

# Zimbabwe Revenue Authority



## REVENUE PERFORMANCE REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2021



*Josephine Matambo*  
*ZIMRA vice Board Chairman*

## 1. Introduction

The Government of Zimbabwe launched a new economic blueprint, the National Development Strategy 1 (NDS-1, 2021-2025) in the first quarter of 2021. The major goal of NDS-1 is to stimulate rapid economic growth and ZIMRA has a major role to play in this regard. The introduction of NDS-1 follows the successful implementation of the Transitional Stabilisation Programme (TSP), which was implemented during the period October 2018 to December 2020. This success provided a strong foundation for NDS-1. ZIMRA has therefore revised its strategy and developed a digitally driven strategy, which is aligned to NDS-1. The revised 5-year strategy, which runs from 01 January 2021 to 31 December 2025, is guided by the following NDS-1 Strategic Pillars:

- Strengthening Revenue Collection
- Ease of Doing Business
- Consolidation of Macro-Economic Stability

During the first quarter of 2021, ZIMRA remained strong and focused on maintaining positive revenue collections. Client satisfaction also remained at the heart of the strategy despite the system hiccups that were experienced during the period. The ICT Department is working tirelessly towards creating an enabling environment for clients to interface electronically with ZIMRA thereby facilitating the ease of doing business pillar.

The COVID-19 pandemic challenge, which forced the nation to start the year with a national lockdown, did affect the revenue collection process negatively, although the set targets were exceeded. The introduction of the COVID-19 vaccination programme is therefore a welcome development in ZIMRA. With healthy staff, ZIMRA will be able to keep focused on employing innovative strategies to enhance revenue collection. In line with the current digitization drive, the strategies are directed at automation of processes to enhance speed of operations and ensure clients access services online efficiently. A number of ICT projects are running in response to this. It is envisaged that in the medium term this objective will come to fruition.

## 2. Strengthening Revenue Collection in support of NDS-1

### 2.1 Q1 2021 Gross / Net Revenue Collected against Target

Gross revenue collections for the first quarter of 2021 amounted to **ZW\$ 90.62 billion** against a set target of **ZW\$ 86.52 billion**, which translates to a **4.73%** positive variance. Net collections were **ZW\$ 88.26 billion** after deducting refunds of **ZW\$ 2.35 billion**. This gives a positive variance of **2.01%** against the target as summarized below.

**Table 1: Q1 2021 Net Revenue Collections**

<b>Q1 2021 Actual Net Revenue Collected against Target</b>	
Net Revenue Collected (ZW\$)	88,264,197,934.77
MoFED Target (ZW\$)	86,521,852,238.00
<b>Variance</b>	<b>2.01%</b>

