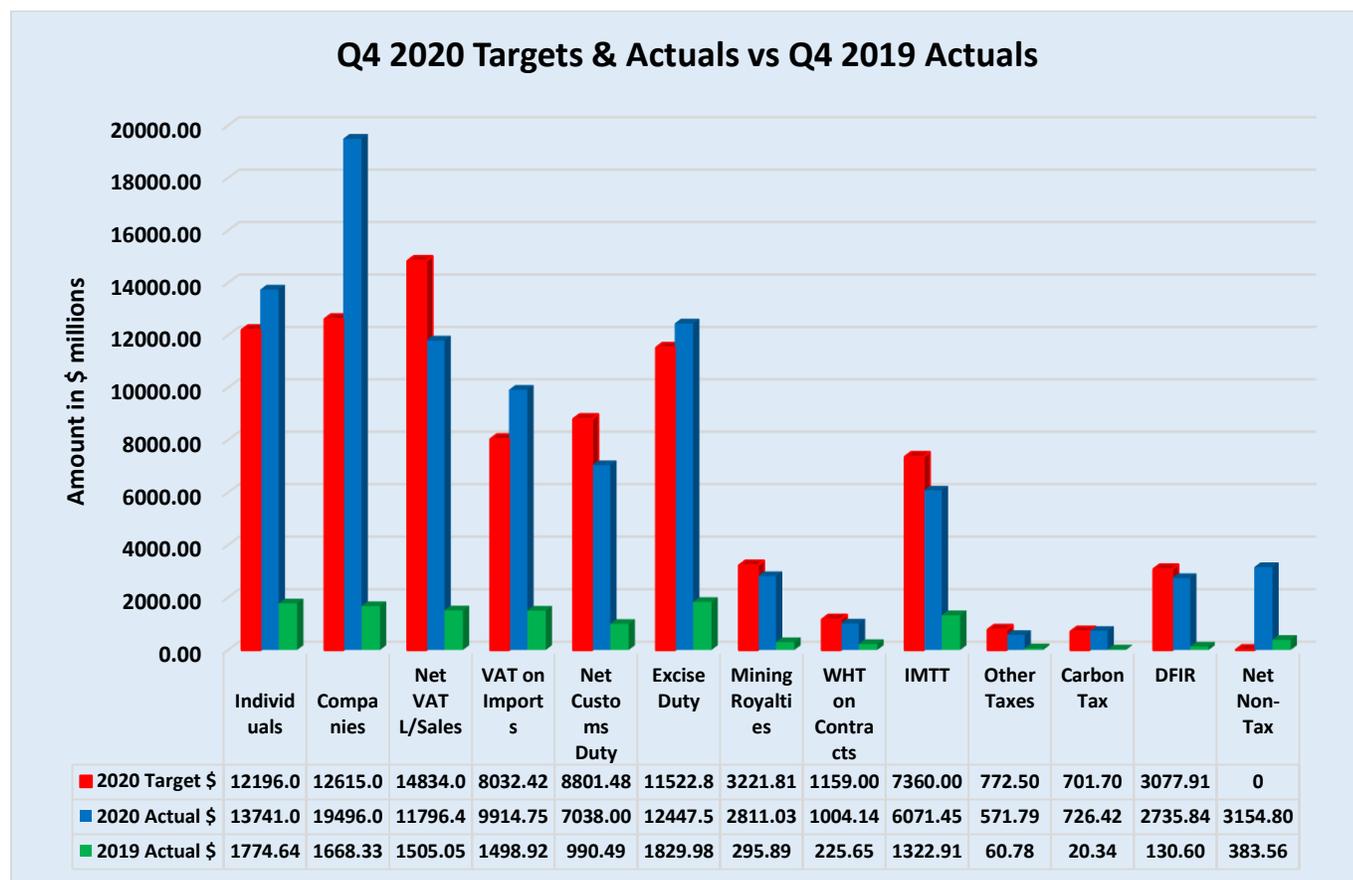
- **Individuals:** The salary and cost of living adjustments that some employers offered to their employees to counter rising inflation resulted in the positive performance of this tax head.