### 2.2 Nominal and real net revenue growth by Revenue Head from Q1 2020

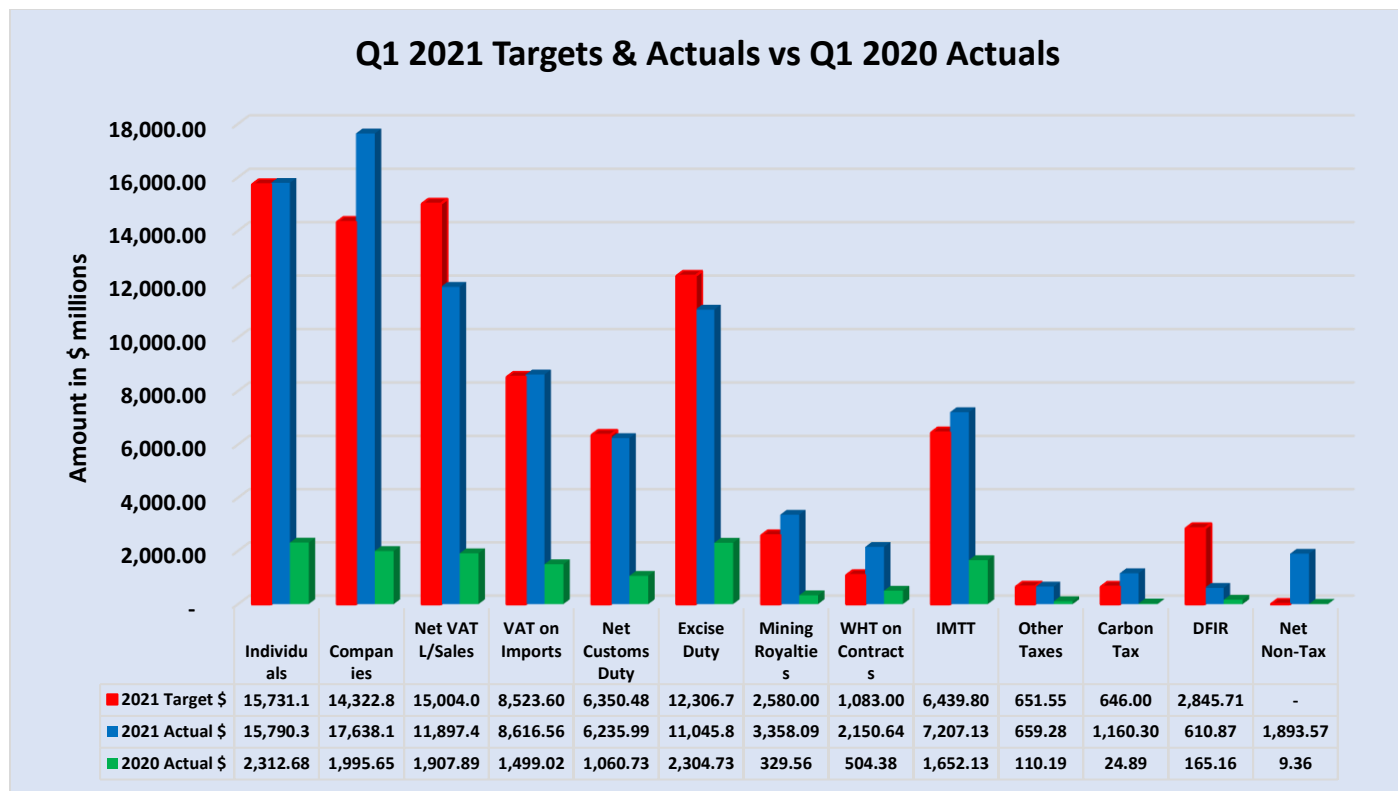
In comparison with the same period in 2020 where a total of **ZW\$ 13.88 billion** was collected, nominal net revenue collections grew by **536.08%**. All revenue heads registered positive growth in nominal terms. After adjusting for inflation, net revenue grew by **86.78%** in Q1 2021 as compared to the same period in 2020.

**Table 2** below summarises the revenue performance for the quarter by revenue head:

**Table 2: 2021/2020 First Quarter Revenue Performance Comparison**

TAX HEAD	Q1 2020 ACTUAL \$	Q1 2021 ACTUAL \$	Q1 2021 TARGET(\$)	Q1 2021 % VARIANCE	% Nominal Growth from Q1 2020	REAL Growth from Q1 2020
<b>Individuals</b>	2,312,682,328.79	15,790,363,783.76	15,731,100,000.00	0.38%	582.77%	100.49%
<b>Companies</b>	1,995,650,879.50	17,638,137,682.08	14,322,880,000.00	23.15%	783.83%	159.53%
<b>Gross VATL/Sales</b>	2,344,698,742.87	14,228,627,901.44	15,004,000,000.00	-5.17%	506.84%	78.19%
<i>Less VAT Refunds</i>	<i>436,805,586.78</i>	<i>2,331,225,356.52</i>			433.70%	56.72%
<b>Net VATL/Sales</b>	1,907,893,156.09	11,897,402,544.92	15,004,000,000.00	-20.71%	523.59%	83.11%
<b>VAT on Imports</b>	1,499,023,305.46	8,616,561,517.84	8,523,600,000.00	1.09%	474.81%	68.79%
<b>Gross Customs Duty</b>	1,073,584,824.40	6,255,187,004.73	6,350,480,298.00	-1.50%	482.64%	71.09%
<i>Less Customs Refunds</i>	<i>12,855,774.01</i>	<i>19,196,641.15</i>			49.32%	0.00%
<b>Net Customs Duty</b>	1,060,729,050.39	6,235,990,363.59	6,350,480,298.00	-1.80%	487.90%	72.63%
<b>Excise Duty</b>	2,304,726,932.66	11,045,853,183.07	12,306,730,000.00	-10.25%	379.27%	40.73%
<b>Mining Royalties</b>	329,557,134.14	3,358,086,987.96	2,580,000,000.00	30.16%	918.97%	199.21%
<b>WHT on Contracts</b>	504,379,043.09	2,150,642,007.69	1,083,000,000.00	98.58%	326.39%	25.21%
<b>Intermediated Money Tra</b>	1,652,127,382.71	7,207,128,801.66	6,439,803,940.00	11.92%	336.23%	28.10%
<b>Other Taxes</b>	110,188,239.14	659,282,849.67	651,546,000.00	1.19%	498.32%	75.69%
CGT & CGT Withholding	47,359,766.91	351,059,775.51	521,300,000.00	-32.66%	641.26%	117.67%
Other Indirect Taxes	62,630,249.75	302,455,256.84	77,360,000.00	290.97%	382.92%	41.81%
Tobacco Levy	198,222.48	5,767,817.32	52,886,000.00	-89.09%	2809.77%	0.00%
<b>Carbon Tax</b>	24,885,594.82	1,160,302,234.72	646,000,000.00	79.61%	4562.55%	1269.12%
<b>DFIR</b>	165,158,591.07	610,873,744.93	2,845,712,000.00	-78.53%	269.87%	8.61%
<b>Gross Non Tax</b>	10,628,403.03	1,895,164,663.65	37,000,000.00	5022.07%	17731.13%	5135.98%
<i>Less Other Refunds</i>	<i>1,273,399.66</i>	<i>1,592,430.76</i>			25.05%	0.00%
<b>Net Non-Tax</b>	9,355,003.37	1,893,572,232.89	37,000,000.00	5017.76%	20141.28%	5843.70%
<b>Total Net Revenue</b>	13,876,356,641.22	88,264,197,934.77	86,521,852,238.00	2.01%	536.08%	86.78%
<b>Total Gross Revenue</b>	14,327,291,401.68	90,616,212,363.20	86,521,852,238.00	4.73%	532.47%	85.72%

The following graph shows a comparison of revenue collections for Q1 2021 and 2020 as well as the 2021 targets for each revenue head.