Government led the way in this regard as civil servants salaries were adjusted in an effort to give its workers a living wage. Some businesses also paid bonuses during the month of November 2020 which boosted collections under this tax head.

- **Companies:** The positive performance during the quarter was mainly driven by a more stable macroeconomic environment ushered in by government reforms mainly in relation to currency and price stabilisation. The fourth Quarterly Payment Date (QPD) at **35%** formed the bulk of collections under this tax head. The Authority's persistent compliance enforcement programmes also yielded positive results.
- **Excise Duty:** The revenue head performed above target and was one of the highest contributors to revenue during the quarter accounting for **13.60%** of total revenue. Business operations were resuscitated under the level 2 lockdown, hence consumption of fuel increased, thus leading to higher excise duty collections. Increased demand for internet data under the new normal of working from home also contributed in the positive performance.
- **VAT on Local Sales:** The revenue head performed below target in gross and net terms, although it constituted **12.89%** of total revenue. Inflationary pressures slowed down in the fourth quarter and refunds further negatively affected net collections. For the better performance of this revenue head, the business community is urged to adhere to the provisions of the 2021 National Budget to have their fiscal devices interfaced to the ZIMRA server. Good corporate citizenry requires that business remit taxes in the currency of trade and offer receipts in the currency that the transaction was made. It is also the customers' rights to demand receipts that reflect the actual payment made.
- **Customs Duty and VAT on Imports:** Though the revenue heads performed above target, the stabilisation of exchange rates and limited trade and travel due to the lockdown, resulted in subdued collections and contribution to total revenue.
- **IMTT:** The Intermediated Money Transfer Tax performed below target and only contributed **6.63%** to the quarterly revenue. Monetary policy measures instituted in Q2 2020 have continued to impact negatively on the tax head as activity is limited on mobile money platforms which had become a haven for parallel market activities.

## 2.2 Q4 2020 Net Revenue Collections in Comparison to Q4 2019

The following graph shows a comparison of revenue collections for Q4 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 better in Q4 2020 in nominal terms compared to the same period last year: This is largely attributed to inflationary pressures that the country has been experiencing during the greater part of 2020.

### 2.2 Annual cumulative net revenue performance for 12 months ending 31 December 2020

The authority collected net revenue of **\$182.59 billion** against a target of **\$171.90 billion** for the year ending 31 December 2020 and this translated to **6.22%** above target. The table below summarises the annual revenue performance for 2020:

**Table 4: 2020 Annual Net Revenue Collections Vs Targets and 2019 Collections**

REVENUE HEAD	2020 MOF TARGET \$	2020 ACTUAL \$	VARIANCE	% VARIANCE	2019 MOF TARGET \$	2019 ACTUAL \$	% Nominal Growth
Individuals	26,583,881,557.43	28,438,908,238.03	1,855,026,680.60	6.98%	2,298,438,444.89	3,431,968,067.20	728.65%
Companies	27,068,573,184.77	34,132,998,395.24	7,064,425,210.47	26.10%	2,553,397,079.23	3,187,708,365.93	970.77%
Gross VAT L/Sales	25,687,686,382.00	30,003,379,035.09	4,315,692,653.09	16.80%	2,630,519,252.44	3,744,486,124.67	701.27%
<i>Less VAT Refunds</i>		<i>6,483,624,570.48</i>				<i>688,438,311.02</i>	
Net VAT L/Sales	25,687,686,382.00	23,519,754,464.61	-2,167,931,917.39	-8.44%	2,630,519,252.44	3,056,047,813.65	669.61%
VAT on Imports	19,976,434,985.33	20,472,022,921.72	495,587,936.39	2.48%	2,060,789,783.45	2,993,041,979.42	583.99%
Gross Customs Duty	16,337,383,309.00	14,606,682,944.48	-1,730,700,364.52	-10.59%	1,507,142,204.51	1,981,129,247.54	637.29%
<i>Less Customs Refunds</i>		<i>32,962,114.52</i>				<i>19,291,001.73</i>	
Net Customs Duty	16,337,383,309.00	14,573,720,829.96	-1,763,662,479.04	-10.80%	1,507,142,204.51	1,961,838,245.81	642.86%
Excise Duty	24,904,965,465.47	25,824,709,900.65	919,744,435.18	3.69%	3,758,790,339.82	4,117,326,864.36	527.22%
Mining Royalties	5,953,064,396.25	5,596,174,578.19	-356,889,818.06	-6.00%	522,260,546.91	555,011,931.47	908.30%
WHT on Contracts	2,618,738,525.02	2,718,670,930.07	99,932,405.05	3.82%	338,526,238.60	444,836,251.70	511.16%
Intermediated Money Transfer Tax	15,072,266,486.00	13,788,395,651.27	-1,283,870,834.73	-8.52%	2,450,627,332.30	2,653,206,122.29	419.69%
Other Taxes	1,820,112,019.27	1,537,616,509.32	-282,495,509.94	-15.52%	188,290,793.30	218,698,897.11	603.07%
<b>CGT &amp; CGT Withholding</b>	852,835,346.08	714,553,269.66	-138,282,076.42	-16.21%	69,634,698.98	68,156,402.95	948.40%
<b>Other Indirect Taxes</b>	582,268,116.67	424,075,015.38	-158,193,101.28	-27.17%	69,705,672.49	88,817,891.71	377.47%
<b>Tobacco Levy</b>	385,008,556.52	398,988,224.28	13,979,667.76	0.00%	48,950,421.83	61,724,602.45	546.40%
Carbon Tax	1,172,646,555.65	1,196,579,337.14	23,932,781.49	2.04%	65,115,144.07	56,264,492.23	2026.70%
DFIR	4,699,481,559.89	4,444,159,493.15	-255,322,066.74	-5.43%	228,591,675.97	248,099,457.47	1691.28%
Gross Non Tax		6,350,011,517.52	6,350,011,517.52		0.00	265,337,831.33	2293.18%
<i>Less Other Refunds</i>		<i>7,620,324.48</i>				<i>1,638,157.07</i>	
Net Non-Tax		6,342,391,193.04	6,342,391,193.04		0.00	263,699,674.26	2305.16%
<b>Total Net Revenue</b>	<b>171,895,234,426.08</b>	<b>182,586,102,442.39</b>	<b>10,690,868,016.31</b>	<b>6.22%</b>	<b>18,602,488,835.50</b>	<b>23,187,748,162.91</b>	<b>687.42%</b>
<b>Total Gross Revenue</b>	<b>171,895,234,426.08</b>	<b>189,110,309,451.87</b>	<b>17,215,075,025.79</b>	<b>10.01%</b>	<b>18,602,488,835.50</b>	<b>23,897,115,632.73</b>	<b>691.35%</b>

## 2020 Monthly Net Revenue Performance vs. 2019 Monthly Performance

Figure 4 shows a comparison of 2020 and 2019 monthly performances.

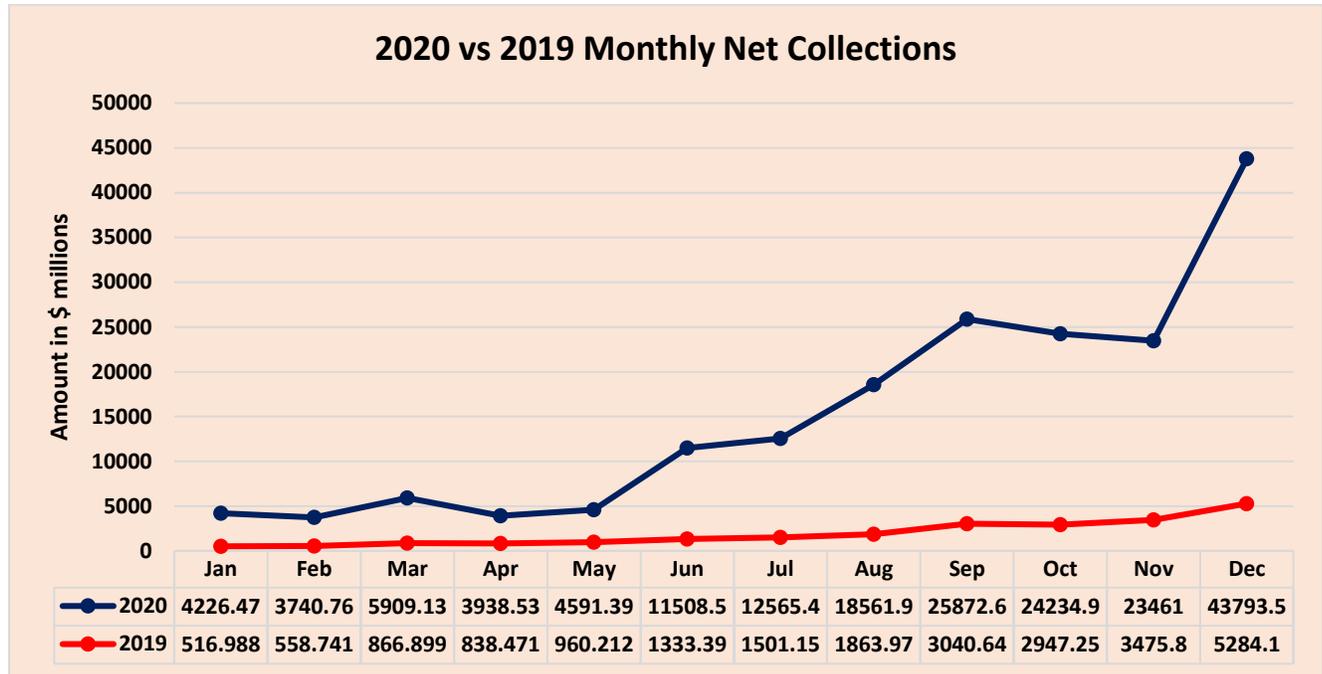


Figure 4: Comparison of monthly net revenue collections, 2020 vs 2019

Monthly revenue collections depicted a positive trajectory and recorded significant growth from 2019, particularly for the second half of the year when the lockdown was gradually eased and monetary policy changes began to take effect.

### 3. Strategies

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

- **Tax Inspectors Without Borders (TIWB) Project:** Focused on transfer pricing cases.
- **Foreign Currency Traders:** Checking the 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.
- **Customs Post Clearance Compliance Enforcement:** Road blocks and border patrols were re-enforced to curb smuggling.
- **Transit Management:** Enforced through the Electronic Cargo Tracking System (ECTS) and escorts.

#### 4. Outlook

For the year 2021, Zimbabwe's GDP is expected to grow substantially and the Revenue Authority is required to collect **ZWL\$387.40 billion**. Revenue collections are likely to remain positive given the authority's various revenue enhancement activities earmarked for 2021, which include the drive to tap into the digital economy and expand the tax base.

Through its people, processes, projects and partnerships, ZIMRA is ready to support the attainment of the country's vision of an upper middle-income economy by 2030. Despite the threat posed by the resurgent COVID-19 pandemic, the Authority stands ready to continue its business continuity plan and redouble efforts to ensure that the country has adequate resources to finance public expenditure in critical areas of social service provision and infrastructural development.

#### 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 invaluable guidance and support to the Authority. The courageous and far-sighted economic reforms you introduced have indeed set the country on a growth trajectory.

Furthermore, my appreciation goes to the ZIMRA Commissioner General, Executive Management and Staff for their commitment and hard work. The team has performed exceptionally well under very difficult conditions in the face of the COVID-19 pandemic.

To the taxpaying community, I would like to thank you all for honouring your tax obligations in full and on time. We are partners on the road to making our country become an upper middle-income economy. We will continue to interact and share ideas on how we can improve the tax environment. We request your continued understanding, support and cooperation despite the challenges we face as a nation especially in the wake of the Covid 19 pandemic.

Lastly, to my fellow Board members, your dedication, commitment and support cannot go unnoticed. It brings to mind the adage that Together Each Achieves More (TEAM). You are a wonderful team to work with.

I pay tribute to the Almighty God who continues to sustain our lives through his mercy and grace.

I thank you.

A handwritten signature in blue ink, appearing to read 'J. Matambo', is centered on a light gray rectangular background.

Josephine Matambo

**ZIMRA Vice-Board Chairperson**