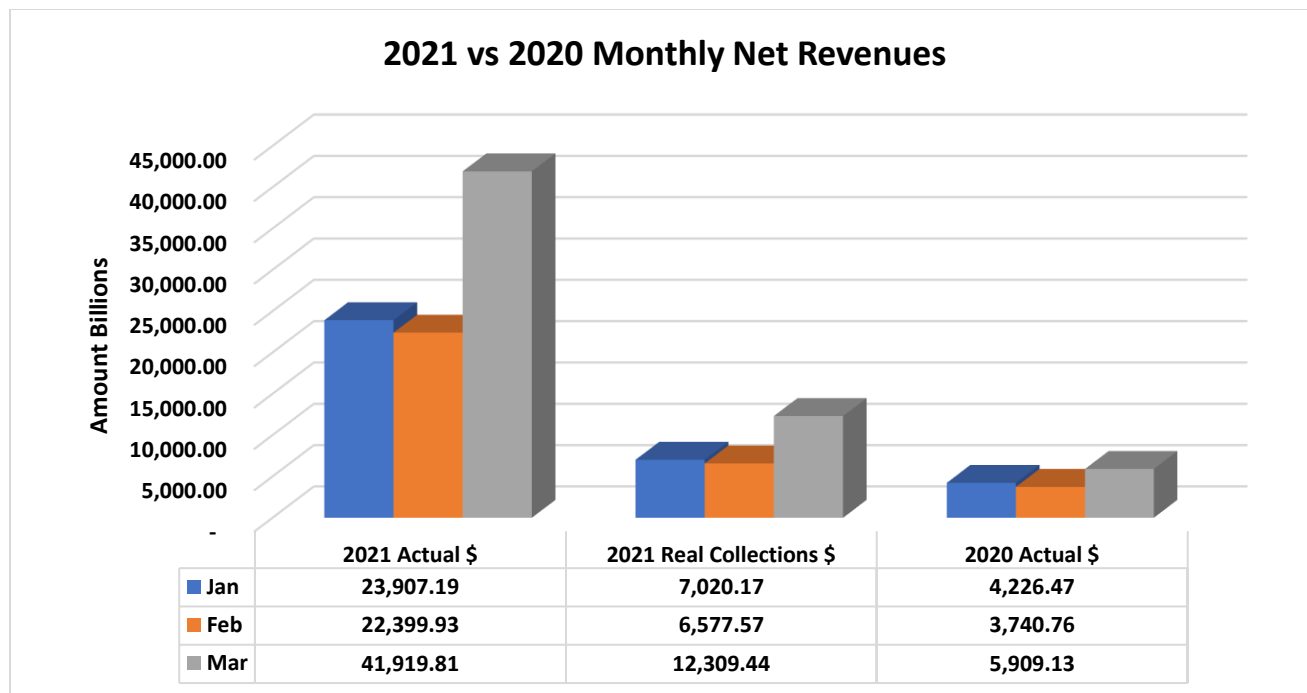


*Figure 1: 2021/2020 First Quarter Revenue Comparison by Tax Head*

All revenue heads grew positively in Q1 2021 when compared to the same period last year, though some revenue heads missed their current quarterly targets. The growth in revenue has been mostly attributed to revenue enhancement measures undertaken by the Authority and inflationary pressures affecting pricing models of goods and services in the economy.

### 2.3 Comparison of monthly net revenue collected (Jan to March 2020 Vs Jan to March 2021)

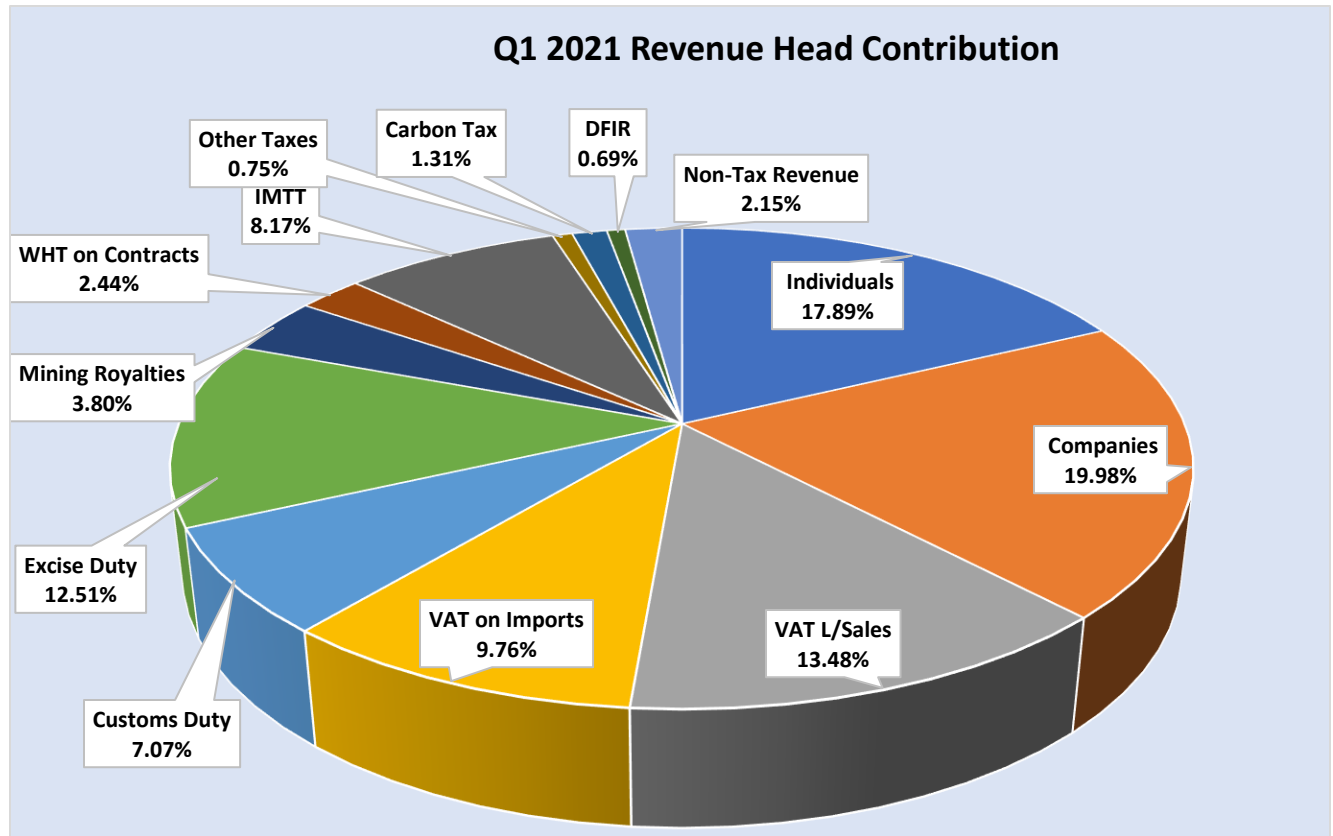
Monthly revenue collections depicted a positive trajectory and recorded significant growth from 2020, despite the negative impact of the COVID-19 induced lockdown during the first quarter of 2021. The Chart below shows the 2020-2021 month on month net revenue collections comparisons:



*Figure 2: Comparison Of Monthly Net Revenue Collections, 2021 Vs 2020*

## 2.4 Distribution of net revenue collected by Revenue Head

The Chart below shows net revenue contribution (%) by Revenue Head. Major contributors to net revenue collections for the quarter were: Companies (**19.98%**), Individuals (**17.89%**), VAT on Local Sales (**13.48%**), Excise Duty (**12.51%**) and VAT on Imports (**9.76%**).



*Figure 3: 2021 Q1 Revenue Contributions by Tax Head*

- **Companies:** The foreign currency Auction System has assisted industry to maintain or expand operations as companies were able to acquire raw materials at official exchange rates. Extra efforts made by ZIMRA to carry out compliance enforcement programmes in the difficult circumstances enhanced revenue collections for the first Quarterly Payment Date (QPD). Relaxation of lockdown restrictions late into the quarter assisted companies to increase productivity, which resulted in improved revenue collections.
- **Individuals:** Most employers continued adjusting salaries and wages upwards in line with the increasing cost of living at the beginning of the quarter. The continuous salary adjustments and cost of living adjustments enhanced individual nominal income resulting in the positive performance of this tax head.
- **VAT on Local Sales:** Contributions from this revenue head were **13.48%** though the quarterly target was missed by **20.71%**. Consumption by individuals and corporates was negatively affected during the COVID-19 lockdowns introduced in January 2021. Consumption was focused towards buying basic commodities, which are either exempt or zero rated.

- **VAT on Imports:** The tax head contributed **9.76%** to total revenue and it narrowly surpassed the set target by **1.09%**. The performance under this revenue head could have been better if no restrictions were imposed on trade and travel during the lockdown. Opening up of borders to the general public and all types of cargo will enhance its performance in the short-run as most companies will be importing various production requirements.
  
- **Customs Duty and Excise Duty:** These two revenue heads performed below the set targets because of the lockdowns. The closure of ports of entry to the general public with the exception of trucks bringing in essential commodities affected revenue collections significantly. Some traders opted to use undesignated crossing points where they were smuggling goods that were liable for duty payments. As for Excise Duty, though the consumption of beer and wines was not affected, revenue collected from petroleum products declined as most companies had to close shop or maintain minimal operations.
  
- **IMTT:** The revenue head performed above target as the majority of payments were processed through electronic platforms during the lockdown, which started early January through to February. Electronic payment systems have been convenient and they reduce the physical interaction of people during this pandemic.

### 3. Ease of doing business

ZIMRA has been working around the clock to facilitate smooth running of operations even during the lockdown period through system automation. System challenges were experienced at the beginning of the quarter as ZIMRA's efforts to enforce fiscalization coincided with the seasonal pressures resulting from tax clearance renewals.

### 4. Plugging of revenue leakages

Restrictions on movement of vehicular and human traffic during the lockdown period created some risks to revenue collection as travelers opted to use undesignated ports of entry going in and out of the country. Through joint operations with the security departments and border management committees, efforts are being made to bring normalcy to facilitation of trade and travel. Furthermore, the fight against corruption has been elevated to higher levels as ZIMRA seeks to seize and auction vehicles that are found transporting smuggled goods.



## 5. Summary revenue enhancement strategies

During the first quarter of 2021 the Authority implemented the following revenue enhancement measures:

- **Rigorous and aggressive publicity on ZIMRA Online Services and Tax Due Dates:** Notices were circulated as reminders to the tax paying public and digital advertisements were also published and shared.
- **Foreign Currency Awareness Campaign Project** - Focus of the project is to enlighten the transacting public on the need to insist on foreign currency receipts whenever they purchase goods and services in foreign currency. ZIMRA is using this campaign to flash out and bring to book unscrupulous dealers who are selling goods and services in foreign currency but issuing receipts in a currency that does not match the currency tendered.
- **Effective debt management:** Follow-ups were made on outstanding tax remittances and returns.
- **Risk based audits:** Audits performed were selected using a specified risk criterion, which targeted areas of high revenue exposure.
- **Post Clearance Compliance Enforcement:** Border patrols were re-enforced to curb smuggling activities, which were rife during the lockdown period. Post-clearance was extended to document checks on under-declarations and compliance checks on most processes.
- **Pre-clearance checks:** The initiative was introduced to expedite the clearance of goods on ports of entry.

## 6. E-Services Challenges

ZIMRA faced E-Services System challenges, which negatively affected clients applying for Tax Clearance Certificates. Clients failed to access the system due to limited capacity and congestion. Management had to resort to alternative workarounds at the same time contracting the E-Services Systems provider to work on enhancements to ease the challenge. As a long-term solution, ZIMRA is working on acquiring a new system, which will go a long way towards easing the burden of executing tax transactions.

## 7. Leadership Changes

The Authority bade farewell to Commissioner General, Ms Faith Mazani, with effect from 31 January 2021. She left to join the IMF- Afritac South. The Board appointed Mr. Rameck Masaire as the Acting Commissioner General pending the recruitment of a substantive Commissioner General.

On a sad note, the Authority lost its seasoned Commissioner of Customs & Excise, Mr. Happias Kuzvinzwa who passed away on 26 January 2021 (May His Soul Rest In Eternal Peace).

The Board has also made the following interim appointments:

- Mr. Jephath Mujuru – appointed Acting Commissioner – Customs & Excise
- Mr. Misheck Govha – appointed Acting Commissioner – Domestic Taxes

## 4. Outlook

Improvements being witnessed in the economic environment mainly the stabilisation of the exchange rate due to the forex auction system have created some confidence in the economy. The stability is expected to improve productivity and industrial capacity utilisation. Such developments are expected to enhance the revenue generation capacity for most tax heads, thereby the levels of tax revenue. ZIMRA will continue intensifying automation of processes and improving the delivery of online services. Revenue collections are expected to remain positive in light of the various revenue enhancement initiatives ZIMRA has initiated, especially the drive to tap into the digital economy, which has been growing tremendously.

## 5. Gratitude

On behalf of the ZIMRA Board, I wish to express my gratitude to the Minister of Finance and Economic Development, Honourable Professor M. Ncube and his team for giving us guidance, hope and support during this challenging period. I remain confident that ZIMRA will be able to play its role and fulfil its mandate towards the success of NDS-1.

In addition, my appreciation goes to my fellow Board members, ZIMRA Acting Commissioner General, Executive Management and Staff for their hard work and commitment under the difficult conditions.

I would like to thank the clients for their continued support through fulfilment of their tax obligations and for supporting ZIMRA during the system hiccup. Let us continue the momentum towards building a better Zimbabwe.

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**